

Case No.

7168

Application

Transcripts

Small Exhibits

ETC

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
25 February 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Cavalcade Oil Corpor-
ation for an exception to Order No.
R-3221, Eddy County, New Mexico.

CASE
7168

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:

William F. Carr, Esq.
CAMPBELL, BYRD, & BLACK
Jefferson Place
Santa Fe, New Mexico 87501

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I N D E X

MICHAEL LEVENSON

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E X H I B I T S

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Applicant Exhibit Three, Photographs	6

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

4

We'll call next Case Number 7168.

5

MR. PADILLA: Application of Cavalcade
Oil Corporation for an exception to Order Number R-3221,
Eddy County, New Mexico.

8

MR. CARR: May it please the Examiner,
my name is William F. Carr, with the law firm Campbell, Byrd,
and Black, P. A., Santa Fe, New Mexico, appearing on behalf
of Cavalcade Oil Corporation.

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I have one witness who needs to be
sworn.

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(Witness sworn.)

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MICHAEL LEVENSON

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

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DIRECT EXAMINATION

22

BY MR. CARR:

23

24

Q Will you state your name and place of
residence?

25

A. Michael Levenson, Carlsbad, New Mexico.

1
2 Q. Mr. Levenson, by whom are you employed
3 and in what capacity?

4 A. President, Cavalcade Oil Corporation.

5 Q. Have you previously testified before this
6 Commission and had your credentials as a practical oil man
7 accepted and made a matter of record?

8 A. Yes, I have.

9 Q. Are you familiar with the application of
10 Cavalcade Oil Corporation in this case?

11 A. Yes.

12 Q. Are you familiar with the wells which
13 are involved in this application?

14 A. Yes.

15 MR. CARR: Are the witness' qualifications
16 acceptable?

17 MR. NUTTER: Yes, they are.

18 Q. Will you briefly state what Cavalcade
19 seeks with this application?

20 A. Yes, we seek exception to Order No.
21 R-3221, Eddy County, New Mexico.

22 Q. Mr. Levenson, will you refer to what
23 has been marked for identification as Applicant's Exhibit
24 Number One and explain to Mr. Nutter what it is and what it
25 shows?

1
2 A. Yes, sir, I will. This is a plat showing
3 the subject two wells, the McClay 11 and the McClay 12, marked
4 in blue on spacing units K and L, each 40 acres, in Section
5 33.

6 It shows marked in red to the south be-
7 low the red lines the potash disposal area that was granted
8 an exception to R-3221-B in July, 1968, and approximately
9 three miles to the -- I think it's three as the crow flies,
10 between two and three miles to the northeast in Section 22,
11 that would be the northeast quarter, as signified by a blue
12 dot, is the location of the nearest water well in the area
13 known as the Williams -- I believe Williams Ranch. Walters
14 Ranch area.

15 Q. Mr. Levenson, will you now refer to what
16 has been marked for identification as your Exhibit Number Two
17 and explain to Mr. Nutter what this is and what it shows?

18 A. Yes. Exhibit Number Two is an economic
19 analysis simply stating history for the last six months of
20 the two wells individually and added together, of oil and
21 water production in terms of barrels, showing steady water
22 production, declining oil, and the actual cost of hauling
23 the water for those months.

24 Q. How many barrels of water a day are
25 being produced on the McClay lease?

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A. Approximately 60 barrels.

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Q. And does the McClay lease include just the north half of the southwest quarter of Section 33 in 18 South, 30 East?

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A. Yes, that's correct, 80 acres.

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Q. Are these wells also producing natural gas?

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A. There's a small amount of natural gas being produced, approximately 15,000 cubic feet per day.

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Q. Now we are talking about one lease. Will the working interests and the royalty interests be the same throughout?

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A. Yes, they are the same.

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Q. Now, Mr. Levenson, we have -- you have -- your Exhibit Number Three consists of a number of pictures taken from a location of the proposed pit, is that correct?

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A. Yes, that's correct. Exhibit Three is a series of ten photographs taken from the location in a panoramic view, which would rotate counterclockwise, at least that's the order in which we placed them there.

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Q. And these pictures start with a photograph looking directly west, is that it?

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A. That's right.

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Q. Have you been on this location a number

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2 of times?

3 A. Yes, sir, I have.

4 Q. Could you briefly describe the area in
5 which you propose to put this unlined pit?

6 A. Yes. If we were standing looking to the
7 north, the area would be going uphill, sloping generally to
8 the south, along with a draw running through the area. It
9 all slopes towards this potash mine located in the area below
10 the red line in our first exhibit, which is where the disposal --
11 potash disposal lake is.

12 Q. Are there any stock tanks or temporary
13 water facilities in the immediate area?

14 A. In the immediate area, no, but -- no,
15 there are not.

16 Q. Would you describe where the Walters Lake
17 wells are located in regard to the McClay lease and also in
18 regard to any potash disposal lakes in the area?

19 A. Right. Once again, as the crow flies,
20 approximately two and a half or three miles to the northeast
21 is the --- is the water well, and --

22 Q. Is that located in sort of a draw that
23 also runs ---

24 A. Yes, it is in a draw that is located
25 uphill from the McClay lease and the surface flow would be

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2 through this draw towards the potash area onto the south. It
3 slopes away from the water wells towards the disposal area.

4 Q So is it your testimony that the water
5 well is uphill from the lease and the potash lake is downhill
6 from the lease?

7 A That is correct.

8 Q And they are in the same draw?

9 A That's correct.

10 Q Whereabouts is this potash disposal
11 pond?

12 A Approximately Sections 9 and 10 of Town-
13 ship 19 South, Range 30 East.

14 Q Are there a number of disposal lakes in
15 the area?

16 A Yes, there are.

17 Q Now, would you please describe briefly
18 the search that's been made to locate any fresh water wells
19 in the area?

20 A Yes, sir, I will. Our office looked for
21 water wells within a two-mile radius of our proposed disposal
22 pit and we did find the one in the Walters Ranch slightly
23 more than two miles away.

24 With the assistance of Mr. Bob Barton
25 at the State Engineer's Office, Cavalcade Oil checked the

1
2 Lea County report and found nothing. We checked the Eddy
3 County report and found nothing. We checked the files of
4 the State Engineer's Office and we found nothing filed. Two
5 topographical maps at the State Engineer's Office showed no
6 wells and we especially focused our search on these sections
7 that are located in between the McClay lease and the area to
8 the south that was already granted an exception by Order
9 R-322-B back in '68. I'm specifically talking about Sections
10 2, 3, 4, 5, and 6 of Township 19 South, Range 30 East.

11 As you can see, these sections are the
12 sections that lie directly between the McClay lease and the
13 area that has already been granted the exception.

14 There was nothing in any of these sections.

15 Q In addition to the general search that
16 you made of the area did you also particularly check those
17 sections that lie between the McClay lease and the existing
18 water well?

19 A Yes, we did. And the same information
20 was -- was obtained, that there is nothing.

21 Q Okay.

22 A From our extensive search.

23 Q In your opinion would disposal into an
24 unlined pit at the proposed location result in the contamin-
25 ation of fresh water?

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2 A. We don't -- we don't really see how this
3 is possible because the only well, fresh water well, is the
4 one that lies uphill to the north with the area draining to
5 the south, and no fresh water well being located between the
6 McClay lease and the area to the south, would virtually make
7 it impossible to contaminate fresh water supply.

8 Q. On Exhibit Number Two you indicate that
9 there are certain costs involved in disposing of the water
10 at present. How are you disposing of the water?

11 A. We are trucking the water.

12 Q. And what is your cost?

13 A. And the cost is ranging between \$1500
14 and \$2000 per month.

15 Q. In your opinion would granting this
16 application extend the economic life of the McClay 11 and
17 McClay 12 Wells?

18 A. Yes, sir, it would, because it will
19 allow us to recover ultimately more oil from this property
20 because it will allow a longer economic operation of the
21 lease.

22 Q. In your opinion will granting the ap-
23 plication be in the best interest of conservation, the pre-
24 vention of waste, and the protection of correlative rights?

25 A. Yes, that's -- that's right.

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2 Q Were Exhibits One through Three prepared
3 by you or under your direction and supervision?

4 A Yes, they were.

5 MR. CARR: At this time, Mr. Nutter, we
6 would offer Applicant's Exhibits One through Three.

7 MR. NUTTER: Exhibits One through Three
8 will be admitted in evidence.

9 MR. CARR: I have nothing further of
10 this witness on direct.

11
12 CROSS EXAMINATION

13 BY MR. NUTTER:

14 Q Mr. Levenson, the ground water report
15 on Eddy County, now you mentioned that you'd gone through
16 some ground water reports in this area, with the State En-
17 gineer, or with someone, now, you're talking about Section
18 33 of Township 18 South, Range 30 East.

19 A That's right.

20 Q This would be Section 33.

21 A Right there.

22 Q Right where Loco Hills is shown to --

23 A Uh-huh.

24 Q Through the area.

25 A Uh-huh.

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Q Now there appears to be a water well approximately three or four miles to the southwest. Do you know whether that well is still in existence or not?

A I don't know. We -- where are you looking, right here?

Q Right here.

A We failed -- if it is in existence we don't know, because we found no record of it.

Q Well, according to --

A Everywhere we looked we didn't find it.

Q According to Plate 3 of Ground Water Report No. 3 on the ground water resources of Eddy County, the movements of ground water in the area would be to the south and southwest.

A Uh-huh.

Q Which would be directly from your proposed pit towards this water well, which appears at one time, at least, to have been located in Section 13 of Township 19 South, Range 29 East.

A This was -- this is almost thirty years old.

Q It's an old report.

A Yeah.

Q We had at least at one time there was a

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2 water well there, and I just wonder if you'd ascertain what
3 the status of that old water well is.

4 A We talked to Bob Barton about any water
5 well in the area and we started looking at a two mile radius
6 and then extended it to see if there was any problem and
7 checked it against their files and came up with nothing.

8 We would be glad by letter to give you
9 an update on that well.

10 Q And find out specifically about that one
11 well, because we know that one well did exist at one time,
12 and maybe it just dried up; it may have been poor quality
13 water --

14 A Okay.

15 Q -- or something that happened.

16 A All right. All the current reports
17 didn't -- didn't indicate it, but we'll check --

18 Q I presume there's no current water well,
19 then, but if you find out whatever did happen to it, we'd
20 appreciate that.

21 A I will.

22 Q Now you say the potash disposal lake is
23 in Section 9 and 10?

24 A That's --

25 Q Immediately south of that?

1
2 A. I believe it's 9 and 10. Immediately
3 to the south. Actually, more so in 10.

4 Q. And whose lake is that?

5 A. That's Amax'.

6 Q. Amax' lake.

7 A. There's a picture -- that very first
8 picture shows that Amax mine from the --

9 Q. And the lake is right near the --

10 A. Yeah, you can see --

11 Q. -- mine?

12 A. -- it on the horizon. It was the one on
13 top.

14 Q. Uh-huh.

15 A. It's right there. It, you know, covers
16 a lot of area. But on to the south of there another four or
17 five miles is PCA, and it's the same situation.

18 Q. But you are within 1-1/2 miles of the
19 area that was exempt from R-3221-A --

20 A. That's right.

21 Q. As the so-called Nash Draw exemption.

22 A. Right, 1968.

23 Q. Okay. Well, if you can find out about
24 that one well I had a question on, I'll appreciate it.

25 A. Okay.

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2 MR. NUTTER: Are there any further ques-
3 tions of Mr. Levenson? He may be excused.

4 Do you have anything further, Mr. Carr?

5 MR. CARR: Nothing further, Mr. Nutter.

6 MR. NUTTER: Does anyone have anything
7 they wish to offer in Case Number 7168?

8 We'll take the case under advisement.

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10 (Hearing concluded.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion 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.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 7168,
heard by me on 2/25 1981.

[Signature], Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

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

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
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I N D E X

MICHAEL LEVENSON

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I have one witness who needs to be
sworn.

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

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DIRECT EXAMINATION

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BY MR. CARR:

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Q Will you state your name and place of
residence?

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A. Michael Levenson, Carlsbad, New Mexico.

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2 Q Mr. Levenson, by whom are you employed
3 and in what capacity?

4 A President, Cavalcade Oil Corporation.

5 Q Have you previously testified before this
6 Commission and had your credentials as a practical oil man
7 accepted and made a matter of record?

8 A Yes, I have.

9 Q Are you familiar with the application of
10 Cavalcade Oil Corporation in this case?

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12 Q Are you familiar with the wells which
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21 R 3221, Eddy County, New Mexico.

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24 Number One and explain to Mr. Nutter what it is and what it
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2 A. Yes, sir, I will. This is a plat showing
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4 in blue on spacing units K and L, each 40 acres, in Section
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6 It shows marked in red to the south be-
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21 water production in terms of barrels, showing steady water
22 production, declining oil, and the actual cost of hauling
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24 Q. How many barrels of water a day are
25 being produced on the McClay lease?

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A. Approximately 60 barrels.

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Q. And does the McClay lease include just the north half of the southwest quarter of Section 33 in 18 South, 30 East?

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A. Yes, that's correct, 80 acres.

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Q. Are these wells also producing natural gas?

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A. There's a small amount of natural gas being produced, approximately 15,000 cubic feet per day.

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Will the working interests and the royalty interests be the same throughout?

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Q. Now, Mr. Levenson, we have -- you have -- your Exhibit Number Three consists of a number of pictures taken from a location of the proposed pit, is that correct?

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A. Yes, that's correct. Exhibit Three is a series of ten photographs taken from the location in a panoramic view, which would rotate counterclockwise, at least that's the order in which we placed them there.

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Q. Have you been on this location a number

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4 Q Could you briefly describe the area in
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6 A Yes. If we were standing looking to the
7 north, the area would be going uphill, sloping generally to
8 the south, along with a draw running through the area. It
9 all slopes towards this potash mine located in the area below
10 the red line in our first exhibit, which is where the disposa ---
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13 water facilities in the immediate area?

14 A In the immediate area, no, but --- no,
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17 wells are located in regard to the McC lay lease and also in
18 regard to any potash disposal lakes in the area?

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5 well is uphill from the lease and the potash lake is downhill
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11 pond?

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21 water wells within a two-mile radius of our proposed disposal
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12 sections that lie directly between the McClay lease and the
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21 Q Okay.

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7 MR. NUTTER: Exhibits One through Three
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10 this witness on direct.
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12 CROSS EXAMINATION

13 BY MR. NUTTER:

14 Q Mr. Levenson, the ground water report
15 on Eddy County, now you mentioned that you'd gone through
16 some ground water reports in this area, with the State En-
17 gineer, or with someone, now, you're talking about Section
18 33 of Township 18 South, Range 30 East.

19 A That's right.

20 Q This would be Section 33.

21 A Right there.

22 Q Right where Loco Hills is shown to -

23 A Uh-huh.

24 Q Through the area.

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Q Now there appears to be a water well approximately three or four miles to the southwest. Do you know whether that well is still in existence or not?

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11 well, because we know that one well did exist at one time,
12 and maybe it just dried up; it may have been poor quality
13 water ---

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16 A. All right. All the current reports
17 didn't --- didn't indicate it, but we'll check ---

18 Q. I presume there's no current water well,
19 then, but if you find out whatever did happen to it, we'd
20 appreciate that.

21 A. I will.

22 Q. Now you say the potash disposal lake is
23 in Section 9 and 10?

24 A. That's ---

25 Q. Immediately south of that?

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A. I believe it's 9 and 10. Immediately
to the south. Actually, more so in 10.

Q And whose lake is that?

A. That's Amax'.

Q Amax' lake.

A. There's a picture -- that very first
picture shows that Amax mine from the --

Q And the lake is right near the --

A. Yeah, you can see --

Q -- mine?

A. -- it on the horizon. It was the one on
top.

Q Uh-huh.

A. It's right there. It, you know, covers
a lot of area. But on to the south of there another four or
five miles is PCA, and it's the same situation.

Q But you are within 1-1/2 miles of the
area that was exempt from R-3221-A --

A. That's right.

Q As the so-called Nash Draw exemption.

A. Right, 1968.

Q Okay. Well, if you can find out about
that one well I had a question on, I'll appreciate it.

A. Okay.

1
2 MR. NUTTER: Are there any further ques-
3 tions of Mr. Levenson? He may be excused.

4 Do you have anything further, Mr. Carr?

5 MR. CARR: Nothing further Mr. Nutter.

6 MR. NUTTER: Does anyone have anything
7 they wish to offer in Case Number 7168?

8 We'll take the case under advisement.

9
10 (Hearing concluded.)
11
12
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C E R T I F I C A T E

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) 455-7409

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7168, heard by me on 2/25 19 81.

[Signature], Examiner
Oil Conservation Division



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

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

May 1, 1981

Mr. William F. Carr
Campbell, Byrd & Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Re: CASE NO. 7168
ORDER NO. R-6661

Applicant:

Cavalcade Oil Corporation

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	<u>x</u>
Artesia OCD	<u>x</u>
Aztec OCD	

Other

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. 7168
Order No. R-6661

APPLICATION OF CAVALCADE OIL
CORPORATION 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 February 25, 1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 30th day of April, 1981, 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, Cavalcade Oil Corporation, is the owner and operator of the McClay Lease, in Section 33, Township 18 South, Range 30 East, NMPM, Benson Queen-Grayburg 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 the SW/4 of said Section 33.

(7) That applicant's McClay Lease produces approximately 60 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 to prevent the waste of oil and gas in said Benson Queen-Grayburg Pool, authority to dispose of produced water from applicant's McClay Lease in an unlined surface pit on said lease should be granted.

IT IS THEREFORE ORDERED:

(1) That the applicant, Cavalcade Oil Corporation, 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 McClay Lease, located in Section 33, Township 18 South, Range 30 East, NMPM, Benson Queen-Grayburg Pool, Eddy County, New Mexico, in an unlined surface pit located in the SW/4 of said Section 33.

(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. 7168
Order No. R-6661

(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

rd/

CAMPBELL, BYRD & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
HARL D. BYRD
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
WILLIAM G. WAROLE

RECEIVED
APR 18 1981
PERSON PLACE
OIL CONSERVATION DIVISION NORTH GUADALUPE
SANTA FE POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87501
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6C43

April 14, 1981

Mr. Daniel S. Nutter
Chief Engineer
Oil Conservation Division
New Mexico Department of
Energy and Minerals
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Case 7168: Application of Cavalcade Oil
Corporation for an Exception to Order No.
R-3221, Eddy County, New Mexico

Dear Mr. Nutter:

As you will recall, at the hearing in the above-referenced case, you raised certain questions concerning how the proposed exception to Order No. R-3221 might affect a water well which is located in Section 13 of Township 19 South, Range 29 East, Eddy County, New Mexico. This well appeared on the 1952 copy of the Eddy County report.

Following the hearing, we employed Jack Ahlen, Consulting Geologist from Roswell, New Mexico, to make an inspection of the site and to provide us with the data you requested at the time of the hearing. His report is enclosed for your consideration.

If you need any additional information from Cavalcade Oil Corporation to enable you to reach your decision in the above-referenced case, please advise.

Best personal regards.

Very truly yours,



William F. Carr

WFC:lr
Enclosures
cc: Mr. Michael Levenson

Jack Ahlen
CONSULTING GEOLOGIST
TOWER SUITE
ROSWELL PETROLEUM BUILDING
ROSWELL, NEW MEXICO 88203
APR 13 1981
APR 14 1981
SANTA FE
Campbell, Byrd and Black, P.A.

April 13, 1981

Mr. William G. Wardle
Campbell, Byrd, and Black P.A.
P.O. Box 2208
Santa Fe, NM 87501

RE: Drainage analysis for Cav-
alcade Oil Corp.
Water disposal in Section
33, T18S, R30E, Eddy Co., NM

Dear Mr. Wardle,

As you requested, I have investigated the geological circum-
stances in the vicinity of the Cavalcade Oil Corp. #11 and #12
McClay wells in the SW/4 of Section 33, T18S, R30E, Eddy County,
N.M.

The wells are located on a topographic ridge called Loco Hills.
Well #11 is at an elevation of 3471' and well #12 at 3423'. The
surface at well #12 is underlain by a red, coarse to fine grained,
unsorted, angular to subround, friable sandstone. Porosity is evi-
dent between the grains. Vertical permeability appears to be moder-
ate to fair. The surface at well #11 is underlain by a red coarse
to fine grained, shaley, unsorted, angular to subround friable sand-
stone with erratic interbeds and irregular masses of caliche. The
caliche is white, soft to hard and brittle. The mud pit walls ex-
hibit interbedded caliche and red shaley sand. Vertical permeability
appears to be low.

Surface drainage for both locations is to the west into a local
undrained depression in the south half of Section 32, T18S, R30E, as
indicated on the Clayton Basin 15 minute Quadrangle Topographic Map,
(copy attached). The distance is 3/4 of a mile.

Subsurface drainage is to the southeast, down structural dip
as indicated on the Geomap shallow subsurface horizon dated Jan. 1,
1981, (copy attached).

If the disposal pit is built to OCD specifications there is no
reason to expect surface drainage contamination by overflow or by
breaking of the pit by catastrophic events such as flash floods.

The North Lake well in Section 13, T19S, R29E is protected a-
gainst direct surface drainage from the proposed disposal system by
four successive naturally occurring topographic barriers.

Page 2

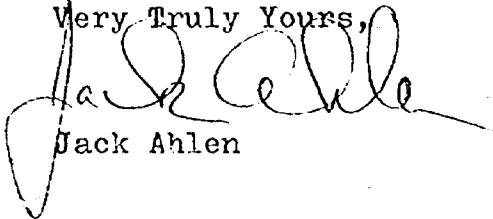
Mr. William G. Wardle

Brines which soak into the surface beds will not contaminate the North Lake well since migration will be in a southeast direction, down structural dip, away from the North Lake well.

It is therefore concluded that the proposed disposal project at this location will not adversely effect the quality of water in the North Lake well.

If you have any further questions, please advise.

Very Truly Yours,


Jack Ahlen

JA:sp
Enclosures



18/11/01

consider the primary
pattern adaptable to
express the necessary
concept.

Concept: *Alban*

Disposal Site:

Subsurface
drainage



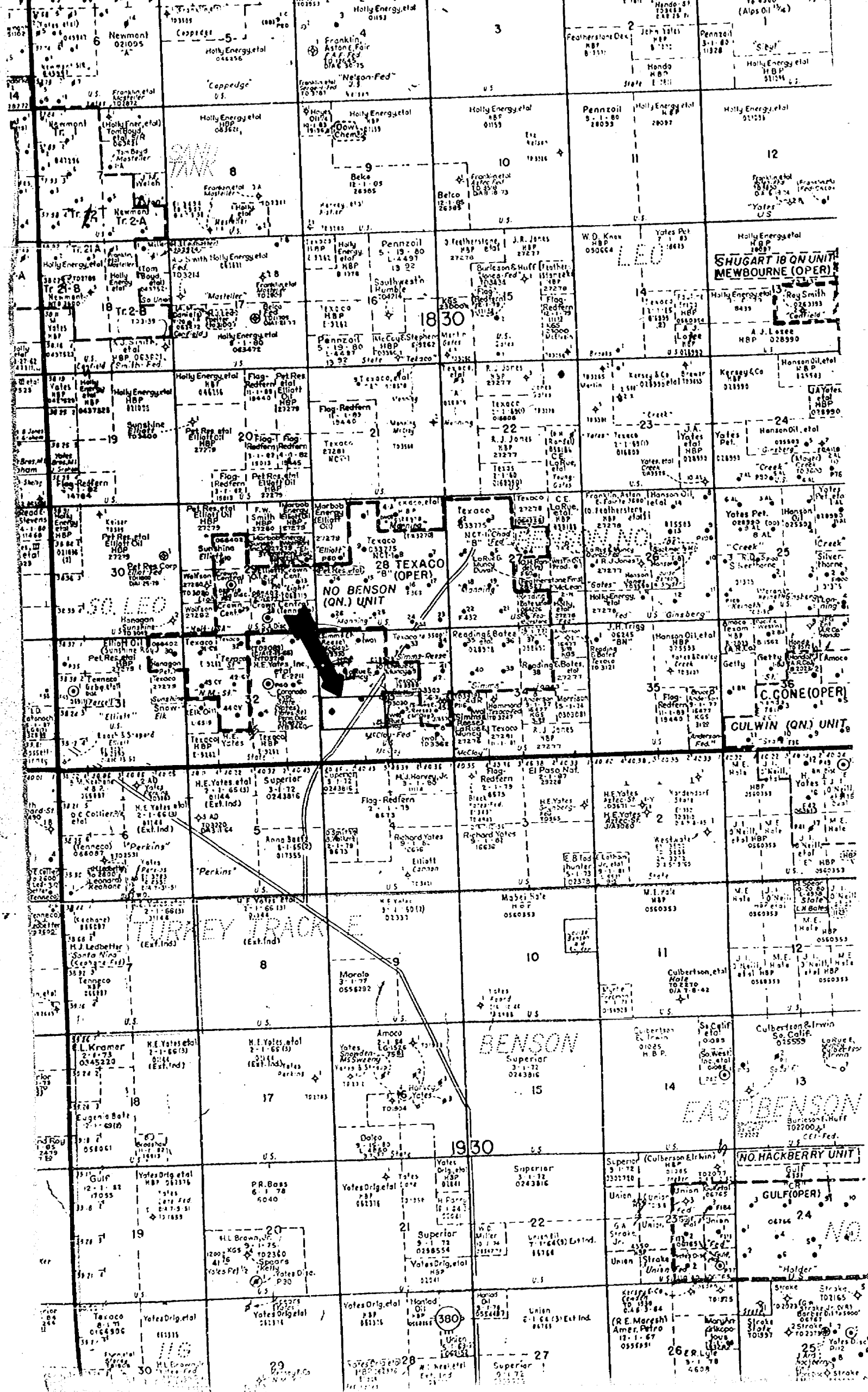
Topographic
Barrios



WASHIN

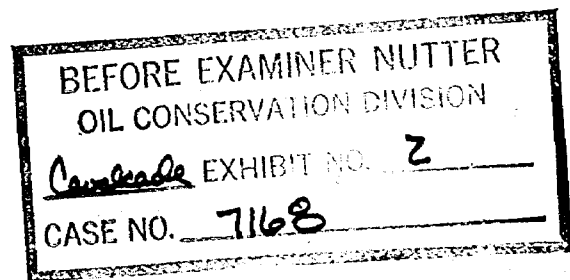


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OIL AND WATER PRODUCTION (IN BARRELS)

	<u>AUGUST, 1980</u>		<u>SEPTEMBER, 1980</u>		<u>OCTOBER, 1980</u>		<u>NOVEMBER, 1980</u>		<u>DECEMBER, 1980</u>		<u>JANUARY, 1981</u>	
	<u>Oil</u>	<u>Water</u>	<u>Oil</u>	<u>Water</u>	<u>Oil</u>	<u>Water</u>	<u>Oil</u>	<u>Water</u>	<u>Oil</u>	<u>Water</u>	<u>Oil</u>	<u>Water</u>
McCLAY #11	297	465	230	483	228	519	199	544	185	560	174	495
McCLAY #12	643	902	496	968	505	1,006	440	1,036	437	1,090	407	1,005
TOTAL	<u>940</u>	<u>1,367</u>	<u>726</u>	<u>1,451</u>	<u>733</u>	<u>1,525</u>	<u>639</u>	<u>1,600</u>	<u>622</u>	<u>1,650</u>	<u>581</u>	<u>1,500</u>
Cost to haul water	\$3,145.15		\$1,576.59		\$2,034.66		\$1,876.67		\$1,352.02		\$1,446.97	





ROAD AT RIG 12

LOOKING WEST SOUTHWEST

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Carlsbad EXHIBIT NO. 3
CASE NO. 7168



From ROAD AT R16 //

Looking South West



From ROAD AT RIG ~~13~~ 11

LOOKING SOUTH



From ROAD AT RIC ~~ILL~~ //

LOOKING SOUTH EAST



From Ric ~~11~~ 11
Looking East



From RIG 12

LOOKING NORTH-NORTH EAST



From Rig 12

Looking North North West



From Rig 11

Looking North West



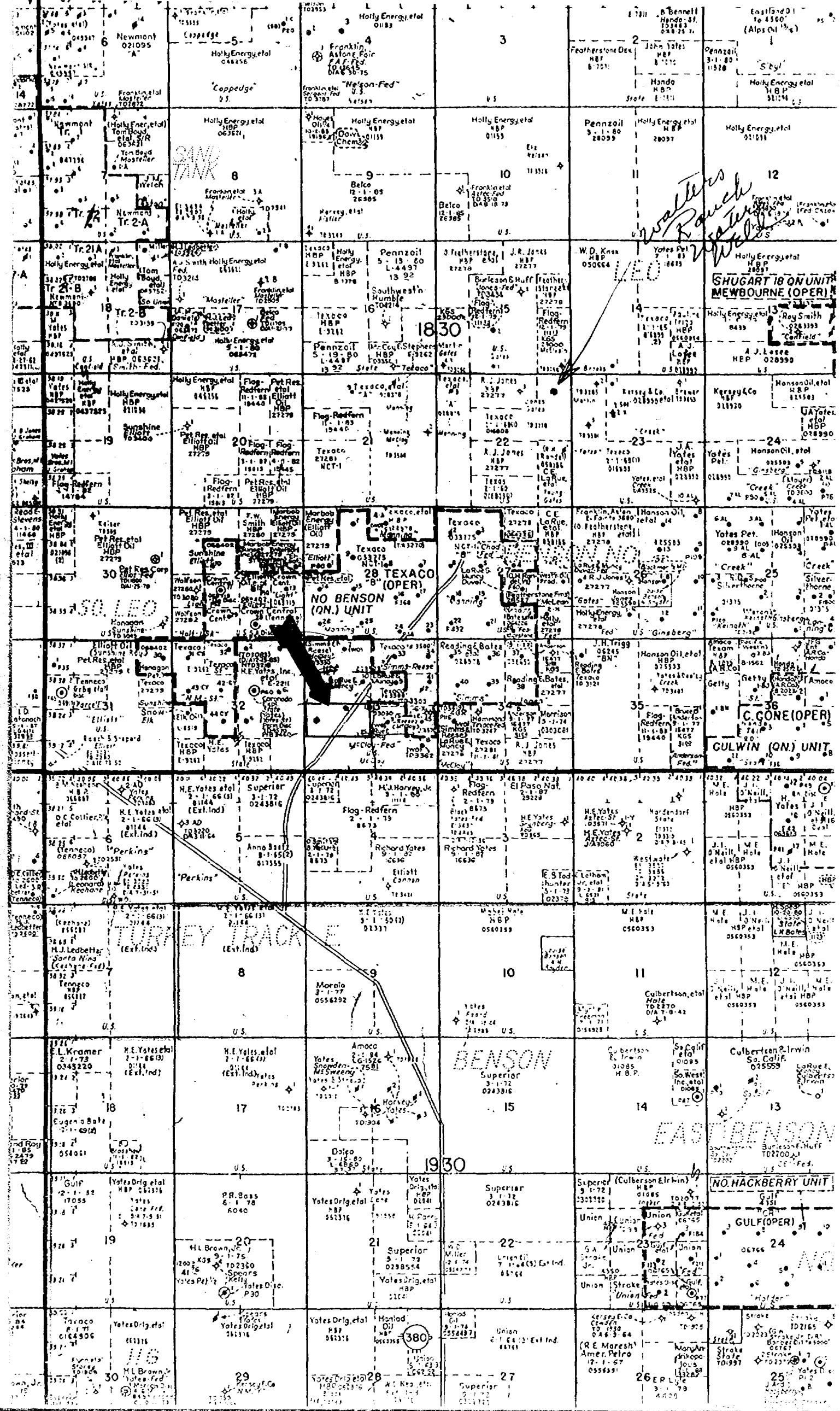
From Road at R16, 12

Looking West North West



From Rig 12

Looking West-



OIL AND WATER PRODUCTION (IN BARRELS)

	<u>AUGUST, 1980</u>		<u>SEPTEMBER, 1980</u>		<u>OCTOBER, 1980</u>		<u>NOVEMBER, 1980</u>		<u>DECEMBER, 1980</u>		<u>JANUARY, 1981</u>	
	<u>Oil</u>	<u>Water</u>	<u>Oil</u>	<u>Water</u>	<u>Oil</u>	<u>Water</u>	<u>Oil</u>	<u>Water</u>	<u>Oil</u>	<u>Water</u>	<u>Oil</u>	<u>Water</u>
McCLAY #11	297	465	230	483	228	519	199	544	185	560	174	495
McCLAY #12	643	902	496	968	505	1,006	440	1,056	437	1,090	407	1,005
TOTAL	940	1,367	726	1,451	733	1,525	639	1,600	622	1,650	581	1,500
Cost to haul water	\$3,145.15		\$1,576.59		\$2,034.66		\$1,876.67		\$1,352.02		\$1,446.97	

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Carroll EXHIBIT NO. 2
CASE NO. 7168

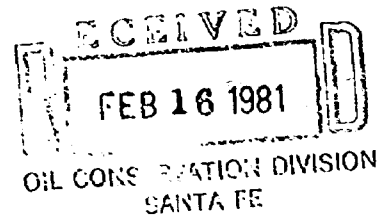
CAMPBELL, BYRD & BLACK, P.A.
LAWYERS

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TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

February 16, 1981

Mr. Joe D. Ramey
Director
Oil Conservation Division
New Mexico Department of
Energy and Minerals
Post Office Box 2088
Santa Fe, New Mexico 87501



Re: Application of Cavalcade Oil Corporation
for an Exception to Order No. R-3221,
Eddy County, New Mexico

Dear Mr. Ramey:

Enclosed in triplicate is the application of Cavalcade Oil Corporation in the above-referenced matter.

The applicant requests that this matter be included on the docket for the examiner hearing scheduled to be held on February 25, 1981.

Very truly yours

A handwritten signature in cursive script, appearing to read "William F. Carr".

William F. Carr

WFC:lr

Enclosures

cc: Mr. Michael Levenson

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

FEB 16 1981
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF CAVALCADE OIL CORPORATION FOR
AN EXCEPTION TO ORDER NO. R-3221,
EDDY COUNTY, NEW MEXICO.

Case 2168

APPLICATION

Comes now CAVALCADE OIL CORPORATION, by and through its undersigned attorneys, and applies to the Oil Conservation Division for an exception to the provisions of Commission Order No. R-3221, as amended, to permit the surface disposal of produced water in an unlined surface pit in the Benson Queen-Grayburg Pool, and in support thereof would show the Commission:

1. Applicant proposes to dispose of water produced from its McClay No. 11 and McClay No. 12 Wells, located in Units K and L, Section 33, Township 18 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, in a surface pit.
2. The McClay No. 11 and 12 Wells are producing approximately 60 barrels of water per day, together with approximately 15 mcf of gas, and 20 barrels of oil.
3. There is no supply of fresh water in the vicinity of the subject wells, and proposed pit location.
4. Applicant has made a survey, and finds no fresh water would be affected by the proposed surface disposal.
5. Surface drainage pattern is such that produced water cannot migrate to contaminate any supply of fresh water

whether surface water or underground water, and no stock tanks or other temporary or permanent water facilities exist in the area or would be affected by the surface disposal.

6. Water from the well is presently being trucked to a disposal site at considerable expense to applicant.

7. Approval of this application will prolong the economic life of the well, permit the recovery of hydrocarbons over a longer period of time, and will prevent waste. No damage will occur to the surface or underground, and the correlative rights of no owner will be affected.

WHEREFORE, Applicant prays that this application be set for hearing before the Commission or the Commission's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order approving the surface disposal as applied for.

Respectfully submitted,

CAMPBELL, BYRD AND BLACK, P.A.

By



William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87501
Attorneys for Applicant

Dockets Nos. 8-81 and 9-81 are tentatively set for March 11 and 25, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 25, 1981

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 7157: Application of Carl A. Schellinger for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Campbell Station Unit Area, comprising 3,841 acres, more or less, of State lands in Townships 8 and 9 South, Range 27 East.
- CASE 7158: Application of Grynberg & Associates for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Silman Lake Unit Area, comprising 13,743 acres, more or less, of State and fee lands in Townships 9 and 10 South, Ranges 26 and 27 East.
- CASE 7159: Application of Consolidated Oil & Gas, Inc. for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Greenhorn and Dakota production in the wellbore of its Navajo Well No. 2-E located in Unit C of Section 11, Township 25 North, Range 10 West.
- CASE 7160: Application of Harlan 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 2370 feet from the North line and 1528 feet from the West line of Section 31, Township 29 North, Range 11 West, Fulcher Kutz-Pictured Cliffs Pool, the NW/4 of said Section 31 to be dedicated to the well.
- CASE 7148: (Continued from February 11, 1981, Examiner Hearing)
- Application of Twin Montana Oil Company for a non-standard oil proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an 80-acre Vada-Pennsylvanian oil proration unit comprising the S/2 NE/4 of Section 3, Township 9 South, Range 35 East, to be dedicated to its Webb Federal Well No. 1 located in Unit C of said Section 3.
- CASE 7051: (Continued from January 28, 1981, Examiner Hearing)
- Application of Petro Lewis Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinebry and Drinkard production in the wellbore of its L. G. Warlick "B" Well No. 2 located in Unit C of Section 19, Township 21 South, Range 37 East.
- CASE 7140: (Continued from February 11, 1981, Examiner Hearing)
- Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the N/2 of Section 26, Township 21 South, Range 26 East, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the North line and 1650 feet from the East line of said Section 26. 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7149: (Continued from February 11, 1981, Examiner Hearing)
- Application of John H. Hendrix Corporation for the extension of the vertical limits of the Langlie Mattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Jalmat Pool and the upward extension of the vertical limits of the Langlie Mattix Pool to a depth of 3362 feet, subsurface, underlying Unit C of Section 19, Township 23 South, Range 37 East.
- CASE 7161: Application of John Yuronka for four compulsory poolings, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Langlie Mattix Pool underlying the four 40-acre proration units comprising the SW/4 of Section 31, Township 22 South, Range 37 East, to be dedicated to wells to be drilled at standard locations 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, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.

- CASE 7162: Application of McCulloch Oil & Gas Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the McKee formation underlying the E/2 of Section 25, Township 20 South, Range 38 East, 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7163: Application of ARCO Oil and Gas Company for the extension of the vertical limits of the Langlie Mattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Jalmat Pool and the upward extension of the vertical limits of the Langlie Mattix Pool by 165 feet underlying the NE/4 SE/4 of Section 35, Township 23 South, Range 36 East.
- CASE 7164: Application of ARCO Oil and Gas Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Devonian and Ellenburger formations, Custer Field, underlying the N/2 of Section 6, Township 25 South, Range 37 East, 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7165: Application of ARCO Oil and Gas Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Langley-Ellenburger Pool underlying the N/2 of Section 33, Township 22 South, Range 36 East, 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7166: Application of Inexco Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Chosa Draw Unit Area, comprising 2,560 acres, more or less, of Federal and State lands in Townships 25 and 26 South, Range 25 East.
- CASE 7167: Application of Inexco Oil Company for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Made Well Anticline Unit Area, comprising 39,238 acres, more or less, of State, Federal, and fee lands in Townships 12, 13, and 14 South, Ranges 21 and 22 East.
- CASE 7168: Application of Cavalcade Oil Corporation 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 K or L of Section 33, Township 18 South, Range 30 East.
- CASE 7129: (Continued from February 11, 1981, Examiner Hearing)
- Application of Koch Exploration Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the N/2 of Section 28, Township 28 North, Range 8 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7169: Application of Koch Exploration Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the S/2 of Section 22, Township 28 North, Range 8 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7170: Application of Threshold Development Company for an NCPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Atoka and Morrow formations for its Conoco 10A State Well No. 1Y in Unit F of Section 10, Township 19 South, Range 29 East.

- CASE 7171: Application of Zia Energy Inc. for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 120-acre non-standard proration unit in the Fumont Gas Pool comprising the SW/4 SE/4 of Section 27, and the N/2 NE/4 of Section 34, Township 20 South, Range 36 East, to be dedicated to its Elliott "A" State Well No. 1 located 660 feet from the South line and 1980 feet from the East line of said Section 27.
- CASE 7172: Application of Caulkins Oil Company for two unorthodox gas well locations, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of the following two wells on its Breech A Lease to be recompleted in the Chacra, Mesaverde, and Dakota formations: No. 157 located 1980 feet from the North line and 660 feet from the West line of Section 10 and No. 629 located 660 feet from the North line and 760 feet from the West line of Section 9, both in Township 26 North, Range 6 West.
- CASE 7173: Application of V-F Petroleum Inc. for an unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 330 feet from the North line and 1150 feet from the East line of Section 5, Township 16 South, Range 38 East, South Denton-Devonian Pool, the NE/4 NE/4 of said Section 5 to be dedicated to the well.
- CASE 7174: Application of Jake L. Hamon for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 660 feet from the South and West lines of Section 36, Township 23 South, Range 26 East, South Carlsbad-Morrow Gas Pool, the S/2 of said Section 36 to be dedicated to the well.
- CASE 7175: Application of Conoco Inc. for compulsory pooling and a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Ellebarger formations underlying the S/2 of Section 19, Township 25 South, Range 37 East, to be dedicated to a well to be drilled at a standard location and dually completed in the Devonian and Ellebarger formations. 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, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

RECEIVED
FEB 16 1981
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF CAVALCADE OIL CORPORATION FOR
AN EXCEPTION TO ORDER NO. R-3221,
EDDY COUNTY, NEW MEXICO.

Case 7/68

APPLICATION

Comes now CAVALCADE OIL CORPORATION, by and through its undersigned attorneys, and applies to the Oil Conservation Division for an exception to the provisions of Commission Order No. R-3221, as amended, to permit the surface disposal of produced water in an unlined surface pit in the Benson Queen-Grayburg Pool, and in support thereof would show the Commission:

1. Applicant proposes to dispose of water produced from its McClay No. 11 and McClay No. 12 Wells, located in Units K and L, Section 33, Township 18 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, in a surface pit.
2. The McClay No. 11 and 12 Wells are producing approximately 60 barrels of water per day, together with approximately 15 mcf of gas, and 20 barrels of oil.
3. There is no supply of fresh water in the vicinity of the subject wells, and proposed pit location.
4. Applicant has made a survey, and finds no fresh water would be affected by the proposed surface disposal.
5. Surface drainage pattern is such that produced water cannot migrate to contaminate any supply of fresh water

whether surface water or underground water, and no stock tanks or other temporary or permanent water facilities exist in the area or would be affected by the surface disposal.

6. Water from the well is presently being trucked to a disposal site at considerable expense to applicant.

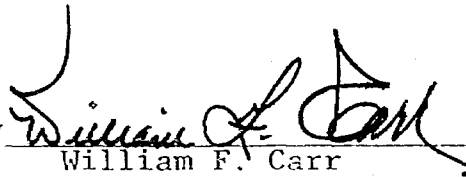
7. Approval of this application will prolong the economic life of the well, permit the recovery of hydrocarbons over a longer period of time, and will prevent waste. No damage will occur to the surface or underground, and the correlative rights of no owner will be affected.

WHEREFORE, Applicant prays that this application be set for hearing before the Commission or the Commission's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order approving the surface disposal as applied for.

Respectfully submitted,

CAMPBELL, BYRD AND BLACK, P.A.

By



William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87501
Attorneys for Applicant

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

RECEIVED
FEB 18 1981
OIL CONSERVATION DIVISION
STATE

IN THE MATTER OF THE APPLICATION
OF CAVALCADE OIL CORPORATION FOR
AN EXCEPTION TO ORDER NO. R-3221,
EDDY COUNTY, NEW MEXICO.

Case 7/68

APPLICATION

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6. Water from the well is presently being trucked to a disposal site at considerable expense to applicant.


7. Approval of this application will prolong the economic life of the well, permit the recovery of hydrocarbons over a longer period of time, and will prevent waste. No damage will occur to the surface or underground, and the correlative rights of no owner will be affected.

WHEREFORE, Applicant prays that this application be set for hearing before the Commission or the Commission's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order approving the surface disposal as applied for.

Respectfully submitted,

CAMPBELL, BYRD AND BLACK, P.A.

By



William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87501
Attorneys for Applicant

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. 7168

ORDER NO. R- 6661

APPLICATION OF CAVALCADE OIL CORPORATION

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 February 25,
19 81, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter

NOW, on this _____ day of _____, 19 81, 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, Cavalcade Oil Corporation, is
the owner and operator of the McClay Lease,
~~located in Unit~~ of Section 33, Township 18 South,
Range 30 East, NMPM, Benson Queen-Kayburg 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 ^{the subject} ~~Unit 4~~ of said Section 33.

(7) That applicant's McClay Lease produces approximately 60 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.~~

(9) That to prevent the waste of oil and gas in said Benson Queen-Krayberg Pool, ~~permanent~~ authority to dispose of produced water from applicant's McClay Lease in an unlined surface pit on said lease should be granted.

(11) That the applicant should be permitted to dispose of water produced from said _____ in an unlined surface pit on said lease until _____.

IT IS THEREFORE ORDERED:

(1) That the applicant, Cavalcade Oil Corporation, 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 McClay Lease, located in Unit of Section 33, Township 18 South, Range 30 East, NMPM, Benson Queen - Mayberry Pool, Eddy County, New Mexico, in an unlined surface pit located in Unit of said Section 33, until _____, 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.