

FLAG-EASTERN OIL COMPANY FOR  
ORDER NO. R-3271, EDDY  
NEW MEXICO

CASE NO.

6860

---

APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,  
ETC.

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
9 April 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Flag-Redfern Oil Com- ) CASE  
pany for an exception to Order No. ) 6860  
R-3221, Eddy County, New Mexico. )

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Ernest L. Padilla, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

W. Thomas Kellahin, Esq.  
KELLAHIN & KELLAHIN  
500 Don Gaspar  
Santa Fe, New Mexico 87501

SALLY W. NOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

I N D E X

JOHN SCHERER

|                                    |    |
|------------------------------------|----|
| Direct Examination by Mr. Kellahin | 3  |
| Cross Examination by Mr. Nutter    | 10 |

E X H I B I T S

|  |   |
|--|---|
| Applicant Exhibit One, Plat              | 4 |
| Applicant Exhibit Two, Topographic Map   | 5 |
| Applicant Exhibit Three, Diagram         | 8 |
| Applicant Exhibit Four, Well Information | 8 |
| Applicant Exhibit Five, Water Analysis   | 9 |
| Applicant Exhibit Six, Document          | 9 |

SALLY W. BOYD, C.S.R.

111. 1 Box 193-B  
Sausalito, New Mexico 87501  
Phone (505) 453-7499

1 MR. NUTTER: We'll call next Case Number

2 6860.

3 MR. PADILLA: Application of Flag-Redfern  
4 Oil Company for an exception to Order No. R-3221, Eddy  
5 County, New Mexico.

6 MR. KELLAHIN: Tom Kellahin of Santa Fe,  
7 New Mexico, appearing on behalf of the applicant, and I  
8 have one witness.

9  
10 (Witness sworn.)

11  
12 JOHN SCHERER

13 being called as a witness and having been duly sworn upon  
14 his oath, testified as follows, to-wit:

15  
16 DIRECT EXAMINATION

17 BY MR. KELLAHIN:

18 Q Would you please state your name and by  
19 whom you're employed?

20 A I'm John Scherer and I'm employed as  
21 Production Engineer by Flag-Redfern Oil Company.

22 Q Mr. Scherer, have you previously testi-  
23 fied before the Oil Conservation Division?

24 A No, I have not.

25 Q Would you tell the Examiner when and

BALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (303) 452-7409

1 where you obtained your degree?

2 A I obtained my degree from the University  
3 of Texas at Austin, May, 1977, Bachelor of Science in  
4 mechanical engineering with a minor in petroleum engineering.

5 Q Subsequent to graduation, Mr. Scherer,  
6 where have you been employed as an engineer?

7 A I immediately went to work with Gulf Oil  
8 Corporation in Odessa, Texas, as a drilling engineer and  
9 then a production engineer. I left that firm in June, 1979,  
10 and became employed by Flag-Redfern Oil Company.

11 Q As part of your duties as an engineer  
12 with Flag-Redfern have you made a study of the facts sur-  
13 rounding this application?

14 A Yes, I have.

15 MR. KELLAHIN: We tender Mr. Scherer as  
16 an expert engineer.

17 MR. NUTTER: Mr. Scherer is qualified.

18 Q Would you please turn to the righthand  
19 portion of the packet of exhibits and turn to what we've  
20 marked as Exhibit Number One and identify that for us?

21 A Yes, that is a location plat of our Llano  
22 Federal lease, Section 3, Township 19 South, Range 31 East,  
23 in Eddy County, New Mexico.

24 Q What if any pool is dedicated to that  
25 well?

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 433-7409

1 A This is in the Shugart Pool.

2 Q And this is an oil well?

3 A This is an oil well.

4 Q To which 40 acres is dedicated?

5 A Correct.

6 Q All right, sir.

7 Would you turn to Exhibit Number Two,  
8 which I think is on a larger scale here, and let me ask you  
9 a few questions about that exhibit.

10 First of all, tell us what Exhibit Number  
11 Two is.

12 A This is a topographic map of portions of  
13 Eddy and Lea County, identifying our lease, and known water  
14 wells in the vicinity.

15 Q All right, what are you proposing to do,  
16 Mr. Scherer, with this application?

17 A We propose to dispose of our produced  
18 water off of this lease in an unlined surface pit.

19 Q And what is the approximate volume of  
20 water to be disposed of in an unlined surface pit?

21 A It is currently running between 40 and  
22 45 barrels per day.

23 Q And where will that pit be located in  
24 relation to the well?

25 A It will be located on the southeast cor-

SALLY W. NOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

ner of the pad.

Q When was this well completed?

A This well was completed in January of this

year.

Q And what's your current approximate daily production on oil?

A It's approximately 17 barrels of oil per day and 44 barrels of water.

Q In preparation of your testimony, Mr. Scherer, have you been in conversation with the State Engineer's office?

A Yes, I have.

Q And have you independently made examinations for -- to determine the existence of any fresh water wells in the area?

A Yes.

Q All right. Could you identify for us on Exhibit Number Two any fresh water wells that your examination has indicated?

A As underlined on the exhibit, there is a water well located in Section 35 to the northeast of us. There is a windmill in Section 9 to the east of us in Lea County, and there is a water well located on the Lusk Ranch to the southwest of us.

Q By the Lusk Ranch, is the location of

SALLY W. BOYD, C.S.R.

Rt. 1 Box 191-B  
Santa Fe, New Mexico 87501  
Phone (505) 431-7409



1 that water well in the approximate section -- is that Section  
2 29, down off the road where it says Lusk Ranch?

3 A That's Section 28 is where the water well  
4 is.

5 Q All right. Based upon the topographical  
6 map, what will be the general direction of drainage for the  
7 water placed in the unlined pit?

8 A It will be in a southerly direction based  
9 on the topographic map and my visual observation of the  
10 terrain.

11 Q Would you describe for us briefly what  
12 this terrain looks like?

13 A It's very flat plain with a general  
14 southerly slope, sparsely populated with sparse grasses and  
15 a few mesquite trees.

16 Q Upon what ranch, surface ownership, is  
17 your well located?

18 A Snyder Ranch.

19 Q Have you been in contact with the foreman  
20 of the Snyder Ranch?

21 A Yes, I have.

22 Q And what has been your conversation with  
23 the surface operator concerning the disposal pit?

24 A They conveyed no objection to me. He  
25 just asked that the pit be fenced, as well as a previous

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-R  
Santitas, New Mexico 87501  
Phone (505) 455-7409

1 exception we had in an adjoining section well, and I as-  
2 sured him it would be.

3 Q All right. Would you identify for us at  
4 this point the other locations in the area for which excep-  
5 tions have been granted for the placement of water in unlined  
6 pits?

7 A Okay, there are several exceptions located  
8 in Section 2, adjoining Section 3. Joe Don Cook has one in  
9 Unit J in Section 2. Keohane and Westall have one in Sec-  
10 tion 2. Mast, Jennings, Keohane, and Westall have two in  
11 Section 2, and Flag-Redfern Oil Company also has an exception  
12 in Section 2.

13 MR. KELLAHIN: If the Examiner please, I  
14 believe the Commission records indicate that Joe Don Cook  
15 has another exception in Section 1; Division Order R-6224,  
16 entered on January 9th, 1980, approves a disposal in an un-  
17 lined surface pit in Unit L of Section 1.

18 Q Mr. Scherer, would you refer to Exhibit  
19 Three and identify that?

20 A Exhibit Three is a diagram of the surface  
21 pit we intend to install.

22 Q If you'll turn to the left side of the  
23 exhibit folder and identify Exhibit Number Four.

24 A Exhibit Number Four is well information  
25 on our Llano Federal Well location, field name, the producing

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, N.M. 87501

Phone (505) 435-7409

1 formation, it produces out of the Queen and the Grayburg, the  
2 initial potential, and the current production on the well,  
3 which I might add, is holding steady at this.

4 Q Exhibit Number Five?

5 A Exhibit Number Five is a water analysis  
6 performed in March of this year for us, stating the specifi-  
7 cations of the produced water.

8 Q And Exhibit Number Six?

9 A Exhibit Number Six outlines our current  
10 water disposal cost for this well.

11 Q What is currently being done with the pro-  
12 duced salt water?

13 A It is being sold to Jim's Water Service  
14 in Artesia, who disposes of it for us.

15 Q And this is a tabulation of those costs  
16 based upon the disposal by trucking?

17 A Correct. It's currently \$1100 to \$1200  
18 per month, running in the range of \$13 - \$14,000 per year.

19 Q In your opinion, Mr. Scherer, if this  
20 application is approved, will that result in the recovery of  
21 oil that would otherwise not be recovered?

22 A Yes. This is a substantial operating cost  
23 to us and will result in a premature plugging of the well if  
24 we have to continue this.

25 Q In your opinion is there a potential for

BALLY W. BOYD, C.S.I.

R. 1 Box 191-B  
Santa Fe, New Mexico 87501  
Phone (505) 435-7409

1 the contamination of any fresh water source in the area?

2 A No.

3 Q The water wells in the area are completed  
4 at approximate depth of what, Mr. Scherer?

5 A The State Engineer's office indicated to  
6 me from between 175 to 250 feet.

7 Q Would you indicate for us what's contained  
8 on Exhibit Number Six?

9 A This is just a list of the exceptions to  
10 Order No. R-3221 in Section 2, adjoining our section.

11 Q In your opinion, Mr. Scherer, will approval  
12 of this application be in the best interests of conservation,  
13 and the prevention of waste?

14 A Most definitely.

15 Q Were Exhibits One through Six prepared by  
16 you or compiled under your direction?

17 A Yes.

18 MR. KELLAHIN: If the Examiner please,  
19 we move the introduction of Exhibits One through Six.

20 MR. NUTTER: Applicant's Exhibits One  
21 through Six will be admitted in evidence.

22 CROSS EXAMINATION

23 BY MR. NUTTER:

24 Q Mr. Scherer, I gathered from your comments

SALLY W. BOYD, C.S.R.

Rt. 1 Box 195-B  
Santa Fe, New Mexico 87501  
Phone (505) 435-7409

1 earlier that you have been out on the site.

2 A Yes, sir, I am very familiar with this  
3 location.

4 Q Okay, where is the Snyder ranch house?

5 A I think it's to the east of us. I have  
6 not been to the actual ranch house.

7 Q Where is the nearest ranch house to this  
8 40-acre tract where you're proposing your pit?

9 A I think the nearest ranch house is the  
10 Lusk Ranch, as outlined on this.

11 Q Which is approximately four to five miles  
12 south, southwest?

13 A Correct.

14 Q Are there any stock watering facilities  
15 in the immediate vicinity of your proposed pit?

16 A Only the windmill that's located appro-  
17 ximately four miles to the east.

18 Q I see. And what about this water well to  
19 the north up here in Section 35? What's that for?

20 A I think that is used currently by many  
21 of the operators in this area as a water supply source.  
22 I've seen no stock pits located at the location of that  
23 water well.

24 Q Do you know the quality of that water?

25 A No, sir. I don't.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Harris Co, New Mexico 87301  
Phone (505) 453-7409

1 Q Now the topography, as indicated by your  
2 Exhibit Two, would indicate that there's surface drainage  
3 to the south and to the southwest into this big draw over  
4 here that composes the left half of Exhibit Number Two.

5 A This exhibit is on a small scale and it  
6 exaggerates the slope. The slope is very gentle in that  
7 direction, but it does slope that direction.

8 Q These contour lines are 10-foot lines,  
9 aren't they?

10 A Correct.

11 Q Do you know how deep this water well is  
12 up in Section 35?

13 A No, sir, I don't.

14 Q Can you get some information on that  
15 water well, find out who operates it, what the water is used  
16 for, a water analysis, if possible, and what the depth is?

17 A Yes, sir, that would be possible.

18 Q Please do.

19 MR. NUTTER: Are there any further ques-  
20 tions of Mr. Scherer? He may be excused.

21 Does anyone have anything they wish to  
22 offer in Case Number 6860?

23 We'll take the case under advisement.

24

25

(Hearing concluded.)

SALLY W. BOYD, C.S.R.

Rt. 1 Box 113-B  
Santa Fe, New Mexico 87501  
Phone (505) 435-7409

REPORTER'S CERTIFICATE

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-409

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6862 heard by me on 4/9 1980.

[Signature], Examiner  
Oil Conservation Division

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 6860  
Order No. R-6324

APPLICATION OF FLAG-REDFERN OIL  
COMPANY FOR AN EXCEPTION TO ORDER  
NO. R-3221, AS AMENDED, EDDY  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 9, 1980,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 24th day of April, 1980, the Division  
Director, having considered the testimony, the record, and the  
recommendations of the Examiner, and being fully advised in the  
premises,

FINDS:

(1) That due public notice having been given as required  
by law, the Division has jurisdiction of this cause and the  
subject matter thereof.

(2) That the applicant, Flag-Redfern Oil Company, is the  
owner and operator of the Llano Federal Well No. 1, located in  
Unit P of Section 3, Township 19 South, Range 31 East, NMPM,  
Shugart Pool, Eddy County, New Mexico.

(3) That Order (3) of Division Order No. R-3221, as  
amended, prohibits in that area encompassed by Lea, Eddy, Chaves,  
and Roosevelt Counties, New Mexico, the disposal, subject to  
minor exceptions, of water produced in conjunction with the  
production of oil or gas, or both, on the surface of the ground,  
or in any pit, pond, lake, depression, draw, streambed, or  
arroyo, or in any watercourse, or in any other place or in any  
manner which would constitute a hazard to any fresh water sup-  
plies and said disposal has not previously been prohibited.



-2-

Case No. 6860  
Order No. R-6324

(4) That the aforesaid Order No. R-3221 was issued in order to afford reasonable protection against contamination of fresh water supplies designated by the State Engineer through disposal of water produced in conjunction with the production of oil or gas, or both, in unlined surface pits.

(5) That the State Engineer has designated, pursuant to Section 65-3-11 (15), N.M.S.A., 1953 Compilation, all underground water in the State of New Mexico containing 10,000 parts per million or less of dissolved solids as fresh water supplies to be afforded reasonable protection against contamination; except that said designation does not include any water for which there is no present or reasonably foreseeable beneficial use that would be impaired by contamination.

(6) That the applicant seeks as an exception to the provisions of the aforesaid Order (3) to permit the disposal of salt water produced by applicant's above-described well into an unlined surface pit located in Unit P of said Section 3.

(7) That applicant's Llano Federal Well No. 1 produces approximately 44 barrels of water per day.

(8) That there appears to be no shallow fresh water in the vicinity of the subject pit for which a present or reasonably foreseeable beneficial use is or will be made that would be impaired by contamination from the subject pit.

(9) That the applicant should be permitted to dispose of water produced from said Llano Federal Well No. 1 in an unlined surface pit on said lease until further order of the Division.

IT IS THEREFORE ORDERED:

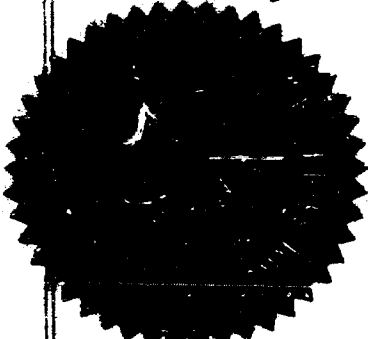
(1) That the applicant, Flag-Redfern Oil Company, is hereby granted an exception to Order (3) of Division Order No. R-3221, as amended, to dispose of water produced in conjunction with the production of oil or gas, or both, from its Llano Federal Well No. 1, located in Unit P of Section 3, Township 19 South, Range 31 East, NMPM, Shugart Pool, Eddy County, New Mexico, in an unlined surface pit located in Unit P of said Section 3, until further order of the Division.

(2) That the Director of the Division may by administrative order rescind such authority whenever it reasonably appears to the Director that such rescission would serve to protect fresh water supplies from contamination.

-3-  
Case No. 6860  
Order No. R-6324

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*Joe D. Ramey*  
JOE D. RAMEY  
Director

fd/

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
9 April 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Flag-Redfern Oil Com- ) CASE  
pany for an exception to Order No. ) 6860  
R-3221, Eddy County, New Mexico. )

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Ernest L. Padilla, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

W. Thomas Kellahin, Esq.  
KELLAHIN & KELLAHIN  
500 Don Gaspar  
Santa Fe, New Mexico 87501

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 433-7409

# I N D E X

JOHN SCHERER

|                                    |    |
|------------------------------------|----|
| Direct Examination by Mr. Kellahin | 3  |
| Cross Examination by Mr. Nutter    | 10 |

# E X H I B I T S

|  |   |
|--|---|
| Applicant Exhibit One, Plat              | 4 |
| Applicant Exhibit Two, Topographic Map   | 5 |
| Applicant Exhibit Three, Diagram         | 8 |
| Applicant Exhibit Four, Well Information | 8 |
| Applicant Exhibit Five, Water Analysis   | 9 |
| Applicant Exhibit Six, Document          | 9 |

SALLY W. BOYD, C.S.R.

Rt. 1 Box 192-B  
Sanda Is., New Mexico 87501  
Phone (505) 455-7409

SALLY W. BOYD, C.S.R.

Box 198-B  
Santa Fe, New Mexico 87501  
Phone (505) 453-7409

Page 3

MR. NUTTER: We'll call next Case Number

6850.

MR. PADILLA: Application of Flag-Redfern Oil Company for an exception to Order No. R-3221, Eddy County, New Mexico.

MR. KELLAHIN: Tom Kellahin of Santa Fe, New Mexico, appearing on behalf of the applicant, and I have one witness.

(Witness sworn.)

JOHN SCHERER

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you please state your name and by whom you're employed?

A I'm John Scherer and I'm employed as Production Engineer by Flag-Redfern Oil Company.

Q Mr. Scherer, have you previously testified before the Oil Conservation Division?

A No, I have not.

Q Would you tell the Examiner when and

1 where you obtained your degree?

2 A I obtained my degree from the University  
3 of Texas at Austin, May, 1977, Bachelor of Science in  
4 mechanical engineering with a minor in petroleum engineering.

5 Q Subsequent to graduation, Mr. Scherer,  
6 where have you been employed as an engineer?

7 A I immediately went to work with Gulf Oil  
8 Corporation in Odessa, Texas, as a drilling engineer and  
9 then a production engineer. I left that firm in June, 1979,  
10 and became employed by Flag-Redfern Oil Company.

11 Q As part of your duties as an engineer  
12 with Flag-Redfern have you made a study of the facts sur-  
13 rounding this application?

14 A Yes, I have.

15 MR. KELLAHIN: We tender Mr. Scherer as  
16 an expert engineer.

17 MR. NUTTER: Mr. Scherer is qualified.

18 Q Would you please turn to the righthand  
19 portion of the packet of exhibits and turn to what we've  
20 marked as Exhibit Number One and identify that for us?

21 A Yes, that is a location plat of our Llano  
22 Federal lease, Section 3, Township 19 South, Range 31 East,  
23 in Eddy County, New Mexico.

24 Q What if any pool is dedicated to that  
25 well?

SALLY W. BOYD, C.S.R.

El Paso 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 435-7409

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 435-7409

1 A This is in the Shugart Pool.

2 Q And this is an oil well?

3 A This is an oil well.

4 Q To which 40 acres is dedicated?

5 A Correct.

6 Q All right, sir.

7 Would you turn to Exhibit Number Two,  
8 which I think is on a larger scale here, and let me ask you  
9 a few questions about that exhibit.

10 First of all, tell us what Exhibit Number  
11 Two is.

12 A This is a topographic map of portions of  
13 Eddy and Lea County, identifying our lease, and known water  
14 wells in the vicinity.

15 Q All right, what are you proposing to do,  
16 Mr. Scherer, with this application?

17 A We propose to dispose of our produced  
18 water off of this lease in an unlined surface pit.

19 Q And what is the approximate volume of  
20 water to be disposed of in an unlined surface pit?

21 A It is currently running between 40 and  
22 45 barrels per day.

23 Q And where will that pit be located in  
24 relation to the well?

25 A It will be located on the southeast cor-

1 ner of the pad.

2 Q When was this well completed?

3 A This well was completed in January of this  
4 year.

5 Q And what's your current approximate daily  
6 production on oil?

7 A It's approximately 17 barrels of oil per  
8 day and 44 barrels of water.

9 Q In preparation of your testimony, Mr.  
10 Scherer, have you been in conversation with the State En-  
11 gineer's office?

12 A Yes, I have.

13 Q And have you independently made examina-  
14 tions for -- to determine the existence of any fresh water  
15 wells in the area?

16 A Yes.

17 Q All right. Could you identify for us on  
18 Exhibit Number Two any fresh water wells that your examina-  
19 tion has indicated?

20 A As underlined on the exhibit, there is a  
21 water well located in Section 35 to the northeast of us.  
22 There is a windmill in Section 9 to the east of us in Lea  
23 County, and there is a water well located on the Lusk Ranch  
24 to the southwest of us.

25 Q By the Lusk Ranch, is the location of

SALLY W. BOYD, C.S.R.

Rt. 1 Box 199-B  
Santa Fe, New Mexico 87501  
Phone (505) 435-7409



1 that water well in the approximate section -- is that Section  
2 29, down off the road where it says Lusk Ranch?

3 A That's Section 28 is where the water well  
4 is.

5 Q All right. Based upon the topographical  
6 map, what will be the general direction of drainage for the  
7 water placed in the unlined pit?

8 A It will be in a southerly direction based  
9 on the topographic map and my visual observation of the  
10 terrain.

11 Q Would you describe for us briefly what  
12 this terrain looks like?

13 A It's very flat plain with a general  
14 southerly slope, sparsely populated with sparse grasses and  
15 a few mesquite trees.

16 Q Upon what ranch, surface ownership, is  
17 your well located?

18 A Snyder Ranch.

19 Q Have you been in contact with the foreman  
20 of the Snyder Ranch?

21 A Yes, I have.

22 Q And what has been your conversation with  
23 the surface operator concerning the disposal pit?

24 A They conveyed no objection to me. He  
25 just asked that the pit be fenced, as well as a previous

SALLY W. BOYD, C.S.R.

El. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 433-7409

1 exception we had in an adjoining section well, and I as-  
2 sured him it would be.

3 Q All right. Would you identify for us at  
4 this point the other locations in the area for which excep-  
5 tions have been granted for the placement of water in unlined  
6 pits?

7 A Okay, there are several exceptions located  
8 in Section 2, adjoining Section 3. Joe Don Cook has one in  
9 Unit J in Section 2. Keohane and Westall have one in Sec-  
10 tion 2. Mast, Jennings, Keohane, and Westall have two in  
11 Section 2, and Flag-Redfern Oil Company also has an exception  
12 in Section 2.

13 MR. KELLAHIN: If the Examiner please, I  
14 believe the Commission records indicate that Joe Don Cook  
15 has another exception in Section 1; Division Order R-6224,  
16 entered on January 9th, 1980, approves a disposal in an un-  
17 lined surface pit in Unit L of Section 1.

18 Q Mr. Scherer, would you refer to Exhibit  
19 Three and identify that?

20 A Exhibit Three is a diagram of the surface  
21 pit we intend to install.

22 Q If you'll turn to the left side of the  
23 exhibit folder and identify Exhibit Number Four.

24 A Exhibit Number Four is well information  
25 on our Llano Federal Well location, field name, the producing

SALLY W. BOYD, C.S.R.

Rt. 1 Box 195-B  
Santa Fe, New Mexico 87501  
Phone (505) 435-7409

1 formation, it produces out of the Queen and the Grayburg, the  
2 initial potential, and the current production on the well,  
3 which I might add, is holding steady at this.

4 Q Exhibit Number Five?

5 A Exhibit Number Five is a water analysis  
6 performed in March of this year for us, stating the specifi-  
7 cations of the produced water.

8 Q And Exhibit Number Six?

9 A Exhibit Number Six outlines our current  
10 water disposal cost for this well.

11 Q What is currently being done with the pro-  
12 duced salt water?

13 A It is being sold to Jim's Water Service  
14 in Artesia, who disposes of it for us.

15 Q And this is a tabulation of those costs  
16 based upon the disposal by trucking?

17 A Correct. It's currently \$1100 to \$1200  
18 per month, running in the range of \$13 - \$14,000 per year.

19 Q In your opinion, Mr. Scherer, if this  
20 application is approved, will that result in the recovery of  
21 oil that would otherwise not be recovered?

22 A Yes. This is a substantial operating cost  
23 to us and will result in a premature plugging of the well if  
24 we have to continue this.

25 Q In your opinion is there a potential for

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 453-7409

1 the contamination of any fresh water source in the area?

2 A No.

3 Q The water wells in the area are completed  
4 at approximate depth of what, Mr. Scherer?

5 A The State Engineer's office indicated to  
6 me from between 175 to 250 feet.

7 Q Would you indicate for us what's contained  
8 on Exhibit Number Six?

9 A This is just a list of the exceptions to  
10 Order No. R-3221 in Section 2, adjoining our section.

11 Q In your opinion, Mr. Scherer, will approval  
12 of this application be in the best interests of conservation,  
13 and the prevention of waste?

14 A Most definitely.

15 Q Were Exhibits One through Six prepared by  
16 you or compiled under your direction?

17 A Yes.

18 MR. KELLAHIN: If the Examiner please,  
19 we move the introduction of Exhibits One through Six.

20 MR. NUTTER: Applicant's Exhibits One  
21 through Six will be admitted in evidence.

22  
23 CROSS EXAMINATION

24 BY MR. NUTTER:

25 Q Mr. Scherer, I gathered from your comments

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

1 earlier that you have been out on the site.

2 A Yes, sir, I am very familiar with this  
3 location.

4 Q Okay, where is the Snyder ranch house?

5 A I think it's to the east of us. I have  
6 not been to the actual ranch house.

7 Q Where is the nearest ranch house to this  
8 40-acre tract where you're proposing your pit?

9 A I think the nearest ranch house is the  
10 Lusk Ranch, as outlined on this.

11 Q Which is approximately four to five miles  
12 south, southwest?

13 A Correct.

14 Q Are there any stock watering facilities  
15 in the immediate vicinity of your proposed pit?

16 A Only the windmill that's located appro-  
17 ximately four miles to the east.

18 Q I see. And what about this water well to  
19 the north up here in Section 35? What's that for?

20 A I think that is used currently by many  
21 of the operators in this area as a water supply source.  
22 I've seen no stock pits located at the location of that  
23 water well.

24 Q Do you know the quality of that water?

25 A No, sir, I don't.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 433-7419

1 Q Now the topography, as indicated by your  
2 Exhibit Two, would indicate that there's surface drainage  
3 to the south and to the southwest into this big draw over  
4 here that composes the left half of Exhibit Number Two.

5 A This exhibit is on a small scale and it  
6 exaggerates the slope. The slope is very gentle in that  
7 direction, but it does slope that direction.

8 Q These contour lines are 10-foot lines,  
9 aren't they?

10 A Correct.

11 Q Do you know how deep this water well is  
12 up in Section 35?

13 A No, sir, I don't.

14 Q Can you get some information on that  
15 water well, find out who operates it, what the water is used  
16 for, a water analysis, if possible, and what the depth is?

17 A Yes, sir, that would be possible.

18 Q Please do.

19 MR. NUTTER: Are there any further ques-  
20 tions of Mr. Scherer? He may be excused.

21 Does anyone have anything they wish to  
22 offer in Case Number 6860?

23 We'll take the case under advisement.

24

25

(Hearing concluded.)

SALLY W. BOYD, C.S.R.

St. 1 Box 193-B  
Sarasota, Fla., New Mexico 87501  
Phone (505) 455-7409

REPORTER'S CERTIFICATE

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

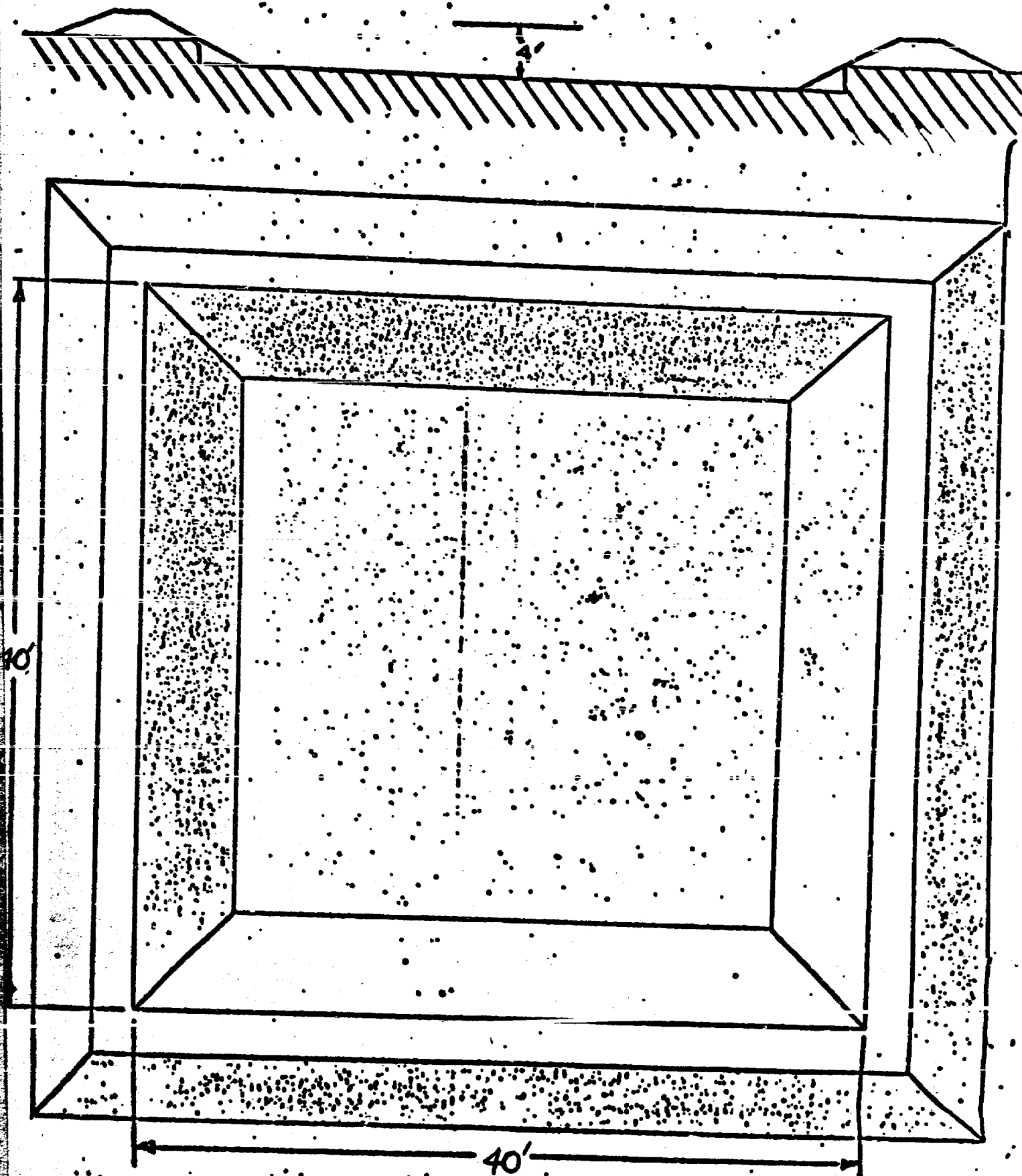
Sally W. Boyd C.S.R.

SALLY W. BOYD, C.S.R.

Rt. Box 190-B  
Sault Ste. Marie, Michigan 49783  
Phone (505) 455-7409

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 680 heard by me on 4/9 1970.

[Signature], Examiner  
Oil Conservation Division



Schematic of Proposed Pit  
Flag-Redfern Oil Company  
Llano Federal Lease



BEFORE EXAMINER NUTTER  
OIL CONSERVATION DIVISION

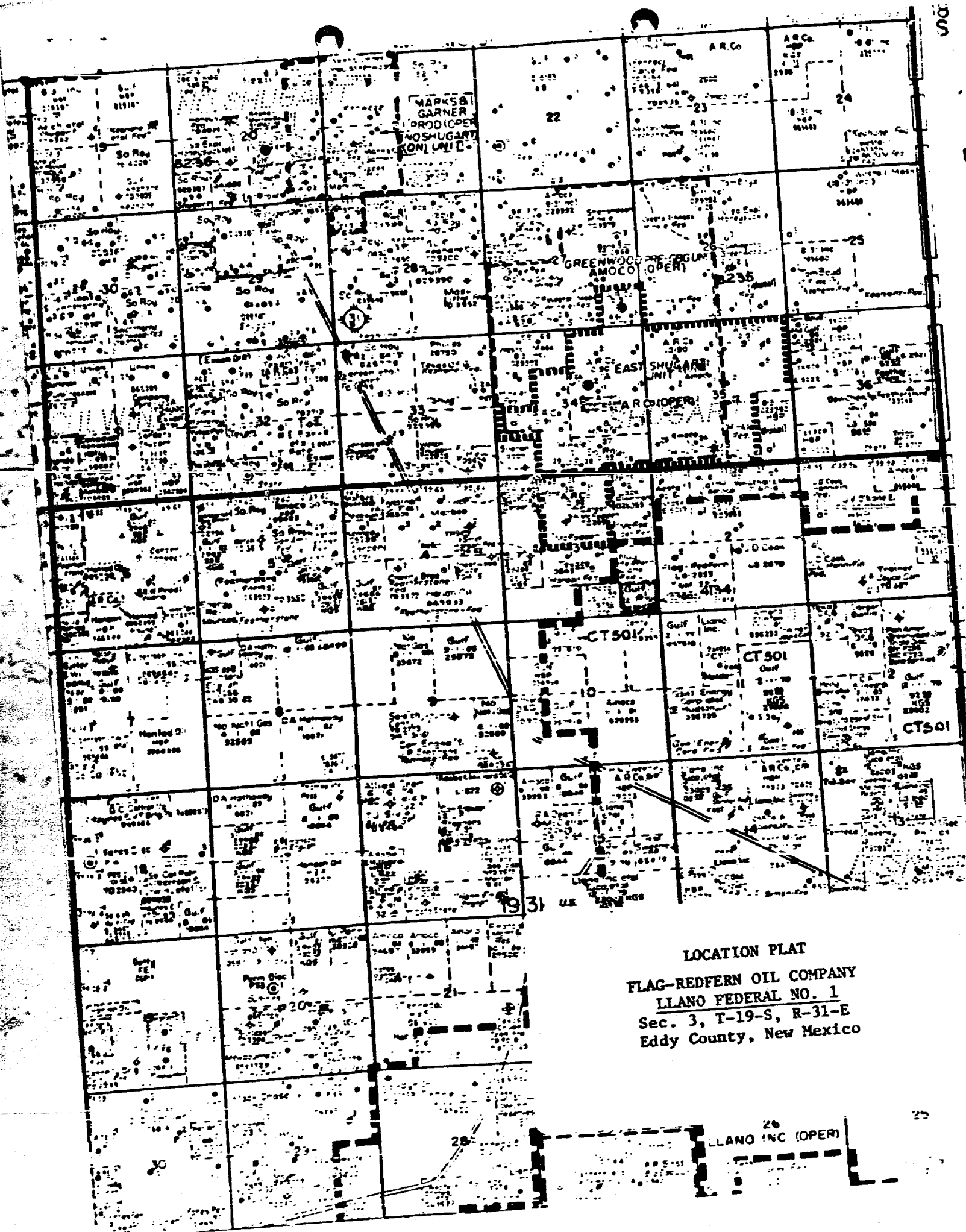
*Flay Redman* EXHIBIT NO. 3  
CASE NO. 6860

**Table of Contents**

**Location Plat**

**Topographic Map**

**Schematic of Pit**



LOCATION PLAT  
FLAG-REDFERN OIL COMPANY  
LLANO FEDERAL NO. 1  
Sec. 3, T-19-S, R-31-E  
Eddy County, New Mexico

BEFORE EXAMINER NUTTER  
OIL CONSERVATION DIVISION

*Flag Referee* EXHIBIT NO. 1  
CASE NO. 6860

**Table of Contents**

**Well Information**

**Water Analysis**

**Current Disposal Cost**

**Exceptions to Order No. R-3221**

WELL INFORMATION

Operator: Flag-Redfern Oil Company  
Well Name: Llano Federal No. 1  
Lease No.: NM-23002  
Location: 660' FEL & 660' FSL, Section 3,  
Unit P, T-19-S, R-31-E  
Field Name: Shugart  
Producing Formation: Queen, Grayburg  
Producing Intervals: Queen 3381-3435  
Grayburg 3827-3916  
Initial Potential: 1-29-80 Pumped 24 hrs.  
28.1 BO, 41 BW, 14 MCF  
GOR 498, Gty. 31.8°  
Current Production: 2 25-80 Pumped 24 hrs.  
17 BO, 44 BW

|                           |               |
|---------------------------|---------------|
| BEFORE EXAMINER NUTTER    |               |
| OIL CONSERVATION DIVISION |               |
| Flag-Redfern              | EXHIBIT NO. 4 |
| CASE NO.                  | 6860          |

FLAG-REDFERN OIL COMPANY

Llano Federal No. 1  
Water Analysis

March 11, 1980

|                                    |         |
|------------------------------------|---------|
| Ph                                 | 6.8     |
| Specific Gravity                   | 1.130   |
| Dissolved Solids                   | 102,705 |
| Bicarbonate ( $\text{HCO}_3$ )     | 671     |
| Chlorides (Cl)                     | 57,600  |
| Sulfates ( $\text{SO}_4$ )         | 5,050   |
| Calcium (Ca)                       | 2,960   |
| Magnesium (Mg)                     | 140     |
| Total Hardness ( $\text{CaCO}_3$ ) | 3,100   |

|                           |               |
|---------------------------|---------------|
| BEFORE EXAMINER NUTTER    |               |
| OIL CONSERVATION DIVISION |               |
| Flag-Redfern              | EXHIBIT NO. 5 |
| CASE NO.                  | 6860          |

Current Water Disposal Cost

Current Water Production  
44 barrels water per day

Current Disposal Cost

\$ 0.73 per barrel

+ 13% Fuel Surcharge

+ 3.34% State Tax

.85 per barrel

\$ 1,122 per month

\$13,464 per year

BEFORE EXAMINER NUTTER  
OIL CONSERVATION DIVISION

Flag-Report EXHIBIT NO. 6  
CASE NO. 6860



Exceptions to Order No. R-3221  
Section 2, T-19-S, R-31-E  
Eddy County, New Mexico

Case No. 5950, Order No. R-5472  
Date: June 8, 1977  
Operator: Joe Don Cook  
Lease: State Well No. 1  
Location: Unit J, Section 2, T-19-S, R-31-E

Case No. 4408, Order No. R-4015  
Date: August 19, 1970  
Operator: ~~Keohane~~ and Westall  
Lease: State "E"  
Location: Lot 4, Section 2, T-19-S, R-31-E

Case No. 4169, Order R-3800  
Date: July 9, 1969  
Operator: Mask, Jennings, Keohane, and Westall  
Lease: State  
Location: E/2 NW/4 and the NE/4, Section 2,  
T-19-S, R-31-E

Case No. 6594, Order No. R-6083  
Date: August 16, 1979  
Operator: Flag-Redfern Oil Company  
Lease: New Mexico State  
Location: Unit K, Section 2, T-19-S, R-31-E

*Unit K location  
R-6244  
Unit K Section*

BEFORE EXAMINER NUTTER  
OIL CONSERVATION DIVISION

EXHIBIT NO. \_\_\_\_\_  
CASE NO. \_\_\_\_\_



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

**April 24, 1980**

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-2434

**Mr. Thomas Kellahin  
Kellahin & Kellahin  
Attorneys at Law  
Post Office Box 1769  
Santa Fe, New Mexico**

Re: CASE NO. 6860  
ORDER NO. R-6324

**Applicant:**

**Flag-Redfern Oil Company**

**Dear Sir:**

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Yours very truly,

JOE D. RAMEY  
Director

**JDR/fd**

**Copy of order also sent to:**

Hobbs OCD           X            
Artesia OCD           X            
Aztec OCD                           

**Other**

Jason Kellahin  
W. Thomas Kellahin  
Karen Aubrey

**KELLAHIN and KELLAHIN**  
*Attorneys at Law*  
500 Don Gaspar Avenue  
Post Office Box 1769  
Santa Fe, New Mexico 87501

Telephone 982-4235  
Area Code 505

April 14, 1980

Mr. Dan Nutter  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

re: Flag Redfern Oil Company  
Case No. 6860

Dear Mr. Nutter:

To supplement our presentation of testimony before you concerning Flag Redfern's application for approval of an exception to Order No. R-3221, I have the following information:

Neither the Santa Fe office nor the Roswell office of the State Engineer has a record of any fresh-water well in Section 35, T18S, R31E, Eddy County, New Mexico.

In addition, I have contacted Mr. Larry Squires of the Snyder Ranches, which is the surface owner of Section 35. He informs me that if there is a fresh-water well in Section 35, he does not know about it and that they are not using any well in Section 35. Mr. Squires states that the closest fresh-water well to the site of Flag Redfern's pit is what Mr. Squires calls his "deep well" located in the Northeast corner of Section 8, T19S, R31E. The deep well produces potable water by windmill for stock purposes from a depth of 600 feet.

Mr. Squires further stated that the nearest ranch houses to the subject location are to the East some six or seven miles and to the West some six miles. The Snyder ranches cover some 300 sections in this area.

Please advise me if you desire any further information.

Very truly yours,

  
W. Thomas Kellahin

cc: Mr. John Scherer

TK:msf



# Flag-Redfern Oil Company

1200 WALL TOWERS WEST • MIDLAND, TEXAS 79701 • PHONE (915) 683-5184

Mailing address:  
P. O. Box 2280  
Midland, Texas 79702

File:

March 14, 1980

New Mexico Oil Conservation Commission  
P.O. Box 2088  
Santa Fe, New Mexico 87501

*Case 6860*

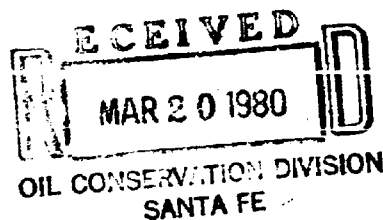
Gentlemen:

Flag-Redfern Oil Company requests a hearing before the Commission seeking an exception to Order No. R-3221 to allow for disposal of produced water in an unlined surface pit. This pit would serve Flag-Redfern's Liano Federal Well No. 1 located in Unit P, Section 3, Township 19 South, Range 31 East, Eddy County, New Mexico. The well is currently producing 17 BOPD and 44 BWPD.

Thank you for your consideration.

Very truly yours,

*John E. Scherer*  
John E. Scherer



Dockets Nos. 12-80 and 13-80 are tentatively set for April 23 and May 7, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING: - WEDNESDAY - APRIL 9, 1980

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- CASE 6850: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Jack F. Grimm, N. B. Hunt, George R. Brown, Am-Arctic, Ltd., The Travelers Indemnity Company, and all other interested parties to appear and show cause why the Mobil 32 Well No. 1 located in Unit D of Section 32, Township 25 South, Range 1 East, Dona Ana County, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6851: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider amendments to its SPECIAL RULES FOR APPLICATIONS FOR WELLHEAD PRICE CEILING CATEGORY DETERMINATIONS as promulgated by Division Order No. R-5878 and amended by R-5878-A. The proposed amendments would make said SPECIAL RULES conform to FERC Order No. 65 which promulgated final regulations implementing filing requirements of the Natural Gas Policy Act of 1978.
- CASE 6852: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider special rules and procedures for the designation of "tight formations" or "tight sands" as outlined in the FERC interim rules and regulations issued February 20, 1980, relating to Section 107(b) of the Natural Gas Policy Act of 1978.
- CASE 6853: Application of Caribou Four Corners, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Cha-Cha-Gallup Pool underlying the N/2 NE/4 of Section 18, Township 29 North, Range 14 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6854: Application of Jack A. Cole for an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of his Apache Hills Well No. 6, 1326 feet from the North line and 1843 feet from the West line of Section 17, Township 23 North, Range 3 West, Ballard-Pictured Cliffs Pool, the NW/4 of said Section 17 to be dedicated to the well.
- CASE 6841: (Continued from March 26, 1980, Examiner Hearing)
- Application of CIG Exploration, Inc. for two non-standard gas proration units, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of two non-standard gas proration units in Township 16 South, Range 28 East, the first being 219.6 acres comprising Lots 1 thru 8 of Section 1 and the second being 219.92 acres comprising Lots 1 thru 8 of Section 2, for the Wolfcamp, Pennsylvanian, and Mississippian formations, each unit to be dedicated to a well to be drilled at a standard location thereon.
- CASE 6855: Application of Dome Petroleum Corporation for an unorthodox well location, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Santa Fe 3 Well No. 1 to be drilled 1220 feet from the North line and 900 feet from the West line of Section 3, Township 21 North, Range 10 West.
- CASE 6856: Application of Texaco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinbry, Tubb-Drinkard, and Fusselman production in the wellbore of its C. C. Fristoe "B" Federal NCT-2 Well No. 6 located in Unit H of Section 34, Township 24 South, Range 37 East, Justis Field.
- CASE 6857: Application of Holly Energy, Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its State 14 Well No. 1, a Morrow test to be drilled 660 feet from the South line and 990 feet from the East line of Section 14, Township 18 South, Range 28 East, the S/2 of said Section 14 to be dedicated to the well.

CASE 6843: (Continued from March 26, 1980, Examiner Hearing)

Application of Yates Petroleum Corporation for two compulsory poolings, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Yeso formation underlying two 40-acre proration units, the first being the SE/4 SE/4 and the second being the SW/4 SE/4 of Section 6, Township 19 South, Range 25 East, Penasco Draw Field, each unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.

CASE 6858: Application of H. L. Brown, Jr. for gas well commingling, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Bluit-Wolfcamp gas and condensate production from ten federal wells located as follows: Units K and P of Section 33 and L of 34, Township 7 South, Range 37 East; Units D and L of Section 3, C and J of 4, I of 5, C of 9 and G of 10; and one free well in D of 10, all in Township 8 South, Range 37 East. Applicant would separate and meter the gas and condensate production from each well, then recombine the well's stream and commingle all wells into a small gasoline plant. Allocation of gas and condensate to each well would be on the basis of wellhead meter readings and allocation of gasoline plant production would be on the basis of gas production and BTU content at each well.

CASE 6859: Application of R & G Drilling Company for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 1890 feet from the North line and 1830 feet from the East line of Section 28, Township 28 North, Range 11 West, Kutz-Fruitland Pool, the NE/4 of said Section 28 to be dedicated to the well.

CASE 6860: Application of Flag-Redfern Oil Company for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221 to permit disposal of produced brine into an unlined surface pit located in Unit P of Section 3, Township 19 South, Range 31 East.

CASE 6861: Application of Zia Energy, Inc. for pool creation, special pool rules, and an NCPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new San Andres oil pool for its State "C" Well No. 1 located in Unit F of Section 17, Township 22 South, Range 37 East, and special rules therefor, including a provision for a limiting gas-oil ratio of 10,000 to 1. Applicant further seeks a new onshore reservoir determination for said State "C" Well No. 1.

CASE 6837: (Continued from March 26, 1980, Examiner Hearing)

Application of Curtis Little for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 7, Township 25 North, Range 3 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6862: Application of ARCO Oil and Gas Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its State 157 "D" Well No. 11 drilled 2123 feet from the South line and 1644 feet from the East line of Section 12, Township 22 South, Range 36 East, Drinkard Pool, the NW/4 SE/4 of said Section 12 to be dedicated to the well.

CASE 6863: Application of Bass Enterprises Production Co. for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Big Eddy Unit Well No. 72 located in Unit R of Section 3, Township 21 South, Range 28 East, to produce undesignated Atoka and Morrow gas thru parallel strings of tubing.

CASE 6864: Application of Grace Petroleum Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Smith Ranch Well No. 11, to be drilled 1980 feet from the North line and 660 feet from the West line of Section 11, Township 20 South, Range 33 East, Teas-Penn Gas Pool, the N/2 of said Section 11 to be dedicated to the well.

**CASE 6846: (Amended)**

In the matter of Case No. 6846 being amended to reflect that the location for the unorthodox location of the well on the second unit is 330 feet from the North line and 2310 feet from the East line of Section 13, Township 21 South, Range 36 East, Lea County.

**CASE 6846: (Continued from March 26, 1980, Examiner Hearing)**

Application of Doyle Hartman for two compulsory poolings, two non-standard gas proration units, and two unorthodox well locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Eumont Gas Pool underlying two 80-acre non-standard gas proration units, the first being the S/2 NE/4 of Section 13, Township 21 South, Range 36 East, to be dedicated to a well to be drilled at an unorthodox location 1650 feet from the North line and 2310 feet from the East line of said Section 13, and the second being the N/2 NE/4 of said Section 13 to be dedicated to a well to be drilled at an unorthodox location 330 feet from the North line and 2310 feet from the East line of said Section 13. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.

**CASE 6865: Application of Getty Oil Company to reopen Case No. 6608, Lea County, New Mexico.**  
Applicant, in the above-styled cause, seeks to reopen Case No. 6608 for consideration of the establishment of maximum efficient rates of withdrawal from the Crama Ridge-Wolfcamp Gas Pool.

\*\*\*\*\*  
Docket No. 10-80

**DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 16, 1980**

8:45 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE:**
- (1) Consideration of the allowable production of gas for May, 1980, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
  - (2) Consideration of the allowable production of gas for May, 1980, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

\*\*\*\*\*  
Docket No. 11-80

**DOCKET: COMMISSION HEARING - WEDNESDAY - APRIL 16, 1980**

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

**CASE 6609: (DE NOVO) (Continued from March 11, 1980, Commission Hearing)**

Application of Napeco Inc. for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Strawn oil pool for its Benson Deep Unit Well No. 1 located in Unit 0 of Section 33, Township 18 South, Range 30 East, and special rules therefor, including 160-acre spacing and standard well locations.

Upon application of Yates Petroleum Corporation and Napeco Inc. this case will be heard De Novo pursuant to the provisions of Rule 1220. Applicants allege this is not an "oil" pool but is a "volatile" oil pool.

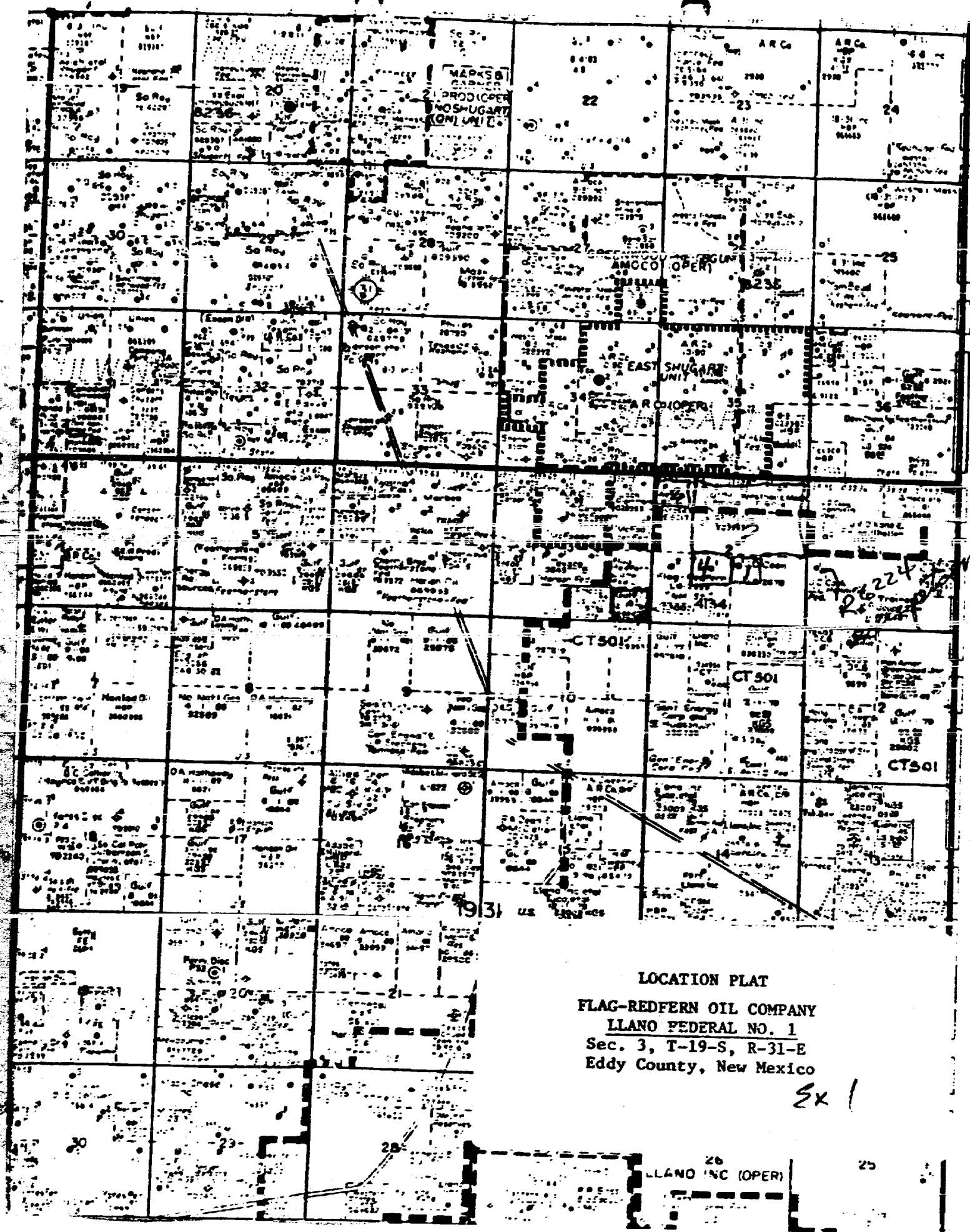
**Table of Contents**

**Location Plat**

**Topographic Map**

**Schematic of Fil**

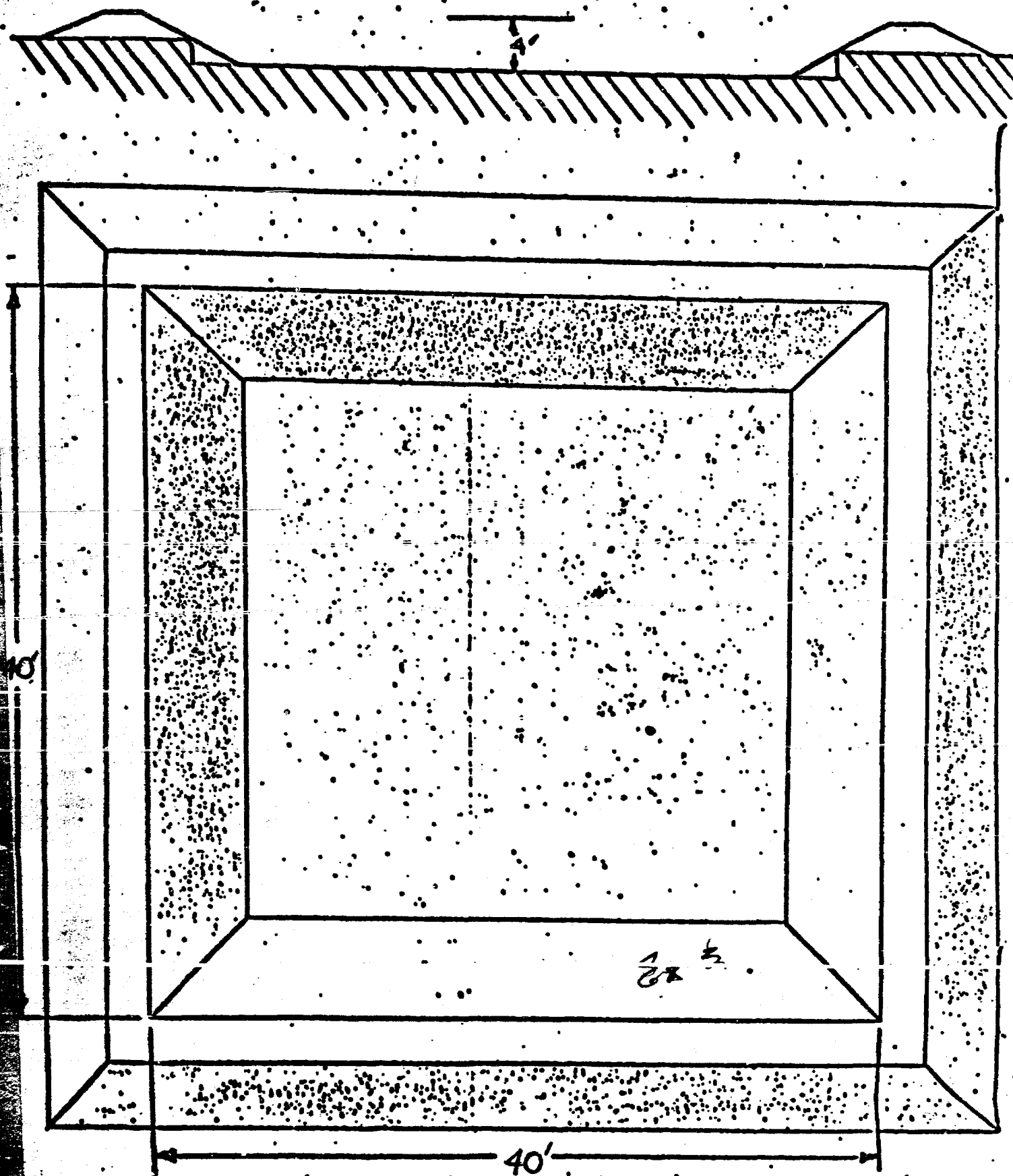




50

125

Ex 1



Schematic of Proposed Pit  
Flag-Redfern Oil Company  
Llano Federal Lease

**Table of Contents**

**Well Information**

**Water Analysis**

**Current Disposal Cost**

**Exceptions to Order No. R-5221**

WELL INFORMATION

Operator: Flag-Redfern Oil Company

Well Name: Llano Federal No. 1

Lease No.: NM-23002

Location: 660' FEL & 660' PSL, Section 3,  
Unit P, T-19-S, R-31-E

Field Name: Shugart

Producing Formation: Queen, Grayburg

Producing Intervals: Queen 3381-3435  
Grayburg 3827-3916

Initial Potential: 1-29-80 Pumped 24 hrs.  
28.1 BO, 41 BW, 14 MCF  
GOR 498, Gty. 31.8°

Current Production: 2-28-80 Pumped 24 hrs.  
17 BO, 44 BW

2x4

FLAG-REDFERN OIL COMPANY

Llano Federal No. 1  
Water Analysis

March 11, 1980

|                                    |         |
|------------------------------------|---------|
| Ph                                 | 6.8     |
| Specific Gravity                   | 1.130   |
| Dissolved Solids                   | 102,705 |
| Bicarbonate ( $\text{HCO}_3$ )     | 671     |
| Chlorides (Cl)                     | 57,600  |
| Sulfates ( $\text{SO}_4$ )         | 5,050   |
| Calcium (Ca)                       | 2,960   |
| Magnesium (Mg)                     | 140     |
| Total Hardness ( $\text{CaCO}_3$ ) | 3,100   |

24 5

Current Water Disposal Cost

Current Water Production  
44 barrels water per day

Current Disposal Cost

\$ 0.73 per barrel

+ 13% Fuel Surcharge

+ 3.34% State Tax

.85 per barrel

\$ 1,122 per month

\$13,464 per year

2x 6

Exceptions to Order No. R-3221  
Section 2, T-19-S, R-31-E  
Eddy County, New Mexico

1 Case No. 5950, Order No. R-5472  
Date: June 8, 1977  
Operator: Joe Don Cook  
Lease: State Well No. 1  
Location: Unit J, Section 2, T-19-S, R-31-E

2 Case No. 4408, Order No. R-4015  
Date: August 19, 1970  
Operator: Keohane and Westall  
Lease: State "E"  
Location: Lot 4, Section 2, T-19-S, R-31-E

3 Case No. 4169, Order R-3800  
Date: July 9, 1969  
Operator: Mask, Jennings, Keohane, and Westall  
Lease: State  
Location: E/2 NW/4 and the NE/4, Section 2,  
T-19-S, R-31-E

4 Case No. 6594, Order No. R-6083  
Date: August 16, 1979  
Operator: Flag-Redfern Oil Company  
Lease: New Mexico State  
Location: Unit K, Section 2, T-19-S, R-31-E

State Engr:  
175-250  
Depth of  
water wells  
in gravel area  
EX-7



# Flag-Redfern Oil Company

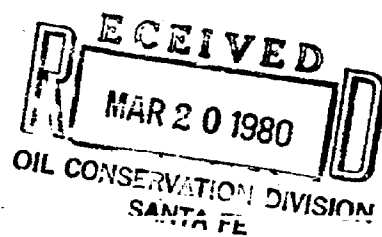
1200 WALL TOWERS WEST • MIDLAND, TEXAS 79701 • PHONE (915) 683-5184

Mailing address:  
P. O. Box 2280  
Midland, Texas 79702

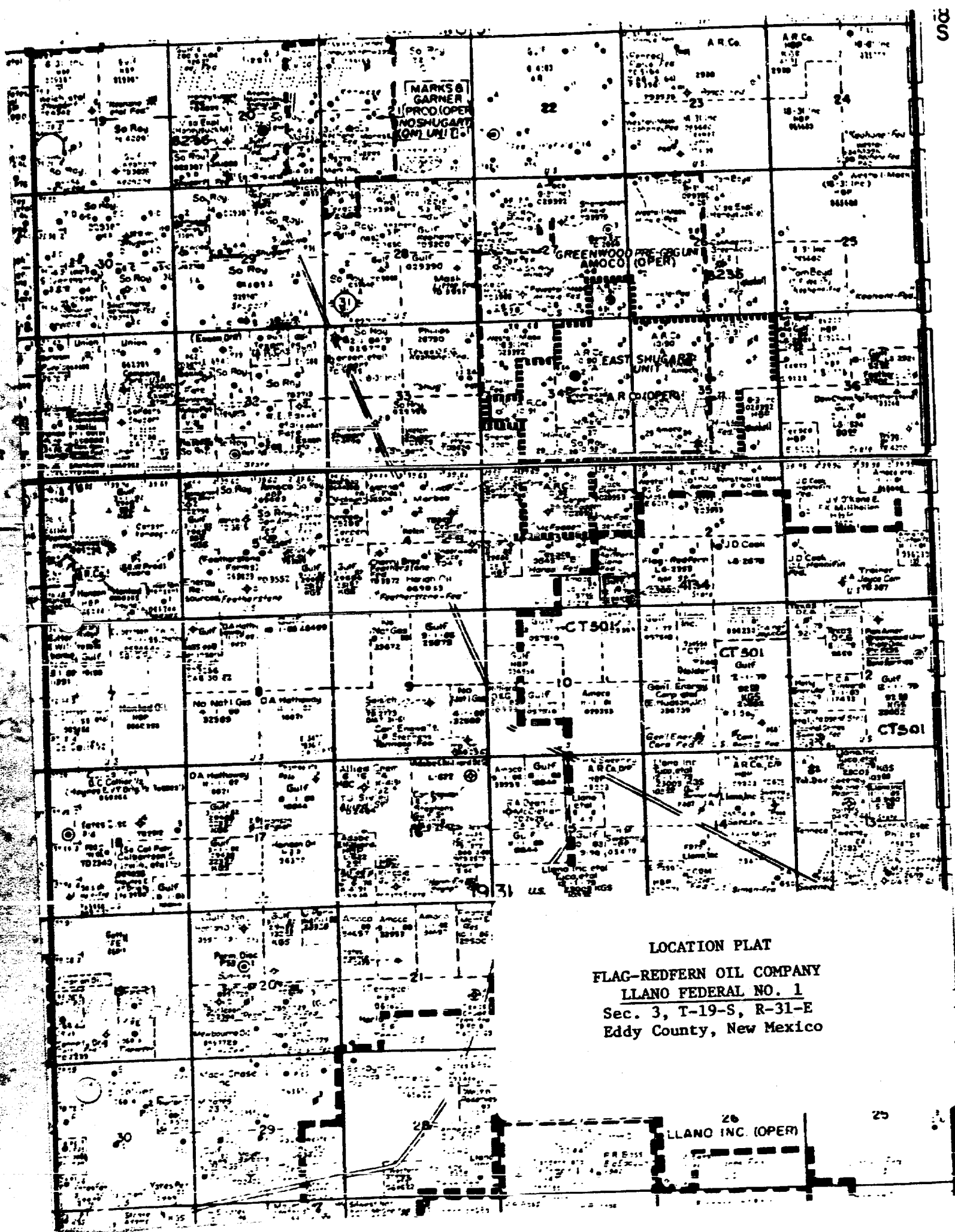
File:

Pertinent Facts  
Flag-Redfern Oil Company's  
Application for Disposal  
Llano Federal Lease  
Sec. 3, T-19-S, R-31-E  
Eddy County, New Mexico

Case 6860







LOCATION PLAT  
 FLAG-REDFERN OIL COMPANY  
 LLANO FEDERAL NO. 1  
 Sec. 3, T-19-S, R-31-E  
 Eddy County, New Mexico

LLANO INC. (OPER)

WELL INFORMATION

Operator: Flag-Redfern Oil Company

Well Name: Liano Federal No. 1

Lease No.: NM-23002

Location: 660' FEL c 660' FSL, Section 3,  
Unit P, T-19-S, R-31-E

Field Name: Shugart

Producing Formation: Queen, Grayburg

Producing Intervals: Queen 3381-3435  
Grayburg 3827-3916

Initial Potential: 1-29-80 Pumped 24 hrs.  
28.1 BO, 41 BW, 14 MCF  
GOR 498, Gty. 31.8°

Current Production: 2-28-80 Pumped 24 hrs.  
17 BO, 44 BW

FLAG-REDFERN OIL COMPANY

Llano Federal No. 1  
Water Analysis

March 11, 1980

|                                    |         |
|------------------------------------|---------|
| Ph                                 | 6.8     |
| Specific Gravity                   | 1.130   |
| Dissolved Solids                   | 102,705 |
| Bicarbonate ( $\text{HCO}_3$ )     | 671     |
| Chlorides (Cl)                     | 57,600  |
| Sulfates ( $\text{SO}_4$ )         | 5,050   |
| Calcium (Ca)                       | 2,960   |
| Magnesium (Mg)                     | 140     |
| Total Hardness ( $\text{CaCO}_3$ ) | 3,100   |

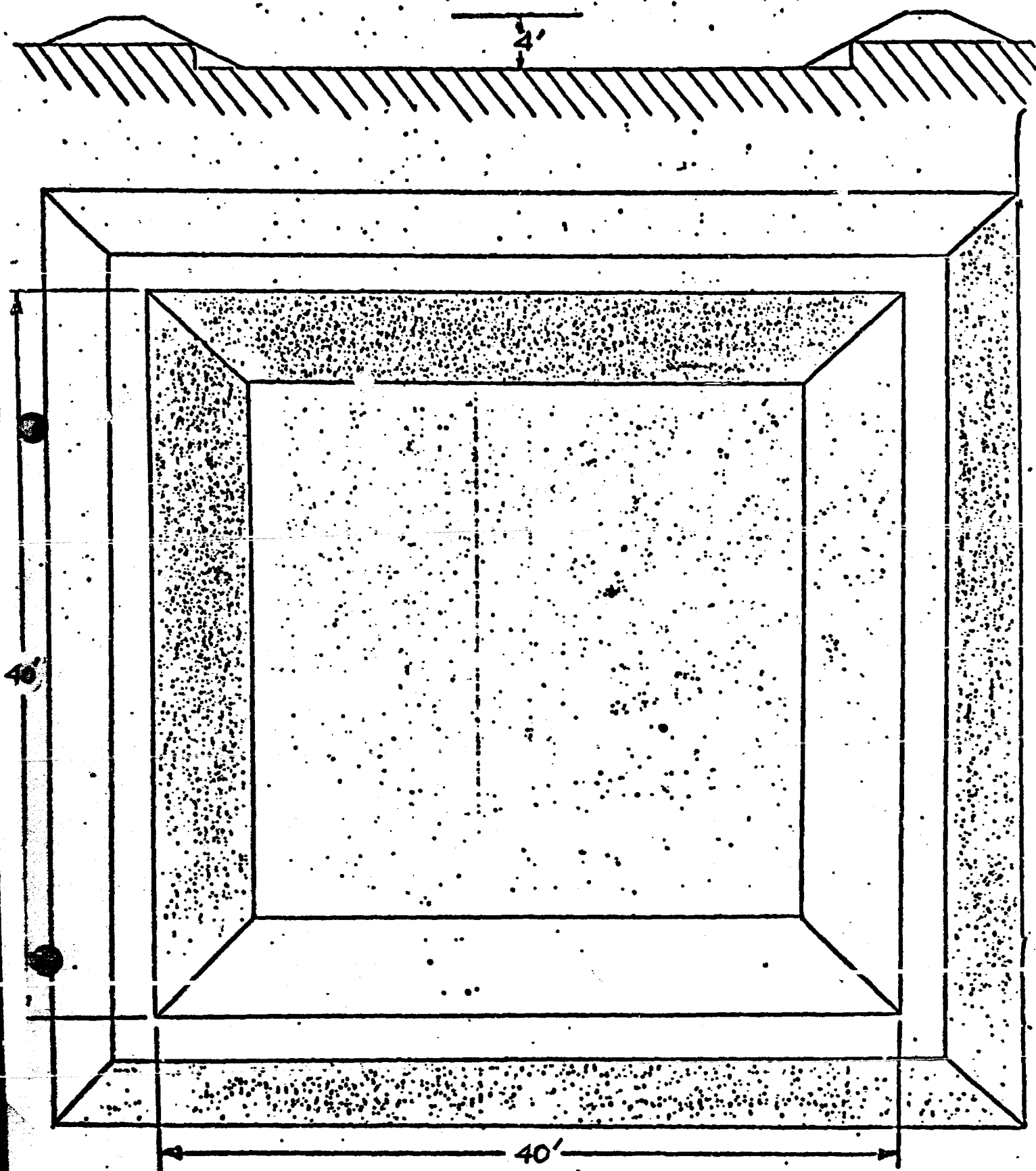
Exceptions to Order No. R-3221  
Section 2, T-19-S, R-31-E  
Eddy County, New Mexico

Case No. 5950, Order No. R-5472  
Date: June 8, 1977  
Operator: Joe Don Cook  
Lease: State Well No. 1  
Location: Unit J, Section 2, T-19-S, R-31-E

Case No. 4408, Order No. R-4015  
Date: August 19, 1970  
Operator: Keohane and Westall  
Lease: State "E"  
Location: Lot 4, Section 2, T-19-S, R-31-E

Case No. 4169, Order R-3800  
Date: July 9, 1969  
Operator: Mask, Jennings, Keohane, and Westall  
Lease: State  
Location: E/2 NW/4 and the NE/4, Section 2,  
T-19-S, R-31-E

Case No. 6594, Order No. R-6083  
Date: August 16, 1979  
Operator: Flag-Redfern Oil Company  
Lease: State  
Location: Unit K, Section 2, T-19-S, R-31-E



ROUGH

dr/

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 6860

ORDER NO. R- 6324

APPLICATION OF Flag-Redfern Oil Company

FOR AN EXCEPTION TO ORDER NO. R-3221,  
AS AMENDED, EDDY COUNTY,  
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 9  
19 80, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter

NOW, on this        day of April, 1980, the Division  
Director, having considered the testimony, the record, and the  
recommendations of the Examiner, and being fully advised in the  
premises,

FINDS:

(1) That due public notice having been given as required by  
law, the Division has jurisdiction of this cause and the subject  
matter thereof.

(2) That the applicant, Flag-Redfern Oil Company, is  
the owner and operator of the Blanco Federal Well No. 1,  
located in Unit P of Section 3, Township 19 South,  
Range 31 East, NMPM, Shugart Pool,  
Eddy County, New Mexico.

(3) That Order (3) of Division Order No. R-3221, as amended,  
prohibits in that area encompassed by Lea, Eddy, Chaves, and  
Roosevelt Counties, New Mexico, the disposal, subject to minor  
exceptions, of water produced in conjunction with the production  
of oil or gas, or both, on the surface of the ground, or in any  
pit, pond, lake, depression, draw, streambed, or arroyo, or in  
any watercourse, or in any other place or in any manner which  
would constitute a hazard to any fresh water supplies and said  
disposal has not previously been prohibited.

(4) That the aforesaid Order No. R-3221 was issued in order to afford reasonable protection against contamination of fresh water supplies designated by the State Engineer through disposal of water produced in conjunction with the production of oil or gas, or both, in unlined surface pits.

(5) That the State Engineer has designated, pursuant to Section 65-3-11 (15), N.M.S.A., 1953 Compilation, all underground water in the State of New Mexico containing 10,000 parts per million or less of dissolved solids as fresh water supplies to be afforded reasonable protection against contamination; except that said designation does not include any water for which there is no present or reasonably foreseeable beneficial use that would be impaired by contamination.

(6) That the applicant seeks as an exception to the provisions of the aforesaid Order (3) to permit the disposal of salt water produced by applicant's above-described well into an unlined surface pit located in Unit P of said Section 3.

(7) That applicant's Llano Federal Well No. 1 produces approximately 44 barrels of water per day.

(8) That there appears to be no shallow fresh water in the vicinity of the subject pit for which a present or reasonably foreseeable beneficial use is or will be made that would be impaired by contamination from the subject pit.

~~(9) That the nature of the reservoir of said \_\_\_\_\_ Pool is such that reinjection of produced water into said reservoir would result in greater ultimate recovery of oil and gas therefrom thereby preventing waste.~~

~~(10) That to prevent the waste of oil and gas in said \_\_\_\_\_ Pool, permanent authority to dispose of produced water from applicant's \_\_\_\_\_ in an unlined surface pit on said lease should be granted.~~

<sup>9</sup>  
(11) That the applicant should be permitted to dispose of water produced from said Blanco Federal Well No. 1 in an unlined surface pit on said lease until further order of the Division.

IT IS THEREFORE ORDERED:

(1) That the applicant, Flag-Redfern Oil Company, is hereby granted an exception to Order (3) of Division Order No. R-3221, as amended, to dispose of water produced in conjunction with the production of oil or gas, or both, from its Blanco Federal Well No. 1, located in Unit P of Section 3 Township 19 South, Range 31 East, NMPM, Shugart Pool, Eddy County, New Mexico, in an unlined surface pit located in Unit P of said Section 3, until further order of the Division, 19.

(2) That the Director of the Division may by administrative order rescind such authority whenever it reasonably appears to the Director that such rescission would serve to protect fresh water supplies from contamination.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.