

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:)
APPLICATION OF PLATINUM EXPLORATION,)
INC., FOR APPROVAL OF A SALTWATER)
DISPOSAL WELL, LEA COUNTY, NEW MEXICO)

CASE NO. 13,320

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, JR., Hearing Examiner

September 2nd, 2004

Santa Fe, New Mexico

2004 SEP 16 PM 12:57

Handwritten initials and date: x/9/04

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, September 2nd, 2004, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

September 2nd, 2004
 Examiner Hearing
 CASE NO. 13,320

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<u>GREG RASMUSSEN</u> (Engineer)	
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A P P E A R A N C E S

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By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 9:18 a.m.:

3 EXAMINER JONES: Let's call Case 13,320,
4 Application of Platinum Exploration, Inc., for approval of
5 a saltwater disposal well, Lea County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
8 representing the Applicant. I have one witness.

9 EXAMINER JONES: Are there any other appearances?

10 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
11 the Santa Fe law firm of Kellahin and Kellahin. I'm
12 representing Duane Woody and Woody Investments, L.L.C. Mr.
13 Woody and his company own the surface at the proposed
14 injection well site. I have no witnesses.

15 EXAMINER JONES: Any other appearances?

16 Will the witness please stand to be sworn?

17 (Thereupon, the witness was sworn.)

18 GREG RASMUSSEN,

19 the witness herein, after having been first duly sworn upon
20 his oath, was examined and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. BRUCE:

23 Q. Would you please state your name and city of
24 residence for the record?

25 A. My name is Greg Rasmussen. I live in Midland,

1 Texas.

2 Q. And what is your occupation?

3 A. I'm a petroleum engineer.

4 Q. What is your relationship to Platinum
5 Exploration?

6 A. I own a fraction of it, and I'm the vice
7 president.

8 Q. Okay. Have you previously testified before the
9 Division as an engineer?

10 A. Yes, I have.

11 Q. And were your credentials as an expert petroleum
12 engineer accepted as a matter of record?

13 A. Yes, sir.

14 Q. And are you familiar with the matters involved in
15 this Application?

16 A. Yes, sir.

17 MR. BRUCE: Mr. Examiner, I'd tender Mr.
18 Rasmussen as an expert petroleum engineer.

19 EXAMINER JONES: Mr. Rasmussen is qualified as an
20 expert petroleum engineer.

21 Q. (By Mr. Bruce) Mr. Rasmussen, could you refer to
22 Exhibit 1 and identify it and identify the wells involved
23 in this particular application?

24 A. Is it -- This is Exhibit 1?

25 Q. Yeah, this.

1 A. Could you repeat the question?

2 Q. Could you just briefly identify what Exhibit 1
3 is, and then identify the saltwater disposal well, or
4 proposed saltwater disposal well, involved in this
5 Application?

6 A. I recognize this as an ownership map that has
7 various wells on it; within a circle for me is the proposed
8 producing well and the injection well, the Whitten Number 1
9 that we would like to turn into an injection well.

10 Q. And that is the well in the northeast quarter,
11 northwest quarter, of Section 35?

12 A. That's correct.

13 Q. Is that well currently plugged and abandoned?

14 A. Yes, it is.

15 Q. Was it a Devonian producer before?

16 A. Yes, it was.

17 Q. Then there's a well circled in the southwest
18 quarter of the northwest quarter. Which well is that?

19 A. That, I believe, is the Woody.

20 Q. The Woody Number 1?

21 A. Yes, sir.

22 Q. And that well is currently plugged and abandoned?

23 A. That's correct.

24 Q. Does Platinum intend to re-enter that well and
25 attempt to complete it as a producer?

1 A. That's correct.

2 Q. And then if water is produced from the Woody
3 Number 1, would it be disposed of in the Whitten Number 1?

4 A. That's correct.

5 Q. Okay. We have highlighted the northwest quarter
6 of Section 35. Is mineral ownership in the northwest
7 quarter common?

8 A. Yes.

9 Q. So the producing well and the injection well are
10 located on the same well lease or leases, correct?

11 A. That's correct.

12 Q. The mineral ownership has been split up quite a
13 bit, but it's undivided --

14 A. Yes.

15 Q. -- is that correct?

16 Now, moving on to Exhibit 2, which is the -- Mr.
17 Rasmussen, the injection Application -- First of all, Mr.
18 Examiner, the pages on this C-108 have been numbered so you
19 can locate it.

20 What is the history, just the basic history of
21 the proposed injection well?

22 A. It was drilled as a Devonian well. They produced
23 it for years and then plugged it.

24 Q. Okay. Now, you intend to -- Well, turning to
25 maybe pages -- a couple of pages here -- pages 4 and 12,

1 could you maybe just briefly go into detail how you intend
2 to re-enter the well and --

3 A. It's currently plugged, has existing plugs.
4 We'll drill those out. We'll drill down to 13,000 foot,
5 and we'll put a 4-inch liner inside the 5-1/2-inch long
6 string, production string, cement that liner in place as to
7 protect the oil that's in the Devonian we anticipate
8 producing in the Woody Number 1. The water produced from
9 the Woody Number 1 would be injected into this well below
10 the original oil-water contact. The original oil-water
11 contact is at, say, 12,600. We'd inject from 12,600 down
12 to 13,000 foot.

13 Q. Now, on page 4, one correction. At the bottom of
14 page 4 it talks about the proposed injection interval,
15 which is 12,550 to 13,000 feet. It says it will be
16 perforated. Is it going to be perforated or open-hole?

17 A. It would be perforated.

18 Q. Okay --

19 A. No, excuse me, it would be open-hole.

20 Q. So that "Open Hole" should be circled, rather
21 than the "Perforated", on page 4.

22 Referring back to Exhibit 1, the land plat, Mr.
23 Rasmussen --

24 A. Yes, sir.

25 Q. -- within the area of review, obviously the Woody

1 Number 1, which is the well you intend to re-enter and
2 complete as a producer, there seems to be only one other
3 well within that half-mile area of review --

4 A. That's correct.

5 Q. -- in the northeast quarter, southwest quarter,
6 of Section 35?

7 A. Yes.

8 Q. What is the status of that well?

9 A. I assume we're talking about the same well that
10 is plugged. There's only two producing wells in that area;
11 that well is plugged.

12 Q. Okay. So really at this point, there are no
13 producing wells, currently producing wells, within the area
14 of review which penetrate the Devonian?

15 A. That's correct.

16 Q. Will the Whitten Number 1 be properly cased and
17 cemented so that no injected water can escape to other
18 zones?

19 A. Yes. Let me elaborate on that point, if I may.

20 Q. Uh-huh.

21 A. We're going to spend close to a million dollars
22 on that Woody Number 1 --

23 Q. Re-entering it and seeking to turn it into a
24 producer?

25 A. Yes, sir. We're going to produce Devonian Oil.

1 We don't want to damage that well with our own injection
2 water.

3 Q. Okay.

4 A. We want to get it below the original oil-water
5 contact.

6 Q. Okay, and we'll get to that in a minute. What
7 volumes do you seek to inject into the Whitten Number 1?

8 A. 10,000 barrels per day.

9 Q. Of course, the Whitten Number 1 has not yet been
10 recompleted, so at this point you -- there is no certain
11 volume at this point?

12 A. No, sir.

13 Q. And what injection pressures do you seek?

14 A. I anticipate injection pressures less than, say,
15 2000 pounds.

16 Q. And that would be less than the .2-p.s.i.-per-
17 foot requirement set by the Division?

18 A. Yes, sir.

19 Q. Is there a proposed stimulation program for the
20 injection well?

21 A. We'll acidize the injection well after it's
22 completed, maybe 5000 gallons or so.

23 Q. Now, again, the water to be injected -- You will
24 be injecting into the Devonian formation?

25 A. Correct.

1 Q. And the injection water will be Devonian water?

2 A. Correct.

3 Q. So there will be no compatibility problems?

4 A. No.

5 Q. Now, you've mentioned the cost of this little
6 project, you mentioned a million dollars for the Woody
7 Number 1. What is the approximate cost of re-entering and
8 completing the Whitten Number 1 as a saltwater disposal
9 well?

10 A. We'd probably spend \$400,000.

11 Q. Okay, let's move on to Exhibit 3, which is the
12 cross-section, Mr. Rasmussen. Could you briefly go through
13 this and maybe describe a little bit about the Knowles-
14 Devonian Pool and the well you intend to inject into and
15 why you will be below the oil-water?

16 A. The Knowles-Devonian Pool was discovered years
17 ago, probably in the 1950s. It produced a long time, most
18 all has been plugged out. Two wells that we anticipate re-
19 entering, the Woody Number 1 and the Whitten, are currently
20 plugged. The Woody Number 1, if you'll look on the
21 structure map, is relatively high in relationship to the
22 Whitten Number 1. And so we'd produce the Woody Number 1
23 and inject into the Whitten 1.

24 Q. Okay. The producing -- obviously the producing
25 interval you plan for the Woody Number 1 will be above the

1 injection interval?

2 A. Yes.

3 Q. Substantially above?

4 A. Yes, probably 200, 300 feet above it.

5 Q. Okay, and you intend to inject below the original
6 oil-water contact?

7 A. In the Whitten, yes.

8 Q. In the Whitten Number 1.

9 A. That's to protect the oil.

10 Q. Okay. And so you can see no harm to any
11 productive well or future productive well by injecting into
12 the Whitten Number 1?

13 A. I'm betting millions of dollars.

14 Q. Now, with respect to the interest owners, you did
15 -- Woody Investments, L.L.C., is the surface owner of this
16 quarter section, is it not?

17 A. They are.

18 Q. And they were notified of this Application?

19 A. Yes, sir.

20 Q. And then the other wells within the area of
21 review are operated by Amerada Hess and Platinum
22 Exploration -- I mean, not Platinum --

23 A. Platinum does not operate any of the wells.

24 Q. I mean Paladin, Paladin Energy.

25 A. Paladin operates a well in this area.

1 Q. Okay.

2 A. It's the well highest on the structure.

3 Q. Okay. And they have been given notice, as shown
4 by the affidavit marked Exhibit 4?

5 A. Yes.

6 Q. In your opinion, is the granting of this
7 Application in the interests of conservation and the
8 prevention of waste?

9 A. Yes.

10 Q. And were Exhibits 1 through 4 prepared by you or
11 under your supervision, or compiled from company business
12 records?

13 A. Yes.

14 MR. BRUCE: Mr. Examiner, I'd move the admission
15 of Platinum Exhibits 1 through 4.

16 EXAMINER JONES: Any objection?

17 MR. KELLAHIN: No, sir.

18 EXAMINER JONES: Exhibits 1 through 4 will be
19 admitted to evidence. Mr. Kellahin?

20 MR. KELLAHIN: Thank you, Mr. Jones.

21 CROSS-EXAMINATION

22 BY MR. KELLAHIN:

23 Q. Mr. Rasmussen --

24 A. Yes, sir.

25 Q. -- let me ask you some questions --

1 A. Sure.

2 Q. -- to clarify Exhibit 3, which is the cross-
3 section. It's hard to figure out some of these well names
4 associated with the information. I think I can read these.
5 I see the Whitten up there at point X on the cross-section.

6 A. Yes, just above point X --

7 Q. Right.

8 A. -- yes, sir.

9 Q. Then we move down the line of cross-section and
10 we get to the Woody Number 1?

11 A. That's correct.

12 Q. Am I correct in believing the reason that you
13 chose the Whitten Number 1 as the injector is that it would
14 be downstructure in the reservoir?

15 A. That's correct.

16 Q. And you would prefer to use that, as opposed to
17 using the Woody 1?

18 A. Yes.

19 Q. Okay. Have you tested the Woody 1 at this point?

20 A. No.

21 Q. Do you a relationship with Paladin --

22 A. No.

23 Q. -- in this area?

24 A. No.

25 Q. Is Paladin producing out of this same Devonian

1 reservoir that you're trying to produce from?

2 A. Yes.

3 Q. Do they produce water with their production
4 wells?

5 A. Yes.

6 Q. What do they do with their produced water?

7 A. They inject it.

8 Q. And where do they put it?

9 A. They put it in the -- If you look in Section
10 34 --

11 Q. Just a minute, let me get with you.

12 A. I'm sorry.

13 Q. 34.

14 A. 34, in the lower right-hand corner, there's a
15 well termed "SWD".

16 Q. That's their injector?

17 A. That's my understanding, yes.

18 Q. What are -- I think I can see the codes. They
19 appear to have -- Is that a producer north of the disposal
20 that Paladin has, at minus 8625? What's that?

21 A. That is a well that's either been plugged or is
22 producing. It's my understanding that it's plugged.

23 Q. Okay. And then when we look over at the Hamilton
24 2Y, is that a producing well?

25 A. That is Paladin's producing well, is -- You're

1 referencing the well on the -- appear to be the highest
2 part of the structure?

3 Q. Yes, sir.

4 A. Okay, yes, that's their producing well.

5 Q. And the water produced from that well is disposed
6 of in the Paladin disposal well?

7 A. Yes, sir.

8 Q. Are there any other producing wells that Paladin
9 uses for disposal into their disposal well?

10 A. To my knowledge, no, that's the only --

11 Q. That's the only one?

12 A. That's the only one, as far as I know.

13 Q. In the northwest quarter of 35, then, your plan
14 is to re-enter the Woody Number 1?

15 A. That's correct.

16 Q. And the plan is to use the Whitten Number 1 for
17 disposal of that produced water?

18 A. That's correct.

19 Q. Do you see the opportunity for additional
20 producing wells in the northwest quarter of 35?

21 A. Northwest quarter?

22 Q. The northwest quarter of 35?

23 A. I don't see -- I don't see the likelihood of
24 producing another well in that quarter section, I don't see
25 that happening.

1 Q. Have you examined the Amerada Rose -- I'm looking
2 for the number. It's the one -- You find the Whitten and
3 you move to the southeast, and there's an Amerada SB Rose
4 well. It's a plugged well, it's at minus 8841. Do you see
5 that?

6 A. 8841, yes, I see that, okay.

7 Q. That's a plugged well?

8 A. Okay.

9 Q. Is it not?

10 A. Yes, it appears to be, yes.

11 Q. Have you examined the opportunity to use that for
12 a disposal well?

13 A. We've looked at that as a possible injection
14 well, yes.

15 Q. What's the advantage of the Whitten well, as
16 opposed to the Rose well?

17 A. The obstructions you'll encounter while you're
18 re-entering the well. It's my opinion that the Whitten
19 well can be -- there won't be any junk in the hole,
20 relative to the Rose -- looks like it's Amerada SB Rose,
21 8841. It appears to be easier to re-enter that well, the
22 Whitten well, than the other well.

23 Q. Do you have an opinion as to where the current
24 gas-water contact is that we could put it on this display,
25 Exhibit Number 3?

1 A. Current oil-water contact?

2 Q. I'm sorry, the oil-water contact?

3 A. No, I don't know. I don't know where it is. I
4 suspect it's high, mostly up towards the surface. We
5 always take a position where the original oil-water contact
6 is. What our company does, we go back and get the oil the
7 other companies don't either think are there or are unable
8 to get there.

9 Q. On the Whitten well --

10 A. Okay.

11 Q. -- was I correct in understanding that you
12 believe that the open-hole interval in that well will be
13 below the current oil-water contact?

14 A. Most definitely.

15 Q. Do you have an estimate of where we might find
16 the current oil-water contact?

17 A. The way I interpret that question, there's not a
18 definite oil-water contact. There's a transition zone from
19 the original oil-water contact, up through the entire
20 Devonian pay, as evidenced in the Paladin well; they
21 probably produce a 15-percent cut. Therefore, I'd call
22 that a transition zone.

23 Q. At the top of the structure?

24 A. Yes, sir.

25 Q. And Paladin hasn't added any more producing wells

1 to the feature so we could have a better estimate on the
2 current oil-water contact?

3 A. That would be most representative of what -- the
4 original oil-water contact, considering that's the only
5 well producing on the feature.

6 Q. These other wells on here, these other Devonian
7 wells, do they all water out?

8 A. Yes, they get to a point where they're
9 economically not feasible to produce because of the amount
10 of water they produce.

11 Q. Is there a water cut you associate with that
12 economic standard?

13 A. It depends on the method you produce -- how you
14 produce the well. For our company, we look for a percent
15 oil cut, therefore a percent water cut, in relationship to
16 the volume of water you move.

17 Q. Do you have an estimate of what you would use for
18 this well?

19 A. I'd probably use a 5000-barrel-a-day pump in this
20 well.

21 MR. KELLAHIN: No further questions, Mr.
22 Examiner. Thank you.

23 EXAMINATION

24 BY EXAMINER JONES:

25 Q. Okay, Mr. Rasmussen --

1 A. Yes, sir.

2 Q. -- the thickness of the Devonian here, how thick
3 would it be in this Platinum well and in this -- I mean in
4 this Whitten well and in this Woody well? Or are you going
5 to have to drill them out and find out?

6 A. Well, these wells are old wells.

7 Q. Okay.

8 A. They produced them a long time ago. In looking
9 at these cross-sections we have a geologist that estimates
10 for us where the original oil-water contact is. He'll draw
11 the structure map and he'll say, This well is X feet high
12 to this well, relative to the oil-water contact.

13 These contours are probably 20-foot contours. My
14 estimate is -- not having to study it -- is, there's
15 probably a 200-foot oil column in that.

16 Q. Originally.

17 A. Originally. And what we do is, we try to drain
18 that last 200 foot. We know the cut is way down. There's
19 a 5-, 10-percent cut. If you move enough fluid, apply the
20 math, you'll make money. You put it on a rod pump, it
21 doesn't work.

22 Q. But the thickness of the entire Devonian,
23 including the water-bearing portion of the Devonian, would
24 be how much?

25 A. If you consider the Devonian pay, below the

1 original oil-water contact, that might be 500, 600, 700
2 feet thick --

3 Q. Okay.

4 A. -- in addition to the oil pay above it. The
5 Devonian feature might be 1000 feet thick.

6 Q. Okay, even in this Whitten well that you want to
7 convert?

8 A. Yes. Now, I don't want to mislead anybody. I
9 don't know where the bottom of that Devonian is. If you
10 look at these wells, most people stop drilling at the
11 Devonian; they didn't go down to the Ellenburger.

12 I'm estimating, relative to other features in the
13 area, that the Devonian pay, the Devonian feature, is
14 thick. There are other wells in the area that indicate
15 features at that time period is thousands of feet thick.

16 Q. Okay. The zone that you're going to inject, you
17 intend to inject down to 13,000 feet. Okay. And your
18 permit is worded that way, your ad and everything.

19 What is the formation name at 13,000 feet?

20 A. Devonian.

21 Q. It definitely is Devonian?

22 A. Yes.

23 Q. Okay.

24 A. We won't go on to another structure.

25 Q. But even a geologic name --

1 A. It's Devonian.

2 Q. It's Devonian. And what -- this well that --
3 this Woody well, at what rate was it producing when it was
4 abandoned?

5 A. If you -- The initial test, as indicated on this
6 cross-section, was 75 barrels a day and say 550 water.
7 That was back in 1987. My suspicion, when it was plugged,
8 it was probably making 10 barrels a day of oil and probably
9 300 water.

10 Q. And what was the oil price back then? Just a
11 rough estimate?

12 A. \$20, \$15.

13 Q. Okay. The drive mechanism on the Devonian, is it
14 -- what drive mechanism?

15 A. It's a water drive.

16 Q. Is it side water drive or is it bottom water
17 drive, or is it both?

18 A. I'd say both. I'd say it was both. I don't
19 believe there was a stringer, if you will, that vertically
20 caps it, so I'd have to say it's both up and sideways.

21 Q. Okay.

22 A. Obviously, you know, that's a function of
23 drawdown on the well.

24 Q. Okay. Now, when you -- your procedure on re-
25 entering this well --

1 A. The SWD?

2 Q. Yeah, the SWD.

3 A. Yes, sir.

4 Q. -- what kind of logs would you run on it when you
5 re-enter it?

6 A. Generally we wouldn't run any logs. There are
7 existing logs that were logged 30, 40 years ago --

8 Q. On all the set wells?

9 A. And on the Woody -- on the Whitten itself.

10 Q. How deep was it originally?

11 A. Original TD is 10,500.

12 Q. So there --

13 A. Excuse me, original TD was 12,560 feet.

14 Q. So it would be deepened, you intend to deepen it
15 past the original TD?

16 A. Yes. We want to make sure we're injecting the
17 water into the water section.

18 Q. Right, so you will run some logs?

19 A. Sure.

20 Q. Okay. Why did you circulate -- or circle
21 "Perforated" on the Application? Or why did somebody do
22 that? I don't understand.

23 A. There may have been some confusion from the --
24 let's say the regulatory side of our office and the
25 engineering side. If you look at the schematic, page 12,

1 it shows a 4-inch liner from 12,500 feet down to 12,620
2 feet.

3 Q. Okay, why did the original submittal on the C-108
4 -- did not include that liner?

5 A. I'm sorry, what page would that be? Would that
6 be --

7 Q. Well, on the wellbore diagram you originally sent
8 in, it didn't include that liner. I'm sure it didn't. But
9 I guess what I'm trying to point out is, there's a lot of
10 contradictions in this C-108 Application, and --

11 A. Perhaps we could clarify those contradictions.

12 Q. Let's try to do that --

13 A. Sure.

14 Q. -- because on page 6, paragraph 1, can you read
15 that paragraph to me the way you think it should be read?

16 A. Page 6?

17 Q. Yeah.

18 A. Paragraph 1?

19 Q. Yeah.

20 A. "...purpose of this application...to re-enter the
21 Whitten No. 1 shut in by Maralo Inc. in '88."

22 Q. Was it plugged by Maralo in '88?

23 A. I don't know who plugged it.

24 Q. But it was plugged?

25 A. Yes, the well has definitely been plugged.

1 Q. It was shut in and plugged. Okay, go ahead.

2 A. We drill out the cement plugs at 13,000 feet, run
3 5-1/2 casing --

4 Q. You actually have to deepen the well a little
5 bit, right? Even after you drill out your plugs?

6 A. Yes, sir.

7 Q. Okay.

8 A. We run 5-1/2 casing, land at 13,000 feet --

9 Q. Okay.

10 A. -- then the top of the 5-1/2 casing would be at
11 -- the top -- it says the top of the 5-1/2 casing at 4880
12 be cemented with 1835 sacks of cement. The objective there
13 is to make sure we lift cement just up inside the -- I
14 believe it's 8-5/8; I'll take a moment to look -- inside
15 the 8-5/8 casing.

16 Q. Okay.

17 A. Drill out the plugs. And we've run 3-1/2 tubing,
18 9.3-pound tubing, inside that. Set our injection packer at
19 12,500. Displace the annulus with the packer fluid. Run a
20 mechanical integrity test and dispose of produced water
21 into the open hole section from 12,550 to 13,000 foot.

22 Q. Okay. But that 5-1/2 casing, isn't that going to
23 be from the surface to 13,000 feet?

24 A. Yes, the 4-1/2 liner -- the 4-inch liner is
25 incorrect. Perhaps I need to resubmit this casing program

1 so that there's no ambiguity. The intent is to make sure
2 that we have the Devonian oil section cemented off behind
3 pipe and make sure that we inject into the water.

4 Once again, we want to protect our investment --

5 Q. I understand.

6 A. -- and I will certainly clear that up so that the
7 exact program is definite and there's no confusion.

8 Q. I understand. I think what we're going to have
9 to do here is continue this case till another hearing
10 docket and get some of these things on the C-108
11 resubmitted as maybe a clearup on exactly the wellbore
12 diagram you want. I think the wellbore diagram looks
13 similar to what this should be, but we require the packer
14 to be set within 100 feet of the top of the injection
15 interval, so you'd have to set that packer down in the
16 liner --

17 A. Yes, sir.

18 Q. -- or talk to our office, our District Office in
19 Hobbs, to get some kind of leeway on that.

20 A. Okay.

21 Q. Okay, that needs to be done. And the -- you say
22 there's no wells in this half-mile radius at this injection
23 depth? There are no wells, area of --

24 A. As I understand the question, are there any wells
25 that have penetrated below this anticipated injection

1 area --

2 Q. Actually, below the top of the injection
3 interval, at 12,600.

4 A. I don't think there is.

5 Q. Okay.

6 A. I can research that and verify.

7 Q. Okay. Okay, can you do that? And also go ahead
8 and, if you do find some, be sure and include a table of
9 their cement -- all their cementing data and their casing
10 data and where their cement tops are and the method of
11 determining the cement tops.

12 A. Yes. Now, you're addressing outside the half-
13 mile radius?

14 Q. No, inside.

15 A. Oh, okay. The answer to that question, inside
16 this, is -- the only other one is that -- Is that the
17 Cooper? I'll get that.

18 Q. Okay.

19 A. It may be in here --

20 Q. Okay.

21 A. -- but I'll make sure it's here.

22 Q. Okay. Now -- because attachment C, which is page
23 7, has a whole bunch of wells it says are in the AOR, and
24 maybe you can take that page out if there is no wells.

25 A. Okay.

1 Q. And we don't consider them in the area of review
2 unless their depth is close to the top of the injection
3 interval.

4 A. Okay.

5 Q. So -- and within the half-mile radius.

6 And your surface water sample, you might try to
7 get some research on that, if you can find a water sample
8 of a -- like a windmill or something in that general area,
9 and do a quick analysis of it --

10 A. Okay.

11 Q. -- and submit that analysis.

12 A. Okay.

13 Q. And let's see here. Okay, that would be
14 freshwater sample. And you don't have to do a disposed
15 water sample because it is the Devonian.

16 Okay, why are you not considering a downhole
17 separation device here like a disposal -- downhole instead
18 of having to move the water to the surface and move it over
19 to another well and put it in another hole?

20 A. The downhole separation is fine in theory. The
21 question is, does it work? If it leaves 10 barrels a day
22 behind, that might be a value of \$100,000.

23 Q. But you're spending \$400,000 on this well, plus
24 you're having to pay for moving your water over to this --

25 A. Yes.

1 Q. Plus you're crossing their surface land with the
2 water.

3 A. I'm of the opinion personally, I don't think
4 those downhole separation devices work. The question is,
5 how much oil did they leave in the ground? Nobody can
6 answer that. They can engineer it, they can't answer it,
7 in my opinion. So I'd rather just get it to surface and
8 know what I have.

9 Q. I understand. Let's see here --

10 A. I believe that's reference of vortexes, aren't
11 they, that the -- the pump companies? I don't even know --
12 I don't think they even make those anymore.

13 Q. Well, there was some patent. I don't -- I
14 can't --

15 A. I'd love to use one. Our electricity bills at
16 our office run hundreds to thousands of dollars a month.
17 That would be a tremendous savings.

18 Q. So you have considered it, you --

19 A. Oh, yeah, yeah, I just -- I have to know we're
20 getting all the oil, and --

21 Q. Even if you spend more money to get that oil?

22 A. Sure, because 10 barrels a day doesn't sound like
23 much oil, but if you multiply that by 40 months, that's a
24 significant value.

25 Q. Yeah. Okay, how much oil do you think is left in

1 the ground? This is a separate question from the saltwater
2 disposal, but on that Woody well, what kind of --

3 A. If we don't get half a million barrels, I'd be
4 surprised.

5 Q. So you're shooting for somewhere around a half
6 million or --

7 A. Yes, sir, additional.

8 Q. Okay. Okay, let's see here --

9 A. That's what makes horse races. Sometimes we're
10 right and sometimes we're wrong.

11 EXAMINER JONES: Okay, I think we've gotten away
12 from the purpose of Mr. Kellahin being here, though, for
13 Woody -- the surface owner, so -- Mr. Kellahin has already
14 questioned Mr. Rasmussen and -- Gail, do you have any
15 questions on this?

16 MS. MacQUESTEN: No, thank you.

17 MR. BRUCE: Mr. Examiner, if you could continue
18 the case for two weeks, and if that's not enough time for
19 Mr. Rasmussen we'll continue it one more time.

20 EXAMINER JONES: Okay, is two weeks --

21 THE WITNESS: I'll have it ready --

22 EXAMINER JONES: Okay.

23 THE WITNESS: -- I'll make sure --

24 EXAMINER JONES: Okay.

25 THE WITNESS: -- I'll make sure, it'll be ready.

1 EXAMINER JONES: Okay, let's continue this case
2 -- Now, any more, Mr. Kellahin? Any --

3 MR. KELLAHIN: I have no more questions for Mr.
4 Rasmussen.

5 EXAMINER JONES: -- more questions for this
6 witness?

7 MR. KELLAHIN: No.

8 EXAMINER JONES: Okay, let's dismiss the witness,
9 and you guys can have your closing statements. Do you
10 have --

11 MR. BRUCE: I really don't have one, Mr.
12 Examiner.

13 MR. KELLAHIN: I don't have anything to say.

14 MR. BRUCE: I think we're -- If I can, just so --
15 clear up maybe some things. I mean, Mr. Woody, I think,
16 does own additional surface out here; isn't that correct --

17 MR. KELLAHIN: That's true.

18 MR. BRUCE: -- Mr. Kellahin? And there have been
19 some discussions about perhaps off-lease disposal. That's
20 not what Platinum is seeking in this matter. We just are
21 going to take water from the lease and dispose of it on the
22 same lease.

23 EXAMINER JONES: This is not going to be a
24 commercial disposal?

25 MR. BRUCE: This is not going to be a commercial

1 disposal, and Platinum will not take off-lease water to
2 dispose here.

3 EXAMINER JONES: No off-lease water?

4 MR. BRUCE: No off-lease water, this is all --

5 EXAMINER JONES: So the same --

6 MR. BRUCE: -- the northwest quarter is all the
7 same lease.

8 EXAMINER JONES: The same owners then.

9 MR. BRUCE: Yeah.

10 EXAMINER JONES: And the disposal well is in the
11 producing well.

12 MR. BRUCE: Yeah. And as Mr. Kellahin could tell
13 you, if off-lease water was coming on, Platinum would have
14 to come to terms with Woody Investments.

15 EXAMINER JONES: Besides just damages due to the
16 surface disturbance.

17 MR. BRUCE: So --

18 MR. KELLAHIN: And that was our concern, Mr.
19 Examiner. When we first saw the Application it wasn't
20 clear to us where the water source for the injection water
21 was to be or whether there was some kind of arrangement
22 with Paladin to take their production and put it onto the
23 lease.

24 And as Mr. Bruce has represented to you, you're
25 not permitted to take off-lease water and put it into the

1 Whitten well without Mr. Woody's permission.

2 EXAMINER JONES: Okay.

3 MR. KELLAHIN: And we're talking about
4 arrangements to allow that to happen, but for purposes of
5 this hearing we understand the Applicant is seeking to
6 confine its use to the leasehold.

7 EXAMINER JONES: Okay.

8 MR. BRUCE: Mr. Examiner, I would note that I've
9 checked the pool rules for the Knowles Pool, which is the
10 Devonian here. They were instituted by Order Number R-23
11 in 1950. I don't even think Mr. Kellahin was here then.

12 MR. KELLAHIN: I remember it.

13 (Laughter)

14 EXAMINER JONES: I think there's a lot of
15 Devonian wells abandoned at pretty good rates back when oil
16 was two dollars a barrel.

17 THE WITNESS: The technology is such today that
18 you can make a decent living if you do things properly. I
19 was here earlier about this groundwater contamination, and
20 you don't want any of that.

21 EXAMINER JONES: Okay, let's -- with that, let's
22 continue Case 13,320 till September the 16th, and at that
23 time just try to bring the C-108 completely filled out,
24 check it over real good and --

25 THE WITNESS: Oh, I'll check it myself.

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EXAMINER JONES: Okay.

THE WITNESS: I should have done that, I didn't.

EXAMINER JONES: With that, let's take a break
until 1:30 p.m.

(Thereupon, these proceedings were concluded at
9:55 a.m.)

* * *

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____
heard by me on _____
Oil Conservation Division
Examiner

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL September 3rd, 2004.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006