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**PERMITS,
RENEWALS, &
MODS**

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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

**CASE NO. 13167
ORDER NO. R-5464-A**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
THROUGH THE ENVIRONMENTAL BUREAU CHIEF TO REVOKE THE
PERMIT OF A. L. DAUGHERTY TO OPERATE AN OIL TREATMENT PLANT
AND DISPOSAL FACILITY, AND TO RELEASE THE SURETY BOND,
CHAVES COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 9, 2003, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 1st day of December, 2003, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.
- (2) By Order No. R-5464 issued in Case No. 5922 on June 14, 1977, the Division authorized A. L. Daugherty to dispose of produced water in an intermittent salt lake located in Section 24, Township 8 South, Range 29 East, and Section 19, Township 8 South, Range 30 East, NMPM, Chaves County, New Mexico.
- (3) Order No. R-5464 also authorized A. L. Daugherty to construct settling tanks at this location in order to recover residual oil contained within the produced water.
- (4) This disposal/oil treatment site is also known as the Daugherty-Crosby Salt Lake Treating Plant and Disposal Facility.

(5) In accordance with Division rules, a \$25,000 surety bond was posted with the Division for this disposal/oil treatment site on April 10, 1989 (Bond No. 11132683654). This surety bond was obtained by an individual named Frates S. Seeligson ("Mr. Seeligson") and the surety for this bond was the National Surety Corporation.

(6) The Oil Conservation Division ("Division") seeks an order

- (a) rescinding A. L. Daugherty's disposal/oil treatment permit; and
- (b) releasing the surety bond for this facility.

(7) A representative of the Division's Santa Fe Environmental Bureau appeared at the hearing and presented evidence that demonstrates that:

- (a) Mr. Seeligson, at the direction of the Division's Santa Fe Environmental Bureau, has cleaned up the disposal/oil treatment site; and
- (b) based upon a closure plan submitted by Mr. Seeligson, and based upon an inspection of the facility by OCD personnel, the Division's Santa Fe Environmental Bureau, by letter dated August 8, 2003, approved the closure of the disposal/oil treatment site.

(8) Notice of this application was sent via certified mail by the Division to Mr. Seeligson on September 17, 2003. Although the notice was sent to Mr. Seeligson's last known address, this notice was returned to the Division undelivered. Subsequently, Mr. Seeligson was successfully notified by the Division of the application via E-Mail. By letter to the Division dated October 3, 2003, Mr. Seeligson stated that he had no objection to the application.

(9) The evidence presented demonstrates that the Daugherty-Crosby Salt Lake Treating Plant and Disposal Facility has been cleaned up to the satisfaction of the Division's Santa Fe Environmental Bureau, that the disposal/treatment permit is no longer necessary and should therefore be revoked, and that the surety bond for this disposal/treatment facility should be released.

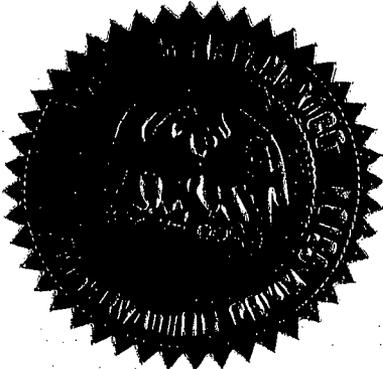
IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of the Oil Conservation Division, A. L. Daugherty's authority to operate a disposal/oil treatment facility located in Section 24, Township 8 South, Range 29 East, and Section 19, Township 8 South, Range 30 East, NMPM, Chaves County, New Mexico, this facility also known as the Daugherty-Crosby Salt Lake Treating Plant and Disposal Facility, initially authorized by Division Order No. R-5464 dated June 14, 1977, is hereby **revoked**.

(2) The \$25,000 surety bond for the Daugherty-Crosby Salt Lake Treating Plant and Disposal Facility (Bond No. 11132683654) posted with the Division on April 10, 1989, by Mr. Frates S. Seeligson, the surety of which is the National Surety Corporation, is hereby released.

(3) Jurisdiction is hereby 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

Lori Wrottenbery
LORI WROTENBERY
Director

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5922
Order No. R-5464

APPLICATION OF A. L. DAUGHERTY
FOR AN EXCEPTION TO ORDER NO.
R-3221, AS AMENDED, CHAVES COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 11, 1977,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 14th day of June, 1977, the Commission, a
quorum being present, 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 Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That Order (3) of Commission 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.

(3) 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.

(4) 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.

(5) That the applicant herein, A. L. Daugherty, seeks an exception to the provisions of the aforesaid Order (2) to permit the disposal of water produced in conjunction with the production of oil and gas in an intermittent saline lake located in Section 24, Township 8 South, Range 29 East, NMPM, and Section 19, Township 8 South, Range 30 East, NMPM, Chaves County, New Mexico.

(6) That said lake's bed lies at the bottom of a synclinal feature comprising some 940 acres within a closure elevation of at least 4060 feet above sea level, and that said lakebed comprises no more than 80 acres in the bottom of said syncline at an elevation of 4007 feet.

(7) That the spill point of said synclinal feature is at an elevation of 4065 feet above sea level.

(8) That the synclinal feature including the intermittent salt lake lies between two natural dikes, Railroad Mountain, running east-west at a distance of approximately 4.5 miles to the north, and El Camino del Diablo, running east-west at a distance of approximately 9.0 miles to the south-southwest.

(9) That the area between said dikes is devoid of useable ground waters, the only water available for watering livestock being surface waters captured by earthen dams or water brought into the area by water pipelines.

(10) That the lake bed is composed of salt (NaCl) and black mud overlying impermeable red beds, and the only means of water escape from the lake bed is by evaporation.

(11) That the disposal of produced salt water in the subject intermittent salt lake will not constitute a hazard to any ground waters nor impair their quality, and will not cause waste nor violate correlative rights provided

(A) That all disposal water should be allowed to settle in tanks prior to being placed in the lake, in

order that any residual oil in said water might be removed and not be passed through to the lake bed;

- (B) That a permanent steel marker, graduated in feet and tenths of feet, should be suitably located in the lake bed and set in concrete, extending at least five feet above the lake bed;
- (C) That the water level in the lake bed should not be permitted to exceed five feet in depth;

and should be approved.

IT IS THEREFORE ORDERED:

(1) That the applicant, A. L. Daugherty, is hereby authorized to dispose of produced salt water in an intermittent salt lake located in Section 24, Township 8 South, Range 29 East, NMPM, and Section 19, Township 8 South, Range 30 East, NMPM, Chaves County, New Mexico, hereinafter referred to as Crosby Salt Lake.

(2) That the applicant shall install a permanent steel marker, graduated in feet and tenths of feet, at a suitable location in said Crosby Salt Lake, embedded in concrete and extending at least five feet above the lake bed.

(3) That the applicant shall install and maintain in good condition wooden or metal settling tanks, and shall allow all oil field brines to remain in such tanks for a sufficient period of time to permit any residual oil contained in said brines to be skimmed off, and not be passed on with the brines to the disposal lake.

(4) That the applicant shall install and maintain in good condition meters or other measuring devices to permit an accurate determination of the quantity of water disposed of in Crosby Salt Lake.

(5) That the applicant shall file a monthly report with the Commission in accordance with Rule 1120 of the Commission Rules and Regulations, reporting each source and quantity of disposal water and the total quantity disposed of.

(6) That at no time shall disposal be permitted in the aforesaid Crosby Salt Lake if the total quantity of water in

the lake, from both natural precipitation and previous disposal, is five feet or more in depth.

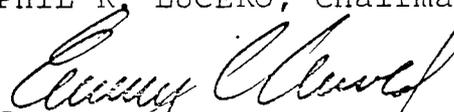
(7) That the Commission by administrative order may rescind the authority to dispose of produced salt water in Crosby Salt Lake if it reasonably appears to the Commission that such rescission would serve to protect fresh water supplies from contamination.

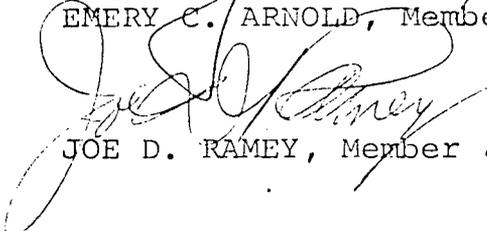
(8) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


PHIL R. LUCERO, Chairman


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary

S E A L

dr/

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 11, 1977

EXAMINER HEARING

IN THE MATTER OF:)
)
)
 Application of A. L. Daugherty for an) CASE
 exception to Order No. R-3221,) 5922
 Chaves County, New Mexico.)
)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

| | |
|---|--|
| For the New Mexico Oil Conservation Commission: | Lynn Teschendorf, Esq. Legal Counsel for the Commission State Land Office Building Santa Fe, New Mexico |
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| For the Applicant: | Donald G. Stevens, Esq. Attorney at Law 214 Old Santa Fe Trail Santa Fe, New Mexico |
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EXHIBIT INDEX

Offered Admitted

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Applicant's Exhibit Two, Land Map 6 15

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1 MR. NUTTER: The hearing will come to order, please.
2 The next case will be Case Number 5922.

3 MS. TESCHENDORF: Case 5922, application of A. L.
4 Daugherty for an exception to Order No. R-3221, Chaves County,
5 New Mexico.

6 MR. STEVENS: Mr. Examiner, I'm Don Stevens, an
7 attorney in Santa Fe, representing the applicant in this case
8 and we have two witnesses to be sworn.

9 (THEREUPON, the witnesses were duly sworn.)

10
11 JACK AHLEN

12 called as a witness, having been first duly sworn, was examined
13 and testified as follows:

14
15 DIRECT EXAMINATION

16 BY MR. STEVENS:

17 Q Would you state your name, your residence, your
18 occupation and your relationship to the applicant?

19 A My name is Jack Ahlen and I spell the last name,
20 A-h-l-e-n. I live at 2600 North Kentucky Avenue, Roswell,
21 New Mexico. I'm a consulting geologist hired by the applicant
22 to investigate the facts in this case.

23 Q Have you testified previously before this Commission
24 and had your qualifications accepted and made a matter of
25 record?

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1 A. Yes.

2 MR. STEVENS: Are the witness' qualifications
3 acceptable, Mr. Examiner?

4 MR. NUTTER: Yes, they are.

5 Q (Mr. Stevens continuing.) Briefly would you state
6 what the applicant seeks in this case, Mr. Ahlen?

7 A The applicant, Mr. A. L. Daugherty, seeks an exception
8 to Rule R-3221 to dispose of produced salt water into an
9 intermittent saline lake located in Section 24 of Township 8
10 South, Range 29 East and in Section 19 of Township 8 South,
11 Range 30 East, Chaves County, New Mexico.

12 Q Referring to what has been marked as Exhibit Number
13 One, would you explain it please?

14 A Yes, sir. Exhibit One is a USGS map, published
15 record, the scale is one to two hundred and fifty thousand
16 showing the area of interest, the White Lakes Ranch, as well
17 as the Crosby Ranch is marked in the center of the circle of
18 the illustration. Outlined in red is the location of the
19 particular intermittent salt lake that we have in mind.

20 The Caprock escarpment or the Ogallala formation is
21 present in the eastern third of this map. You will note that
22 it extends from Mescalero Point on the south part of the map
23 in Township 11 South, Range 31 East, northward through Button
24 Mesa, through the township of Kenna and off the map to the
25 north.

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1 The area to the west of that, surface exposures are
2 Triassic and Permian Redbeds. You will note that there is a
3 drainage divide at the western limit of the Caprock of the
4 Ogallala formation and topographic drainage generally is to
5 the west in the center and the western part of the map.

6 You will also note that there are several undrained
7 depressions in the vicinity of the location in question.

8 Q Where is the nearest running water to this location?

9 A The nearest running water is in the Pecos River,
10 thirty miles or so to the west.

11 Q Are there any intermittent streams in the immediate
12 vicinity?

13 A Intermittent only in that there may be water in
14 them from time to time when it rains, a few hours after it
15 rains.

16 Q I know you are going to get into this later but on
17 this map could you show us the approximate location of the
18 nearest fresh water?

19 A On this map, approximately two miles to the east is
20 the location of a windmill that does produce fresh water. It
21 is somewhat brackish.

22 Q Is that in the approximate vicinity of the terminology
23 "windmills" on this map just east of the red outline?

24 A That is correct.

25 Q Do you have any other comments concerning this

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1 exhibit, Mr. Ahlen?

2 A No, sir.

3 Q Referring then to what has been marked as Exhibit
4 Number Two, would you explain it, please?

5 A This is a land map, scale four thousand feet to the
6 inch, showing the location of the intermittent salt lake in
7 Sections 24 and 19. It also shows the location of all wells
8 that have been drilled in the vicinity, both producing oil
9 wells, abandoned oil wells and dry holes in the vicinity. It
10 shows the location of the Lightcap, the western part of Cato
11 and Many Gates oil pools. It also shows the location of
12 several dry holes that have been drilled to the west of that.

13 Also shown on the map is the line of two cross
14 sections, AA prime and BB prime, respectively north and south
15 of the intermittent lake.

16 Q Could you point out the approximate locations on
17 this map of the nearest fresh water?

18 A On this map the nearest fresh water, the windmill
19 which I previously mentioned is located in Section 17 in the
20 southeast quarter of 8 South, 30 East.

21 Q Is there additional fresh water in Section 15 of
22 that Township?

23 A Yes, sir, there is additional fresh water in the
24 northwest quarter of Section 15 of 8 South, 30 East, right on
25 the edge of this map. That is the primary water supply for the

1 Crosby Ranch headquarters. The windmill located in Section 17
2 is a very weak well and does not produce very much water.

3 Q Referring then to what has been marked as Exhibit
4 Number Three would you explain it please?

5 A Exhibit Number Three is a Xerox copy of a topographic
6 map that is currently being produced by the U. S. Coast and
7 Geodetic Survey. It is not yet a final map, it is not yet
8 finalized and it will be in print soon so it is subject to
9 correction at the present time but it shows the general con-
10 figuration of the area. The scale of this map is two thousand
11 feet to the inch. The topographic contours are ten-foot
12 contour intervals. It shows the intermittent lake in question.
13 At the time the survey was done there was some water in the
14 lake, the water level was at four thousand seven feet. The
15 windmill which I have mentioned in Section 17 is at an elevation
16 of four thousand, ninety-nine feet which is a difference of
17 ninety-two feet in elevation between the lake bottom and that
18 one fresh water windmill.

19 Q Do you know the depth of that one well there, the
20 water well with the windmill?

21 A Yes, sir, the windmill was drilled to a depth of
22 thirty-eight feet.

23 Q Thus what would be the distance from the bottom of
24 that windmill to the lake bed level?

25 A Fifty-four feet.

1 MR. NUTTER: Is that windmill on this map?

2 A. Yes, sir.

3 MR. NUTTER: Where would it be?

4 A. Okay. Notes, the location of the A prime on the
5 cross section AA prime, it is located approximately one half
6 inch east of there.

7 MR. NUTTER: That would be over close to that forty-
8 one hundred foot contour then?

9 A. Yes, sir, right next to it and the elevation that you
10 see there, forty ninety-nine, refers to the elevation of that
11 windmill.

12 MR. NUTTER: Is there a litte "w"?

13 A. Yes, sir.

14 MR. NUTTER: And that's the windmill?

15 A. Yes, sir.

16 Q (Mr. Stevens continuing.) Mr. Ahlen, then what is the
17 significance to you of the difference in elevations between the
18 windmill and the water in this lake?

19 A. The significance is that it is quite a distance
20 uphill for water to move before it would get to that source
21 of fresh water and that's an abnormal circumstance.

22 Now, one thing that I did not mention, I mentioned
23 the producing windmill, there is also a symbol for a windmill
24 in a little bit closer to the lake but that is an abandoned
25 well that is no longer producing and has been abandoned for

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1 quite sometime because of lack of capacity and that is
2 located immediately to the southeast of the leg on the A prime.
3 It's a little triangle there and there is an unimproved road
4 leading to it. We flew over it this morning and all that is there
5 is the rusted remains of a galvanized tank.

6 MR. NUTTER: Is that about a quarter of an inch east
7 of A prime?

8 A Yes, sir.

9 MR. NUTTER: And that's an abandoned windmill, is it?

10 A Yes, sir. The windmill is no longer there, it is
11 just a tank, just a rusted steel tank.

12 Q (Mr. Stevens continuing.) In your opinion, Mr. Ahlen
13 would it be possible by putting water into this saline lake to
14 contaminate or pollute the windmill water referred to in your
15 testimony?

16 A No, sir, I don't think -- it's possible to do anything
17 but that would be highly improbable contamination since there
18 is fifty-four feet of difference in elevation from the lake
19 surface to the bottom of that water well.

20 Q How about water traveling in other directions from
21 this lake bed?

22 A There are no other water wells in the vicinity of
23 this particular lake. The spill point of the lake is to the
24 southwest of the lake itself and the spill point elevation is
25 approximately four thousand sixty-five feet which theoretically

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1 you might put some fifty-eight feet of water in the lake to
2 fill it to capacity but I doubt that it will ever be filled
3 to capacity.

4 The size of the lake as indicated by the closing
5 bottom contours is approximately eighty acres.

6 Q Referring then to what has been marked as Exhibit
7 Number Four would you explain it, please?

8 A Yes, sir, Exhibit Number Four is copies of photo-
9 graphs that were taken of the lake itself in different
10 directions. On the top sheet of Exhibit Four is a photograph
11 taken looking southwest, illustrating the topographic relief
12 from the lake bottom up to the ridge that is on the west side
13 of the lake. The photograph to the immediate right of that is
14 a close-up of those white clumps that you see in the other
15 photograph. Those are salt crystals. An illustration of the
16 salt crystals and the watch is used for scale. The lower left
17 shows a view looking to the east, with an individual walking
18 across the lake bottom. In the bottom right is a view from
19 the top of the western side of the divide looking eastward
20 toward the lake.

21 Now, on the second page of Exhibit Four are four
22 aerial views. Top left looking eastward, top right looking
23 southward, the lower left looking northwest and lower right
24 looking westward. You will note the white material in the
25 center of the lake is crystallized salt in the lake bottom.

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1 On the eastern side of the lake you will note an area of sand
2 dunes. This is sand which has blown out of the lake when it
3 has been dry and blown up on the east side of the lake.

4 These photographs were taken perhaps an hour or
5 two hours after a local rainstorm in the area and at that
6 particular time some of the salt had actually been dissolved,
7 so this is probably a very conservative photograph of this
8 particular lake, minimizing the amount of salt in it.

9 MR. NUTTER: Now, you mentioned that the lake covered
10 eighty acres, I believe?

11 A Yes, sir.

12 MR. NUTTER: What would be the eighty acres on these
13 photographs?

14 A On the photographs that would be the bottom-most
15 topographic contour.

16 MR. NUTTER: Now referring to --

17 A Okay, that would be where you had the maximum change
18 in color on the color photograph.

19 MR. NUTTER: Taking for example this northwest view,
20 that would be over on the left side when you go from the --
21 you can see the beach, so to speak around there, is that
22 what you are talking about, the eighty acres would be
23 encompassed into the beach area?

24 A Yes, sir.

25 MR. NUTTER: And in the west view it would be to the

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1 edge of the vegetation there, approximately?

2 A Yes, sir, right. The bottom is salt saturated and
3 very little or no vegetation grows in the concentrated salt
4 brine. Immediately adjacent to that when you get up above the
5 ground water level where you get some fresh water from the
6 surface vegetation will grow.

7 Q (Mr. Stevens continuing.) Referring to what has been
8 marked as Exhibit Number Five, would you explain it, please?

9 A Yes, sir, Exhibit Number Five is a sample of the soil
10 and salt from the bottom of the lake itself.

11 Q Have you made any type of test to determine the
12 saltiness of that soil?

13 A I tasted it this morning in your office, Mr. Stevens,
14 and it was indeed salty.

15 Q Could you describe from your geological examination
16 of it the constituents of all of the exhibit?

17 A It is primarily a sand or silt, a very fine grained
18 sand or silt, unconsolidated, completely unconsolidated as
19 you would expect at the surface of the ground. It was
20 saturated with salt.

21 Q And what has been marked as Exhibit Number Five,
22 would you explain it, please?

23 A Five or Six?

24 Q Six, excuse me.

25 A Exhibit Number Six is a cross section AA prime.

1 Referring back to Exhibit Three, the topographic map, it shows
2 here the location of Exhibit Six. Cross section AA prime runs
3 west to east. This is an illustration of the two logs run on
4 these two wells that are the ends of cross section AA prime.
5 The immediate subsurface in this area is Triassic and Permian
6 Redbeds occur to a depth of approximately one thousand feet.
7 At that point, we have the top of the Rustler which is marked
8 on the exhibit at approximately thirteen and fourteen hundred
9 feet, the Yates formation is located. I have datumized these
10 cross sections, a sea level datum of three thousand feet.

11 You will note that the Yates formation and its dip
12 reflects regional dip in the area. The Yates and all deeper
13 formations dip structurally to the east, slightly south of these.
14 The Yates, Queens, San Andres and all of the deeper formations
15 dip in that direction. You will note, however, that the Rustler
16 formation dips to the west. This is an illustration of salt
17 solution near the surface. Most of the Rustler formation is
18 salt, imbedded salt, and through the ages percolating ground
19 waters have dissolved the salt near the surface which is
20 probably the cause for most of the sinks in this part of the
21 country.

22 The overlying Permian and Triassic is primarily a
23 red shale. There are thin intermittent siltstones interbedded
24 with that shale.

25 Q Is there any particular large amount of permeability

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1 within this Redbed of which you speak?

2 A It is generally impermeable.

3 Q Is it your opinion that the bottom of the lake bed
4 and its environs lie on and in the Redbed?

5 A Yes, it certainly does.

6 Q Referring to what has been marked as Exhibit Number
7 Seven, would you explain it, please?

8 A Exhibit Number Seven is cross section BB prime
9 constructed similar to cross section AA prime except that it
10 runs east-west on the south end of the lake. It shows the same
11 subsurface conditions as previously discussed and also the
12 same Redbeds to a depth of a thousand feet in the area.

13 Q Mr. Ahlen, based upon these exhibits and your study
14 of the area and your knowledge of the geology of southeast
15 New Mexico, do you have an opinion as to whether the granting
16 of this application would tend to prevent pollution and protect
17 the environment?

18 A Yes, sir, I think it would.

19 Q Do you have an opinion that there might be additional
20 pollution caused by the granting of this application?

21 A No, this is a naturally occurring salt lake and putting
22 salt water in a salt lake would not tend to increase pollution.

23 Q Were these Exhibits One through Seven prepared by
24 you or under your direction, Mr. Ahlen?

25 A Yes, sir.

1 MR. STEVENS: At this time we would like to introduce
2 into evidence Exhibits One through Seven.

3 MR. NUTTER: Applicant's Exhibits One through Seven
4 will be admitted into evidence.

5 (THEREUPON, Applicant's Exhibits One through
6 Seven were admitted into evidence.)

7 MR. STEVENS: We have no further questions on direct,
8 sir.

9
10 CROSS EXAMINATION

11 BY MR. NUTTER:

12 Q Mr. Ahlen, referring to your Exhibit Number One,
13 please.

14 A Yes, sir.

15 Q Now, you mentioned that these wells to the east and
16 the northeast of this intermittent salt lake were the closest
17 water wells to the lake.

18 A Yes, sir.

19 Q However, to the southwest, which is in the direction
20 of general surface drainage here I see a number of windmills
21 and tanks and lakes. I wonder if you would go into those
22 individually and tell me what the status of these various
23 windmills, tanks and lakes is?

24 A To the extent that I can. I think that the next
25 witness has a more personal knowledge of those.

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1 Q Well, the reason I ask you, you are a geologist and
2 if these are, in fact, fresh water lakes and tanks that have
3 fresh water in them and drainage is to the southwest, you might
4 have water percolating through the formation to the southwest
5 and intercepting these sources of water. Now for instance, the
6 first thing that I see on the exhibit is a large depression
7 marked Red Lake.

8 A Yes, sir.

9 Q Now, that looks like a synclinal feature there, is
10 that another lake bed, is that a salty lake bed or fresh water
11 or what?

12 A It's another salty lake bed. Now, surface waters do
13 accumulate in it from time to time, they are less salty than
14 this particular salt lake we are discussing.

15 You will also note there is a lake directly south of
16 the lake that we are discussing.

17 Q Yes.

18 A It shows four thousand right next to it?

19 Q Right.

20 A That lake appears to be just as salty as the one
21 under consideration.

22 Now, if the topographic rim of the lake is exceeded
23 by produced waters then certainly there would be a tendency
24 to contaminate other surface waters and I think that Mr.
25 Daugherty will insure against that.

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1 Q Okay, now, if we go southwest from Red Lake I see a
2 windmill there, do you know the status of that windmill?

3 A I do not.

4 Q And then we have Spotted Tank and Madison Square
5 Garden Tank and Salmon Lake and Race Track Well, Antelope
6 Tank?

7 A Yes, sir, these are all features on the way to the
8 Pecos River to the west. The scale here, these squares that yo
9 see here on the map, these are each township, six mile squares.

10 Q Now, there is a dike across here?

11 A Yes, sir, there are two of them.

12 Q Where is that dike?

13 A Right to the north of the area in question is
14 Railroad Mountain. Railroad Mountain is located -- and it's
15 labeled on this map.

16 Q Right, I found it.

17 A To the south of this area is the Diablo Dike and
18 it is located just north of Highway 380 and it's near Race
19 Track Well which is --

20 Q Okay, is it shown by just a solid line?

21 A A solid line, yes, sir.

22 Q And it has the word "Del Diablo" or something?

23 A To the left of it, right.

24 Q And it looks like it cuts across along Arroyo Draw
25 or something like that?

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1 A Yes, sir, and Race Track Well and then it disappears
2 in the subsurface immediately to the east of that. For the
3 most part the surface in this area is covered by the Triassic
4 Redbeds which primarily are impermeable Redbeds, red shales.
5 There are a few scattered intermittent siltstone beds in the
6 Redbed sequence.

7 Q Now, an examination of this lake, you have been on
8 the site, have you not?

9 A Not on the ground, I flew over it this morning. I
10 did not personally make those photos.

11 Q You haven't been out there then and done any ground
12 geology on this lake bed?

13 A Not on the lake bed itself, no, sir.

14 MR. NUTTER: Are there any questions of Mr. Ahlen?
15 He may be excused. We might want to call him back.

16 (THEREUPON, the witness was excused
17 and the hearing was in recess.)

18
19 MR. NUTTER: The hearing will come to order, please.
20

21 A. L. DAUGHERTY

22 called as a witness, having been first duly sworn, was examined
23 and testified as follows:

24 DIRECT EXAMINATION

25 BY MR. STEVENS:

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- 1 Q Would you state your name and address, please?
- 2 A A. L. Daugherty, White Lake Ranch, Roswell, New Mexico.
- 3 Q And you are the applicant in this case?
- 4 A That's right, I am.
- 5 Q Are you the only party in interest in this applica-
- 6 tion?
- 7 A No, sir, the man that owns the ranch, Mr. Fred
- 8 Seevickson. I'm representing him in it, we are in it together.
- 9 Q Mr. Seevickson owns which ranch.
- 10 A Well, he owns White Lake Ranch and the Crosby Ranch.
- 11 Q Do those ranches comprise most of the acreage in
- 12 the townships to the east and west of this subject lake?
- 13 A Yes, they do.
- 14 Q Mr. Daugherty, how long have you lived in the area or
- 15 on the ranch?
- 16 A Well, I've been there since 1934.
- 17 Q How long have you been foreman of the White Lakes
- 18 Ranch and the Crosby Ranch?
- 19 A Well, for the White Lake Ranch eight years, going on
- 20 nine and the Crosby Ranch we've owned it going on four years now.
- 21 MR. NUTTER: Is that Crosley or Crosby?
- 22 A It's Crosby. They have it spelled wrong here, it's
- 23 the Bob Crosby Ranch.
- 24 Q (Mr. Stevensons continuing.) Have you been foreman
- 25 of that Crosby Ranch during that four year period?

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1 A. Yes, sir, I have.

2 Q. Are you familiar with all or most of the wells
3 drilled for water on both of the ranches?

4 A. Yes, sir, for the last -- well, since I've been on
5 the ranch. Everytime a seismograph or anybody comes through
6 we follow them and check on the hole and we've drilled countles
7 wells and on the White Lake Ranch out of over eighty thousand
8 acres we have one well on there.

9 Q. Where is that well, incidentally?

10 A. It will be off from that windmill, it will be at
11 Elkins, two miles west of there.

12 Q. Is that approximately fifteen miles northwest of this
13 subject lake?

14 A. Twelve or fifteen miles.

15 Q. Was there any other water that you know of that might
16 be considered potable or even that cattle might drink on
17 either of these two ranches in the vicinity of this lake, other
18 than those previously testified to?

19 A. We have two windmills, they would be approximately
20 eight miles south and a little bit east of the lake. It's
21 marked with a windmill just right outside of the circle on
22 the southeast corner.

23 Q. Is that Township 9 South, Range 30 East

24 A. It would be in Range 30 East so that's not it. It's
25 this one way over here. This windmill will be in Range 30 East.

1 MR. NUTTER: Okay, that would be the well then that
2 it's just outside this circle, I think. Now, first of all
3 we've got the subject lake circled in red, right?

4 A That's right.

5 MR. NUTTER: Okay, but one township south there is
6 another lake?

7 A Where it has four thousand?

8 MR. NUTTER: Yes, sir, and then east of that and a
9 little bit south there is a windmill, is that the one you are
10 talking about?

11 A Yeah, but that doesn't look far enough east, though,
12 on the map, of course, the scale --

13 MR. NUTTER: Well that square is six miles.

14 A Yeah, the windmill ought to be four miles south of
15 the lake and about a mile east, so it's going to be the lower
16 windmill there, the other well is not there, I don't know.

17 MR. NUTTER: That would be the lower one in that
18 township?

19 A Yeah, the lower one.

20 MR. NUTTER: Is that a good windmill?

21 A It's about a two gallon well. In that country it's
22 considered a fair stock well.

23 Q (Mr. Stevens continuing.) How do you provide water
24 for your cows on that ranch, Mr. Daugherty?

25 A We have pipelines running from a mile and a half east

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1 of the Crosby Ranch to within three-fourths of a mile of the
2 windmill on the south end or approximately ten miles of pipe-
3 line.

4 Q Are some of the windmills shown on that map possibly
5 windmills that were set up to pump water out of the lake bed
6 or a tank?

7 A The windmill directly southwest of the lake, maybe
8 eight miles, is not there, it was in a lake bed, pumping water
9 out of the lake bed into a drink tub.

10 MR. NUTTER: Okay, now, let me get oriented here,
11 would that be in the same township that has Spotted Tank in it?

12 A Yes.

13 MR. NUTTER: And would that be the windmill that's
14 just south of a couple of oil wells?

15 A That's right, it's southwest of Red Lake.

16 MR. NUTTER: And that didn't pump water out of the
17 ground?

18 A It was in a dirt tank and pumped out into a drink
19 tub. Another windmill directly northwest on the railroad map
20 was a deep well that was drilled twenty years ago that never
21 did -- well, they tried to pump it for maybe a year and then
22 did away with it.

23 Q (Mr. Stevens continuing.) How far west is your
24 nearest fresh water from a windmill?

25 A Ten to twelve miles due west.

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1 Q How far north or northwest perhaps?

2 A Well, that would be ten miles.

3 Q And south you have already mentioned the one well and
4 east you have mentioned those wells. In your opinion, based
5 on the wells that have been drilled in the area there is no
6 other subsurface fresh water?

7 A We have had well drillers come in and drill double or
8 nothing and always leave, they would get all they wanted and
9 leave so there is just no water in there.

10 Q Did Mr. Hank Sweeney drill some wells with air
11 with the idea perhaps of helping you find some water?

12 A We have had two air rigs in within the last five
13 years and no water.

14 Q What's your reasons, Mr. Daugherty, for wanting
15 to put salt water in this lake?

16 A Well, the lake has been there forever and it's not
17 worth anything to anybody. I have been approached by different
18 people for a salt water disposal and also you can see from the
19 photographs that the lake bed is blowing out in the pasture and
20 if we could keep it wet maybe we wouldn't get so much silt
21 coming out of the bottom of the lake.

22 Q Have you had any problems with truckers dumping salt
23 water on your roads on your ranches?

24 A Well, we've had quite a bit of a problem with that
25 because some of the wells are hauling water approximately

1 seventy miles.

2 Q This was not done with your consent?

3 A Well, no.

4 Q What is the result if they do that continually?

5 A The result of that is they are going to contaminate
6 all of the -- wherever the runoff winds up at.

7 Q By contamination does that mean it will kill your
8 grass?

9 A Kill my grass and there are lots of, or several weak
10 wells in the area. They are going to have to have a disposal
11 somewhere. I understand that Amoco is cutting their water floor,
12 they are not taking any new water in, and Aqua Water Disposal
13 have got all they can handle.

14 Q So according to your information there just isn't a
15 good convenient place for salt water to be disposed of, is
16 that correct?

17 A As far as I understand it there isn't.

18 Q And this would have a tendency to keep truckers from
19 dumping water on your roads?

20 A I think it would and I also think it would keep some
21 of the weaker wells pumping if they've got convenient disposal
22 in the area.

23 Q Why in particular did you choose this lake, Mr.
24 Daugherty?

25 A It is the deepest lake and there is no possible

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1 chance for water to ever get out of it. Evaporation is the only
2 way water will ever go from there.

3 Q It's not a spring fed lake?

4 A No springs in there.

5 Q Do you have any idea as to whether the water in this
6 lake goes down into the ground or whether it principally
7 evaporates?

8 A It's evaporation. We've had tanks, regular stock
9 tanks, twenty to thirty feet deep that have been there some of
10 them thirty years and we've cleaned them out and when you get
11 to the natural bottom the water won't be four inches down into
12 the natural bottom, they are just like it was when the tank
13 was there so I would say the water goes by evaporation, it's
14 the only place. We've got tanks that have had water in them
15 for thirty years and never been dry.

16 Q In your experience there since 1933 what is the most
17 water you have ever seen in that lake from natural rainfall?

18 A In 1941, I was eleven years old then and they said
19 there was approximately two feet of water was the most that had
20 ever been in the lake from rainwater and I think 1941 was the
21 wettest year we ever had on record, I imagine.

22 Q Mr. Daugherty, if this application is granted, what
23 would be the procedure and the surface facilities you would
24 install for the disposal of water into this lake?

25 A We have in mind to put up two five hundred barrel

1 tanks, settling tanks, so that no oil would get through into
2 the lake bed, strictly water would be all that would go in there.

3 Q You wouldn't allow the trucks just to dump the water
4 into the lake?

5 A No, everything will have to come through the tanks.

6 Q And the oil that would be recovered from it you would
7 presumably sell through normal channels for recovered oil?

8 A Yes, sir.

9 Q Is there a possibility that pipelines might be built
10 to your tank battery there to carry the water?

11 A There is probably a chance that there would be maybe.

12 Q Would you plan metering or not necessarily metering
13 but keeping a fairly accurate record of the volume of water
14 going into the lake bed?

15 A Yes, with all of the water will be trucked into there
16 it would be easy to but if we have a pipeline we would have to
17 have a way to know how much they are putting in. I can
18 personally guarantee there will never be five foot of water
19 in the lake, I don't think there is ever a chance that it would
20 be but it would be shut off before then.

21 Q So if you had five feet of water in it you would shut
22 it down?

23 A I just don't believe there is a way that there ever
24 would be.

25 Q If there were five feet that wouldn't exceed the

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1 eighty acre lake bottom?

2 A. It wouldn't get out of the lake bottom, I wouldn't
3 put anymore than that in there.

4 Q. That wouldn't exceed your eighty acre lake bottom
5 by any appreciable amount?

6 A. No.

7 Q. Is it your belief then that this will tend to prevent
8 pollution as opposed to causing any?

9 A. I believe it would.

10 MR. STEVENS: We have no further questions on direct,
11 Mr. Examiner.

12
13 CROSS EXAMINATION

14 BY MR. NUTTER:

15 Q. Mr. Daugherty, you mentioned that you had never seen
16 the lake contain any appreciable amount of water except when
17 you were eleven years old. I take it then that you have never
18 seen the lake spill over and flow in a southwest direction?

19 A. No, there is no possible way. The picture may not
20 show it but you are looking way high -- there is no way that
21 the water can ever.

22 Q. Well, I see by the contour lines that there would be
23 considerable elevation above this bed that is shown on
24 Exhibit Number Three and the spill point which Mr. Ahlen
25 mentioned which would be at four oh six five. Now, with

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1 reference to these photographs, this photograph of this man
2 walking across the snow here in Exhibit Number Four.

3 Now, is this salt -- are you acquainted with the
4 Lane Salt Lake that is some miles east of there?

5 A I know it is on the old Lane Ranch that is south and
6 east of us.

7 Q Now, I have been out on that one, Mr. Daugherty, and
8 I know that salt is kind of slushy and has a lot of water in
9 it. It appears maybe from this photograph that this lake is
10 the same way, is that the case?

11 A This lake will be salt, not spongy water but there
12 will be black mud under the salt.

13 Q And the salt will be dry?

14 A Dry.

15 Q In the absence of any rainfall the salt is dry?

16 A Yes.

17 Q Now, these little white spots that are on this picture
18 southwest of you, these are up out of the white portion of the
19 lake and along the beach, is that it?

20 A yes. They are just salt forming.

21 Q Just little growths of salt here and there?

22 A Back in close up where the watch is laying there.

23 Q And that's not out in the midst of the salt water?

24 A No, that's around the edge of it.

25 Q Now, on down to the southwest here a number of miles

1 where we have Spotted Tank and Madison Square Garden Tank
2 and Salmon Lake and those features, what is the nature of those
3 Mr. Daugherty?

4 A They are just all rainwater tanks.

5 Q Those are all manmade tanks for catching water?

6 A They are approximately what, twelve or fourteen miles

7 Q They are about two townships southwest?

8 A Yeah.

9 Q Okay, now, you mentioned that you had a pipeline
10 running from the Crosby Ranch south to within three-quarters of
11 a mile of that southernmost windmill?

12 A That's right.

13 Q Does that more or less follow that little dotted line
14 there that looks like a road?

15 A Well, no, it will be along the roadway and then it
16 will cross the road to the east and come out, well, northeast
17 of where we have the windmill circled here, approximately
18 three-quarters of a mile.

19 Q Let's see, you've got a purple pen, maybe I can just
20 draw it on my exhibit so I would know where that pipeline would
21 be.

22 A Here's the Crosby Ranch. All right, it will run from
23 in here somewhere by the ranch and it runs into a storage tank
24 here and it will come somewhere right along in here, it comes
25 across the road and there is a storage in here, we've got another

1 storage and it will come out into here and then back up here.
2 This will be off scale.

3 Q That's about six miles. About every mile there,
4 approximately, you've got a drink tub there.

5 A But our main source of water comes from these three
6 wells here. We dump it into a big metal storage at the wind-
7 mill there.

8 Q Well, now, Mr. Daugherty, on my exhibits you have
9 made a little purple line with dots and that's the approximate
10 location of the pipeline that carries water to the cattle?

11 A Yes.

12 Q What size of a pipeline is that, Mr. Daugherty?

13 A It's an inch parts of the way, inch and a quarter
14 and an inch and a half. The man who put it in I think just
15 used whatever pipe he had and every time you dig into a leak
16 you've got a different sized pipe.

17 Q That carries windmill water from up around the
18 Crosby Ranch headquarters?

19 A The Crosby Ranch headquarters, yes.

20 Q And where is the White Ranch headquarters?

21 A It will be -- I don't know whether this map is going
22 to go far enough.

23 VOICE: White Ranch or White Lakes Ranch?

24 A White Lakes Ranch, it will be due west of Red Lake,
25 approximately four miles. It is marked on there White Lake.

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1 Q And then I see a little black square, that would be
2 the headquarters of the ranch?

3 A That's right.

4 Q Okay. And on that ranch you only have one windmill
5 and that's up there west of Elkins?

6 A West of Elkins, about two and a half miles west of
7 Elkins. It's a sixty-eight foot well. We have drilled, like
8 I say, all over the ranch, followed the seismographs in trying
9 to find it. In the forty years I have been connected with
10 it it hasn't been found.

11 Q Now, these windmills that are here on the Crosby
12 Ranch, Mr. Ahlen mentioned the depths of some of them, what is
13 the average depths of those wells out there?

14 A The well right northwest of the lake is thirty-eight
15 feet -- northeast, northeast. And then the well east of the
16 Crosby headquarters is around forty-two to forty-five feet.

17 MR. STEVENS: Those wells are in Section 15.

18 A And they are sulphur wells, that's what we call them
19 because the water, you sure won't drink it, the cattle will
20 drink it.

21 Q (Mr. Nutter continuing.) Referring to the surface
22 ownership here, Mr. Daugherty, how is the surface owned around
23 here?

24 A All of White Lake, other than four to five sections
25 is deeded land.

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1 Q Okay, now, take Exhibit Number Two which shows all
2 of the leases, the oil and gas leases, around that lake for
3 a distance of three miles east and west and and five or six or
4 ten miles all together north and south, what is the surface
5 ownership around through this exhibit?

6 A Well, all of the west of it, Section 24 and then all
7 west is all deeded rather than 16 and 36 in each township is
8 State. But now Crosby, it is checkerboarded with State,
9 Federal and deeded and due east of the lake our fence line,
10 the White Lake fence line is a quarter of a mile off the town-
11 ship line into 19, so that is all deeded land. It looks like
12 the east half of 19 is deeded land.

13 Q Well, the east half of the west half then would be
14 Federal land, is that it?

15 A According to this map it shows it but my map at home
16 doesn't show it this way. I went to the BLM office in Roswell
17 and checked with them and they show, I would say -- what would
18 you call this Don, this section right here, how much of that?

19 MR. STEVENS: It would be eighty acres, being the
20 east half of the northwest.

21 A Of 19?

22 MR. STEVENS: Of Section 19.

23 A They have it on this map the lower half but the BLM,
24 of course, the lake doesn't touch any of that, the lake is all
25 to the west.

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1 Q (Mr. Nutter continuing.) Now, over here in the town-
2 ship to the west here, I see a good number of sections where
3 the ownership at the bottom of the lease is stated to be
4 D. C. Chamberlain, et al and J. W. and W. B. O'Brien, now, are
5 those fee lands?

6 A Yes, well, the O'Brien Company out of Amarillo has
7 owned that ranch since 1918, I believe, and they sold it to
8 Fred Seevickson, it will be four years this November.

9 Q That's all deeded land in there?

10 A Deeded land but I'm sure O'Brien kept their mineral
11 because Fred Seevickson didn't.

12 Q But as far as the surface ownership?

13 A The surface ownership belongs to Fred Seevickson.

14 Q Seevickson owns it now and O'Brien's did have it?

15 A O'Brien's did have it. That's the good thing about
16 O'Brien White Lakes there, it's all deeded other than what little
17 the State's got in there, scattered around through it.

18 MR. NUTTER: Are there any other questions of
19 Mr. Daugherty?

20

21

CROSS EXAMINATION

22 BY MR. RAMEY:

23 Q Mr. Daugherty, have you found any waters other than
24 fresh water in this immediate area, real brackish waters or at
25 shallow depths?

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1 A Over in Red Lake to the southwest we have a seismograph
 2 hole there came within, oh, twenty or thirty feet of the
 3 surface but it was not usable. There are some wells right
 4 south of White Lake headquarters, lots of water but it's salty
 5 and not usable. You can get brackish water in pretty near
 6 any lake bed that holds above the Redbed, I guess, it just
 7 seeps out of it.

8 MR. RAMEY: Okay.

9 MR. NUTTER: Are there any further questions of
 10 Mr. Daugherty? He may be excused.

11 (THEREUPON, the witness was excused.)

12 MR. NUTTER: Did you have anything further,
 13 Mr. Stevens?

14 MR. STEVENS: Nothing further, Mr. Examiner.

15 MR. NUTTER: Does anyone have anything they wish to
 16 offer in Case Number 5922? We will take the case under advise-
 17 ment.

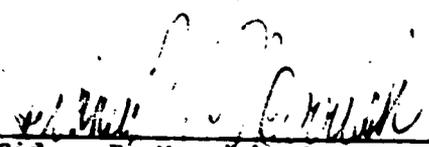
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REPORTER'S CERTIFICATE

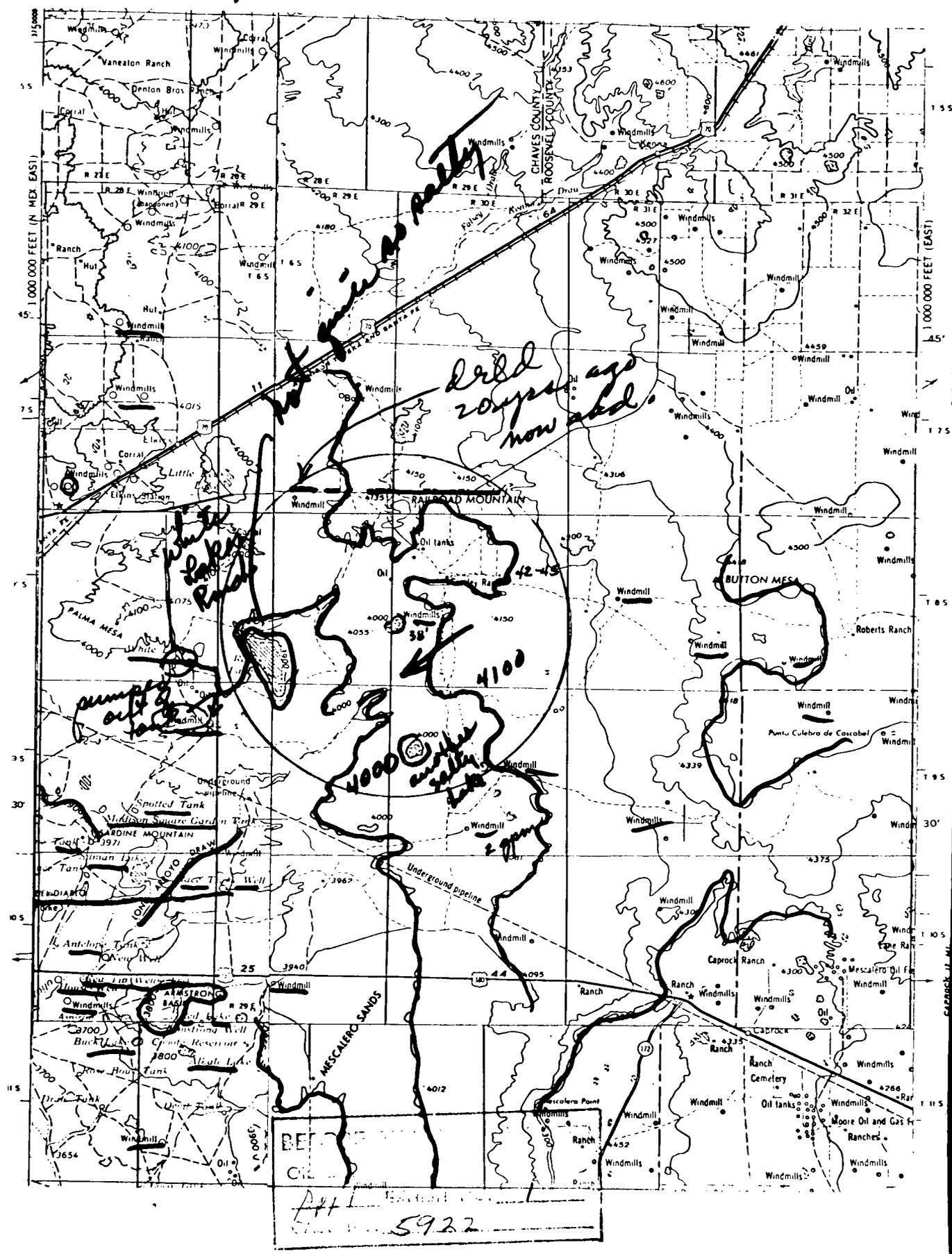
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I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill and
ability.



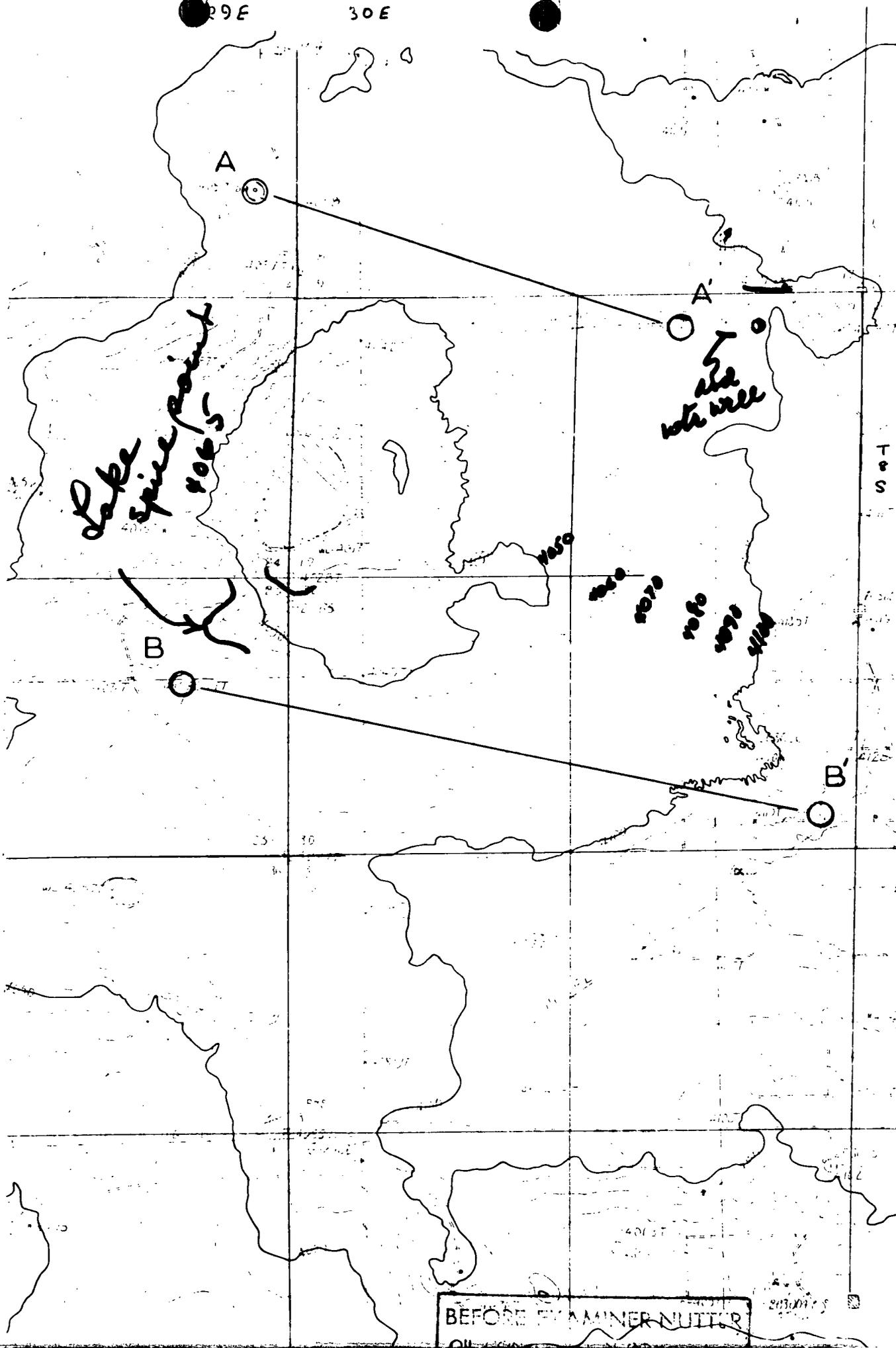
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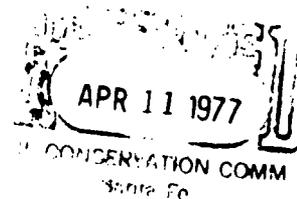


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BEFORE EXAMINER NUTTER

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF A. L. DAUGHERTY)
FOR AN EXCEPTION TO ORDER NO. R-3221,)
AS AMENDED, CHAVES COUNTY, NEW MEXICO)



A P P L I C A T I O N

COMES NOW, A. L. Daugherty, by his attorney, and seeks an exception to Order Number R-3221, as amended, in order to permit the disposal of produced salt water into a saline intermittant lake located in Section 24, Township 8 South, Range 29 East, and in Section 19, Township 8 South, Range 30 East, Chaves County, New Mexico, and in support of his application states:

1. Applicant is the owner of the right to dispose of produced salt water from the surface owner of the above described lands in Chaves County, New Mexico.

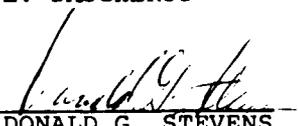
2. There is no fresh water and there are no windmills in the immediate vicinity of the said saline lake, and therefore the exception that is sought to Order Number R-3221, as amended, if granted, will not injure any fresh water or present any threat of injury thereto.

3. Approval of this application will prevent waste, protect correlative rights, and prevent the premature abandonment of the oil and gas wells in the vicinity.

WHEREFORE, applicant requests that this application be set for hearing before the Commission or one of its examiners, and that the Commission enter its order granting to applicant an exception to Order Number R-3221, as amended, in accordance with this application.

Respectfully submitted,

A. L. DAUGHERTY

By 
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ATTORNEY FOR APPLICANT