

# GALLEGOS LAW FIRM

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December 30, 2003  
(Our File No. 02-31700)

J.E. GALLEGOS \*\*

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**VIA HAND-DELIVERY**

Lori Wrotenberg, Director  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

Re: NMOCD Case 13215. In the Matter of the Petition of the Valles Caldera Trust Concerning the Applications of GeoProducts of New Mexico, Inc. For Permits to Reenter Geothermal Wells, Sandoval County, New Mexico

Dear Ms. Wrotenberg:

On behalf of the Valles Caldera Trust please find enclosed for filing the Petition, in triplicate, concerning the referenced matter. We request that this matter be set for hearing at the February 5, 2004 Examiner docket.

Also enclosed is the proposed advertisement of this case for the NMOCD docket schedule.

Thank you for your cooperation in the handling of this matter.

Sincerely,

GALLEGOS LAW FIRM, P.C.

By

  
J.E. GALLEGOS

JEG:rjr

cc: Jack McCarthy  
Gary Ziehe  
James B. Snow  
Bill de Buys

\*\*New Mexico Board of Legal Specialization  
Recognized Specialist in the area of  
Natural Resources-Oil and Gas Law

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

**IN THE MATTER OF THE PETITION  
OF THE VALLES CALDERA TRUST  
CONCERNING THE APPLICATIONS OF  
GEOPRODUCTS OF NEW MEXICO, INC  
FOR PERMITS TO REENTER GEOTHERMAL  
WELLS, SANDOVAL COUNTY, NEW  
MEXICO**

CASE NO. 13215  
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Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

**PETITION**

VALLES CALDERA TRUST by its undersigned attorneys and in accordance with the Division's Geothermal Rules and Regulations, Rule G-703, and with NMSA Section 71-5-17, seeks a public hearing on the issues raised herein and thereupon the issuance of an Order denying the Applications for Permits to reenter and complete certain plugged and abandoned geothermal wells. In support of this Petition it is stated as follows:

1. By virtue of the enactment by the United States Congress of the Valles Caldera Preservation Act (the "Act") the Baca Ranch in Sandoval and Rio Arriba Counties, New Mexico was purchased and is owned by the United States. The acquisition included all of the surface and 87.5 per cent of all minerals rights. Under that Act the property is administered by the Valles Caldera Trust, the petitioner herein. The Board of the Trust, with the assistance and participation of the United States Forest Service, is charged with and committed to the responsibility of sound and sustainable stewardship of the Preserves' surface beauty and its cultural, environmental and natural resources and with generally furthering the purposes of the Act.

2. In 1971 the then owners of the Baca Ranch, Dunigan Enterprises, et al., entered into a lease with Union Oil Company of California ("Union") for the purpose of exploring the geothermal resources of the some 98,000 acre property. Union drilled approximately 31 wells of which only four or five were considered commercial. In the early 1980's Union terminated its efforts and plugged and abandoned all wells. The Dunigan et al – Union lease specified that after termination of the lease Union had twelve months to remove any casing, equipment and property of every kind which it had placed on the premises. By law any such property not removed, becomes and is the property of the surface owner, in this case the United States.

3. On or about December 12, 2003 GeoProducts of New Mexico, Inc. submitted to the Division two form G-101 Applications For Permit in which it seeks authorization to reenter, complete and production test two of the Union abandoned geothermal wells known as the Baca 13 and the Baca 15. Copies of the applications are attached and incorporated by reference as Exhibits A and B.

4. The Applications in question are defective on their face for the reasons, *inter alia*, that:

- A. There is no specification of the dedicated acreage for the wells. Rule G-104 specifies well spacing depending upon whether the well is exploratory or developmental. Rule G-202 mandates that the application specify the acreage dedicated to the well and Rule G-201 that the application be "completely filled in."
- B. The application fails to specify the ownership interests underlying the wells and avoids answering the Form G-202 question as to whether

the interests of all owners have been consolidated by agreement, unitization, force pooling or otherwise (they have not).

C. The well location in each case is not certified by a registered professional engineer or land surveyors as required by Rule G-202 and Form G-202

5. Whether the spacing unit for the Baca 13 and the Baca 15 is 40 acres or 10 acres, GeoProducts of New Mexico Inc. has failed to comply with the requirements of law, in particular NMSA Section 71-5-13 A., in that it has neither obtained voluntary agreement of the mineral owner, the United States, nor an order of the Division pooling the unleased interests of the United States in such spacing units.

6. The Baca 13 and Baca 15 well bores are the exclusive property of the United States and GeoProducts has no lawful right to reenter, use or conduct any activity regarding that property.

7. The petitioner has expressly informed GeoProducts of its refusal to enter into any pooling or communitization agreement and that the Trust is the administrator for the United States of the wellbores in question and that GeoProducts is without any rights whatsoever to use, operate or take any action regarding such property.

8. Rule G-119 provides that "After the completion of a geothermal resources well, all production from said well **shall be put to beneficial use.**" Emphasis added. There exists no electric power generating facility on the Valles Caldera Preserve which would enable the geothermal resource, if any, from the Baca 13 and Baca 15 to be put to use. On information and belief Petitioners state that GeoProducts of New Mexico has no water rights or water source available which is essential in order for the geothermal

resource, if any, from the said wells to be put to use. Even if there were an electric generating plant and if the applicant possessed water to be circulated and heated, there are no electric transmission lines in existence, and none will be allowed, which could serve to transmit power from the geothermal source to a point of consumption. Accordingly, completion of the wells cannot be put to beneficial use. The proposed action of the applicant, if permitted, would therefore cause prohibited waste. NMSA Section 71-5-4.

9. Rule G-6 provides that "all persons conducting geothermal operations on United States Government land shall comply with the United States government regulations." The applicant has taken no action in order to seek from the United States Forest Service or the Valles Caldera Trust a special use permit or any other lawful arrangement for occupancy of the surface owned by the federal government.

10. The Applications for Permits to reenter and complete the specified wells are defective, fail to meet requirements of law and of the Division Rules, and if granted and the proposed work carried out would result in waste.

11. In accordance with the Division's requirements a copy of this Petition has been sent to GeoProducts of New Mexico, Inc. notifying it of this case and of the request herein for a hearing of this matter before the Division.

WHEREFORE the Valles Caldera Trust as Petitioner requests that this matter be set for a hearing on February 5, 2004 before the Divisions duly appointed Examiner and that after notice and hearing as required by law, the Division enter its order denying the Applications and granting such other relief as may be appropriate.

Respectfully Submitted:

  
\_\_\_\_\_  
JOHN F. MCCARTHY  
WHITE, KOCH, KELLY  
& MCCARTHY, P.A.  
433 Paseo de Peralta  
Santa Fe, NM 87501

  
\_\_\_\_\_  
J.F. GALLEGOS  
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Attorneys for Petitioner  
Valles Caldera Trust

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APPLICATION FOR PERMIT TO DRILL, DEEPEN,  
OR PLUG BACK--GEOTHERMAL RESOURCES WELL

5. Indicate Type of Lease  
STATE  FEE   
5.a State Lease No.

Type of Work: Drill  Deepen  Plug Back  Reentry   
Type of Well: Geothermal Producer  Temp Observation   
Low-Temp Thermal  Injection/Disposal

7. Unit Agreement Name

8. Farm or Lease Name

Baca Ranch

Name of Operator: GeoProducts of New Mexico, Inc.

9. Well No.

Baca - 13

Address of Operator: P.O. Box 2386, Rowlett, TX 75030-2386

10. Field and Pool, or Wildcat

Redondo Creek Field

Location of Well: UNIT LETTER B LOCATED 865 FEET FROM THE N LINE  
1565 FEET FROM THE E LINE OF SEC. 12 TWP. 19N RGE. 3E NMPM

12. County

Sandoval

19. Proposed Depth: 8200' PBTD 19A. Formation: Bandelier 20. Rotary or C.T.: R

Elevations (Show whether DF, RT, etc.): 292' GI 21A. Kind & Status Plug. Bond: To be decided 21B. Drilling Contractor: To be decided 22. Approx. Date Work will start: To be decided

*Key Energy Services, Inc.*

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST TOP
36" & 26"	30" & 24"	98" & 94"	12' & 211'	7 yds & 694 cf	Surface
17-1/2"	13-3/8"	68#	1469'	2144 cf	Surface
12-1/4" & 13-3/8"	9-5/8"	36"	3499' & 1270'	1300 cf & 750 cf	1270' & Surface
8-3/4"	7"	26#	8200'	None	-

This well was abandoned by Union Geothermal Company 6/23/84. The proposed program includes reentry, completion, and production testing in the same zones in which Union attempted original completion. The proposed program is as follows:

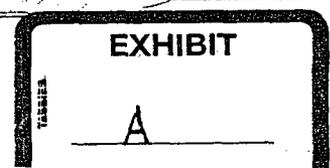
- Remove dry hole marker, clean out old cellar and install wellhead and master gate valve.
- Move in and rig up rotary drilling rig with related equipment including Shafer blowout preventer with high temperature rams. Supply and use a sealed rotating head, steel mud pits and water tank.
- Drill cement plugs and rubber plugs. Circulate and clean up hole from surface to PBTD of 8200'.
- Flow test until stabilized, recording BHP.

BOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive. Give blowout preventer program, if any.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

K. L. Basen Title President Date 12/12/02

(This space for State Use)



GEOHERMAL RESOURCES WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section.

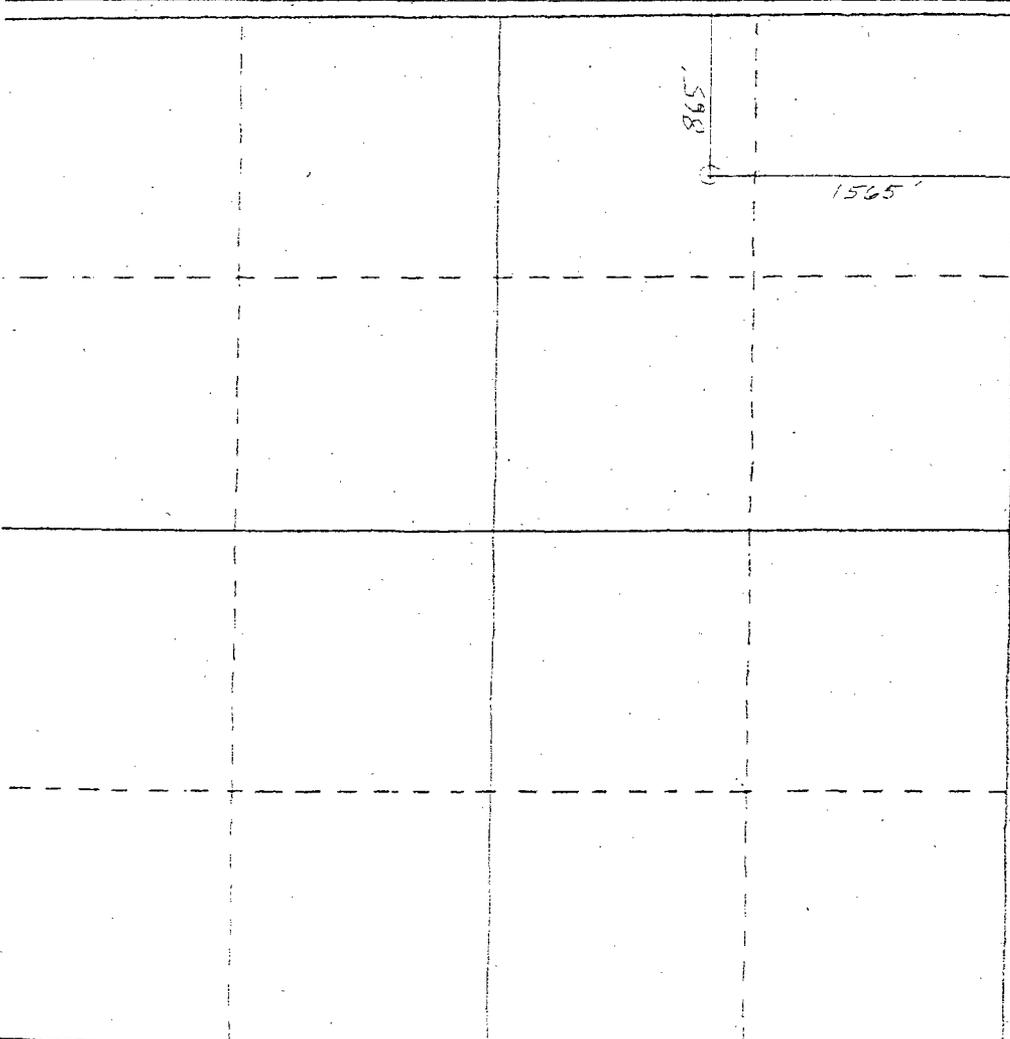
Lessor <b>GeoProducts of New Mexico, Inc.</b>		Lease <b>Baca Ranch</b>		Well No. <b>Baca - 13</b>
Letter <b>B</b>	Section <b>12</b>	Township <b>19N</b>	Range <b>3E</b>	County <b>Sandoval</b>
Well Footage Location of Well:				
<b>865</b>	feet from the <b>N</b>	line and <b>1565</b>	feet from the <b>E</b>	line
and Level Elev. <b>9292' GL</b>	Producing Formation <b>Bandelier</b>	Pool <b>Recondo Creek</b>	Dedicated Acreage:  Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty). **No other lease in pool**
- If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communization, unitization, force-pooling, etc? **No other lease in pool**

Yes  No If answer is "yes," type of consolidation N/A

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable well be assigned to the well until all interests have been consolidated (by communization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

*[Signature]*  
Name

*[Signature]*  
Position

*GeoProducts of New Mexico*  
Company

*12/12/03*  
Date

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

Certificate No.

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APPLICATION FOR PERMIT TO DRILL, DEEPEN,  
 OR PLUG BACK--GEOTHERMAL RESOURCES WELL

4. Indicate Type of Lease  
 STATE  FEE   
 5. State Lease No.

Type of Work: Drill  Deepen  Plug Back  Reentry   
 Type of Well: Geothermal Producer  Temp Observation   
 Low-Temp Thermal  Injection/Disposal

7. Unit Agreement Name  
 8. Name of Lease Name

Name of Operator: GeoProducts of New Mexico, Inc.  
 Address of Operator: P.O. Box 2386, Rowlett, TX 75030-2386

Baca Ranch  
 9. Well No. Baca - 15

Location of Well: UNIT LETTER H LOCATED 2035 FEET FROM THE N LINE  
85 FEET FROM THE E LINE OF SEC. 11 TWP. 19N RGE. 3E NMPM

10. Field and Pool, or Willdust  
 Redondo Creek Field

12. County  
 Sandoval

19. Proposed Depth: 5511'  
 19A. Formation: Bandelier  
 20. Rotary or C.T.: R  
 Elevations (Show whether DF, RT, etc.): 117' GL  
 21A. Kind & Status Plug, Bond  
 21B. Drilling Contractor: KEY ENERGY SERVICES, INC  
 22. Approx. Date Work will start: To be decided

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST TOP
24"	20"		210'		
	13-3/8"		1273'		
	9-5/8"		1173' - 2509' (liner)		
	9-5/8"		Surface-1173' (tie back)		
	7"		2371'-5503' (combined blank & slot liner)		

This well was abandoned by Union Geothermal Company 6/24/84. The proposed program includes reentry, completion, and production testing in the same zones in which Union attempted original completion. The proposed program is as follows:

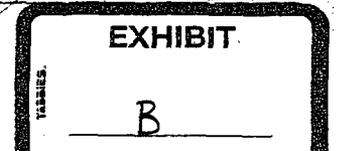
- Remove dry hole marker, clean out old cellar and install wellhead and master gate valve.
- Move in and rig up rotary drilling rig with related equipment including Shafer blowout preventer with high temperature rams. Supply and use a sealed rotating head, steel mud pits and water tank.
- Drill cement plugs and rubber plugs. Circulate and clean up hole from surface to TD 5511'.
- Flow test until stabilized, recording BHP.

BOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. Give blowout preventer program, if any.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

R. L. Bowen Title President Date 12/12/83

(This space for State Use)



GEOTHERMAL RESOURCES WELL LOCATION AND ACREAGE DEDICATION PLAT

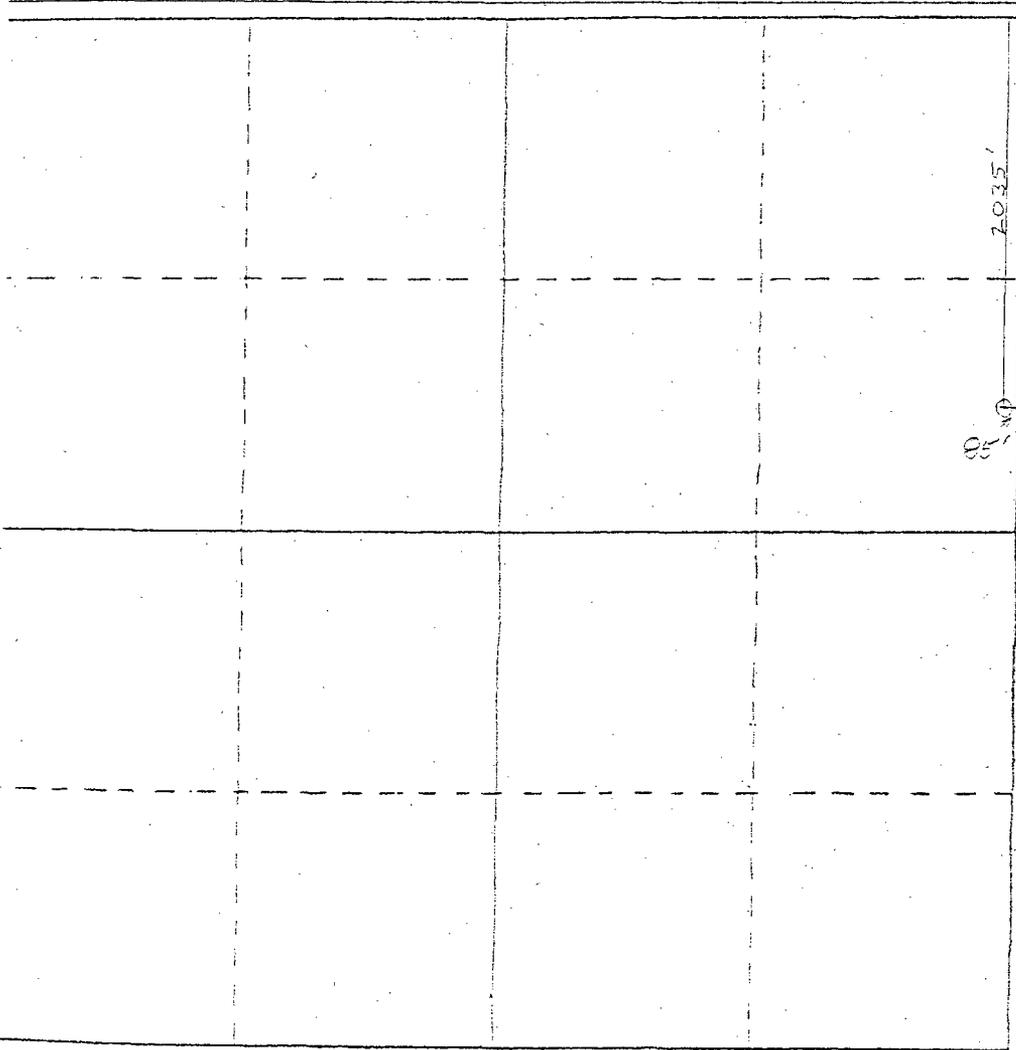
All distances must be from the outer boundaries of the Section.

Name: <b>GeoProducts of New Mexico, Inc.</b>			Lease: <b>Baca Ranch</b>			Well No.: <b>Baca - 15</b>		
Letter: <b>H</b>	Section: <b>11</b>	Township: <b>19N</b>	Range: <b>3E</b>	County: <b>Sandoval</b>				
Well Footage Location of Well:								
<b>2035</b> feet from the <b>N</b> line and			<b>85</b> feet from the <b>E</b> line					
Well Level Elev.: <b>9117' GL</b>		Producing Formation: <b>Bandelier</b>		Pool: <b>Redondo Creek</b>		Dedicated Acreage: _____ Acres		

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty). **No other lease in pool**
- If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communization, unitization, force-pooling, etc? **No other lease in pool**  
 Yes    No   If answer is "yes," type of consolidation N/A

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

No allowable well be assigned to the well until all interests have been consolidated (by communization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



**CERTIFICATION**

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

*R. L. Boden*  
Name

*President*  
Position

*GeoProducts of New Mexico*  
Company

*12/12/03*  
Date

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed \_\_\_\_\_

Registered Professional Engineer and/or Land Surveyor \_\_\_\_\_

Certificate No. \_\_\_\_\_

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DEC 30 2003

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

Case 13215 petition of Valles Caldera Trust to deny applications of GeoProdcuts of New Mexico Inc. for permit's to reenter abandoned geothermal wells in Sandoval County, New Mexico. GeoProducts of New Mexico Inc. has filed applications for permits to reenter, complete and produce plugged and abandoned geothermal wells, Baca 13 and Baca 15, in the Valles Caldera Preserve, in Sections 11 and 12 of Township 19 North, Range 3 East, NMPM, Sandoval County, New Mexico and the Petitioner seeks an order of the Division denying such permits.