

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

23 November 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of Sage Oil Company  
for salt water disposal, Lea  
County, New Mexico.

CASE  
7738

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

W. Perry Pearce, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

Gary Kilpatric, Esq.  
MONTGOMERY, ANDREWS  
325 Paseo de Peralta  
Santa Fe, New Mexico 87501

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A P P E A R A N C E S

For John E. Etcheverry: J. W. Neal, Esq.  
and  
W. Thomas Kellahin, Esq.  
KELLAHIN & KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87501

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JOHN W. MCELLOY

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2 MR. STAMETS: We'll call next Case  
3 7738.

4 MR. PEARCE: That case is on the  
5 application of Sage Oil Company for salt water disposal, Lea  
6 County, New Mexico.

7 MR. KILPATRIC: Mr. Examiner, my  
8 name is Gary Kilpatric, from the law firm of Montgomery and  
9 Andrews, P. A., here in Santa Fe, and we're representing Sage  
10 Oil Company, and I have one witness, John Malloy.

11 MR. STAMETS: Are there other ap-  
12 pearances in this case?

13 MR. KELLAHIN: Mr. Examiner, I'm  
14 Tom Kellahin of Santa Fe, New Mexico, appearing in association  
15 with Mr. J. W. Neal on behalf of John E. Etcheverry. That's  
16 E-T-C-H-E-V-E-R-R-Y.

17 Mr. Etcheverry is the lessee of the grazing  
18 lease at the surface where the proposed disposal well is  
19 located.

20 Mr. Neal has suffered a heart attack and is  
21 unable to attend the hearing today, and I've consented to ap-  
22 pear on behalf of Mr. Etcheverry.

23 MR. STAMETS: Will you have a wit-  
24 ness?

25 MR. KELLAHIN: I don't believe so.

(Witness sworn.)

JOHN W. MULLOY

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

DIRECT EXAMINATION

BY MR. KILPATRIC:

Q. Would you please state your name and address?

A. John W. Mulloy, 2503 Camarie, Midland, Texas.

Q. And by whom are you employed, Mr. Mulloy?

A. I am employed by Foy Boyd and Associates,  
representing Sage Oil Company.

Q. And in what capacity for both of those  
companies?

A. I'm President of Foy Boyd Associates, and  
agent or a consulting engineer for Sage Oil Company.

Q. Have you testified before the New Mexico  
Oil and Gas Division -- Oil Conservation Division at a pre-  
vious time and been qualified as an expert witness as a pet-  
roleum engineer?

A. Yes, I have.

MR. KILPATRIC: Mr. Examiner, are

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the witness' qualifications acceptable?

MR. STAMETS: They are.

Q. Are you familiar with Case Number 7738 now pending before the Division?

A. Yes, I am.

Q. Would you summarize for us what the purpose of Sage Oil Company's application in this case is?

A. Sage seeks authority to dispose of salt water into a zone nonproductive of oil and gas; water they desire to dispose of comes from their production in the Saunders Permo-Penn Field, located approximately three miles, two and a half, three miles west in Section 35, Township 14, Range 33, Lea County, New Mexico.

Q. Have you prepared a map that identifies all the wells and leases within two miles of the proposed injection well and with a half mile radius circle drawn around the proposed injection well?

A. Yes, I have.

Q. If I may hand you what's been marked as Exhibit Number One and ask if you can identify that?

A. Yes, that's the map prepared by me.

Q. Now I hand you two documents stapled together and marked for identification as Exhibit Two, and ask you to identify that.

1  
2 A. That is a tubular summary indicating the  
3 two wells located within the half mile radius of the proposed  
4 injection well, showing their, all of their casing and cementing  
5 status.

6 Q. Mr. Mulloy, next I am handing you a stapled  
7 collection of two documents marked for identification as Sage  
8 Exhibit Number Three, and ask if you can identify those?

9 A. Yes, those are schematics of the same in-  
10 formation that's shown on Exhibit Two of the two wells in the  
11 half mile radius of the proposed injection well.

12 Q. Mr. Mulloy, next I am handing you what has  
13 been marked for identification as Sage Exhibit Number Four  
14 and ask you to identify that, please.

15 A. That is a diagrammatic sketch of the pro-  
16 posed injection well, showing its current, or its existing  
17 condition with the plugs and casing as left as of abandonment.

18 Q. I now hand you what has been marked for  
19 identification as Sage Oil Exhibit Five and ask you to identi-  
20 fy this document.

21 A. This is a diagrammatic sketch of the pro-  
22 posed completion of the salt water disposal well, indicating  
23 that the surface plug and the plug at the shoe and -- will be  
24 drilled out and the well completed open hole from 4475 to  
25 5895 with a Baker tension packer set at approximately 4400

1  
2 feet. Injection will be through 2-7/8ths or perhaps 3-inch  
3 plastic coated tubing.

4 Q Next I hand you what has been marked for  
5 identification as Sage Oil Company Exhibit Number Six and ask  
6 you to identify and describe that.

7 A This is a well log of the proposed injection  
8 well. It shows the open hole at the proposed injection -- at  
9 the proposed injection zone, which is from approximately 4475  
10 feet to 5970 feet in the San Andres formation.

11 The San Andres formation is a limestone  
12 dolomitic section of Middle Permian age. It is overlain --  
13 overlaid by the Grayburg formation and overlays the Glorieta  
14 formation. The top occurs at a depth of approximately 4436  
15 and the proposed well then extends down to 5970 for an overall  
16 thickness of 1534 feet. The maximum porosity is approximately  
17 20 percent and occurs from approximately 5340 feet to 5400  
18 feet.

19 Fresh water occurs in the area on a limited  
20 basis from shallow, tertiary sands that do not occur below  
21 a depth of 5-600 feet. Brackish and highly mineralized water  
22 could possibly occur from an approximate depth of 2000 feet  
23 in the Santa Rosa formation, Triassic age, but would not be  
24 suitable for domestic use.

25 There are no fresh water zones underlying

1  
2 the proposed injection well.

3 Q Next let me hand you what's been marked for  
4 identification as Sage Exhibit Number Seven. It's three  
5 documents stapled together, and ask you to identify those  
6 documents.

7 A One is titled Typical Water Analysis, San  
8 Andres Formation, Lea County, New Mexico, which was taken at  
9 random from a sampling of San Andres water in the area.

10 Number -- the second one is marked C & K  
11 Lease New Mexico, and is a water analysis of a portion of the  
12 proposed injection water, as is the third one from the Hobbs  
13 "O" Lease, showing the analysis of the proposed injection water.

14 Q What is the proposed average and maximum  
15 daily rate in volume of the water proposed to be injected?

16 A We propose an average of approximately 2000  
17 barrels of water a day, which is the current production from  
18 the wells previously mentioned. It is not anticipated that  
19 this would exceed 3000 barrels of water a day.

20 Q And what is the proposed average and maximum  
21 injection pressure?

22 A Based on tests of other -- injection tests  
23 of other wells in the area, it is not anticipated that an  
24 average pressure would exceed 100 psi; perhaps a maximum of  
25 400 psi.

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Q. Do you have a proposed stimulation program for the proposed well and, if so, what is that program?

A. Our initial proposal would be a small acid treatment of 200 -- or 2500 gallons of 15 percent acid. If the desired results were not obtained from that treatment, then additional treatment made.

Q. Next let me hand you what has been marked for identification as Sage Oil Exhibit Number Eight and ask you to identify that.

A. Yes. That is a water analysis from a windmill located approximately one mile northeast of the proposed injection well. The depth of this windmill was not available.

Q. And when were the samples taken?

A. This sample was taken recently, October 16th, 1982.

Q. Have you examined the available geologic and engineering data to determine whether there is any evidence of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water?

A. Yes, I have.

Q. And what was the result of that examination?

A. I found that none exist.

Q. Next I'd like to hand you what's been marked as Exhibit Nine, which is a series of documents, and

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ask if you can identify that?

A. These are waivers notices to offset operators and to surface land owner, requesting waiver of objection to injection of water into this well.

Q. And did -- when you sent those notices were copies of your application in this case enclosed, included?

A. Yes, they were.

Q. Mr. Mulloy, in your opinion will the granting of this application be in the interest of the prevention of waste and the protection of correlative rights?

A. Very much so. At the present time the wells from which the produced water has been produced are shut in. Their average daily production prior to shutting in was approximately 100 to 120 barrels per day.

Q. Are those wells located on State leases?

A. Yes, they are.

Q. Mr. Mulloy, were Exhibits One through Nine prepared by you or under your supervision?

A. Yes, they were.

MR. KILPATRIC: Mr. Examiner, at this time I'd move admission of Exhibits One through Nine.

MR. STAMETS: These exhibits will be admitted.

MR. KILPATRIC: I have no further

1  
2 questions on direct.

3 MR. STAMETS: Are there questions  
4 of Mr. Mulloy?

5 MR. KELLAHIN: Yes, Mr. Stamets.

6  
7 CROSS EXAMINATION

8 BY MR. KELLAHIN:

9 Q Mr. Mulloy, I'd like to direct your atten-  
10 tion to your map of this area. Was that introduced as an  
11 exhibit?

12 A Yes, it was.

13 Q Is that Number One?

14 A Yes, sir.

15 MR. KILPATRIC: One, yes.

16 Q You identified that the produced salt water  
17 you want to dispose of in the subject well is produced from  
18 a field that lies to the west in, I think you said, Section  
19 35?

20 A I believe that's correct.

21 Q That's the section just off of this map?

22 A Yes, sir.

23 Q Is that correct? How many wells are in the  
24 Saunder Penrose -- Permo-Upper Penn Field?

25 A Oh, I'm not sure. There's several.

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Q. Are they all owned and operated by Sage Oil Company?

A. No, they are not.

Q. Are the -- is the water produced from this field to be disposed of in this well only that water produced by Sage Oil Company wells?

A. It is my understanding that is the present plan. I have no idea what their future plans are for additional disposal into the well.

Q. Do you have a map of the field that shows the locations of all the wells in that field?

A. In the Permo-Penn Field?

Q. Yes, sir.

A. I have a map that shows that in my briefcase. They are not designated as being from that field.

Q. When was the discovery well drilled for this field? Can you tell me that, Mr. Mulloy?

A. The Permo-Penn Field?

Q. Yes, sir.

A. Oh, quite some time ago. It's a fairly old field, but the date, I do not know.

Q. You said you didn't know exactly how many wells would be hooked up into the disposal system for this disposal well?

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A. Initially there will be two.

Q. There'll be two? Can you give me a little history about each of those wells, Mr. Mulloy?

A. Well, not -- not by -- not by date. I do know that they were originally completed by someone other than Sage Oil Company and were abandoned due to high water production.

Sage --

Q. Do you recall approximately when they were abandoned?

A. I felt it was irrelevant as to when they were abandoned.

Q. Do you know what the water production was at the time of abandonment?

A. At this time they were abandoned under the -- under the lift systems in use at that time, they were uneconomical.

Q. You don't know the exact amounts of water and oil produced at that time?

A. No, sir.

Q. How long have these wells been temporarily abandoned?

A. They've been shut-in approximately three months at this time, I believe.

Q. What's the cumulative production from those

1  
2 wells, each of those wells?

3 A. I have no idea.

4 Q. Prior to having each of these wells shut-in,  
5 was water being produced in association with the oil?

6 A. Yes.

7 Q. In these wells?

8 A. Yes.

9 Q. What was being done with that water?

10 A. It was being put into a disposal system in  
11 the area that became overloaded.

12 Q. Who operated that disposal system, Mr. Mulloy?

13 A. I'm not sure.

14 Q. It's your understanding that that disposal  
15 system couldn't handle the additional water produced from  
16 these two wells?

17 A. These wells were going into the system on  
18 a day to day basis, and it became overloaded and the operator  
19 of the system shut -- shut the injection from these wells off.

20 Q. Where was the disposal well for that disposal  
21 system located?

22 A. It's in the area of the -- of these two  
23 wells.

24 Q. Somewhere in Section 35?

25 A. I'm not sure it's in Section 35. It's with-

1  
2 in a couple of miles of the well.

3 Q Apart from the two wells operated by Sage  
4 Oil Company that will be hooked up with the disposal system,  
5 there are other operators in the area producing salt water?

6 A Yes, there are.

7 Q And what are those other operators doing  
8 with their produced water?

9 A Well, some of them are going into their  
10 own systems. Some of them are hauling it. Some of them are  
11 looking for a disposal system to put it in. Upon receipt of  
12 the application by Elk Oil Company, they immediately called  
13 and asked for permission to join the system.

14 Q I'm sorry, I'm confused. Elk Oil Company?

15 A They're one of the offset operators.

16 Q And Sage attempted to join the Elk Oil Com-  
17 pany system?

18 A No, no. Elk has asked to join this system,  
19 this proposed system.

20 Q All right, how many wells would Elk then  
21 contribute --

22 A I have no idea.

23 Q -- to the system?

24 A I have no idea.

25 Q Have you examined to determine whether there

1  
2 are any other plugged and abandoned wells that are closer than  
3 the proposed location --

4 A. Yes, I have.

5 Q. -- to determine if it's suitable?

6 A. Yes, I have.

7 Q. And what have you examined, Mr. Mulloy?

8 A. I found that there are numerous plugged and  
9 abandoned wells that are in the area. One well has already  
10 been attempted to be re-entered and it was not possible to  
11 get back into the cutoff 8-5/8ths surface casing, and this  
12 well was selected for the reason that the 8-5/8ths is still  
13 in existence, still in the well.

14 Q. Sage examined another plugged and abandoned  
15 well?

16 A. Yes, sir.

17 Q. And where was that well?

18 A. I believe it was in Section -- pardon me  
19 while I get a map.

20 It would have been the well located in Sec-  
21 tion 35, 14, 33, Unit letter B.

22 Q. I see a number of abandoned wells in -- at  
23 least two abandoned wells in Section 31 on the map. Did you  
24 examine either one of those to determine if they were suitable  
25 for disposal purposes?

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A. In Section 31, yes, I did.

Q. What did you find out about those wells?

A. All the pipe has been cut off at a depth of approximately 12 to 1500 feet, which is in the Redbeds and it makes it very difficult to re-enter.

Q. Did you examine to determine whether it was feasible to truck the produced water --

A. Yes.

Q. -- into a disposal facility?

A. Yes.

Q. And what did you discover?

A. Just about a break even situation.

Q. Where is the nearest disposal facility that the produced water is trucked to?

A. I'm not sure. When you put it in a truck you don't really care where they take it. It's up to them.

Q. Did you -- what was the price per barrel of produced salt water to be trucked?

A. It varied, anywhere from \$1.00 and up.

Q. Have you examined the possibility or the feasibility of having the produced water reinjected in the Saunders Field to the south?

A. I would anticipate more objections to that than we got from this.

1  
2 Q. Is there a possibility to enter through a water-  
3 flood project in the field?

4 A. No.

5 Q. Why not, Mr. Mulloy?

6 A. Water drive and there's already more water  
7 there than you can produce.

8 Q. Would you have any objection if the order  
9 entered would limit the use of this disposal well to produced  
10 water from the Sage Oil Company wells?

11 A. I would imagine they probably would.

12 Q. Why?

13 A. Because this would be a facility that could  
14 be utilized possibly by other producers in the area and there  
15 is not any reason to limit a system that will take, say, 5000  
16 barrels a day to 2000 barrels of water a day with the ecolo-  
17 gical efforts being made to get all the produced water pos-  
18 sible below the ground.

19 Q. Upon what do you base your opinion that the  
20 proposed disposal well will take that much water?

21 A. The San Andres has a reputation of taking  
22 large volumes of water. There is a -- there is an injection  
23 well previously -- already in existence just to the east,  
24 and I'm not sure, let me see if I can see it on this map, of  
25 the proposed well that takes fairly large quantities of water

1  
2 at almost no pressure.

3 Q In the San Andres?

4 A Yes.

5 Q And can you identify approximately what sec-  
6 tion that would be located in?

7 A Yes, well, I think maybe I can even find  
8 it. It's a Petro-Lewis well. I think it could be the well  
9 in -- I'm not sure, but I believe it's in Section 33.

10 I can find out exactly from my notes that  
11 are in my briefcase, if you so desire.

12 Q In making your investigation of wells in the  
13 half mile radius surrounding the proposed disposal well, Mr.  
14 Mulloy, you've indicated on your tabulation that you discovered  
15 two wells.

16 A Yes, sir.

17 Q Did you find any others?

18 A No, sir.

19 Q In the south half of Section 32, right on the  
20 section line with Section 5, there's a dot. Does that mean  
21 anything or is that --

22 A I think that's courtesy of Xerox Corporation.

23 Q That's not the indication of any well?

24 A Not according to the New Mexico Oil Conser-  
25 vation records.

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Q If you would turn, sir, to your Exhibit Number Three where you show a diagrammatic sketch of the Sage State Well No. 2.

A Exhibit Three?

Q I believe that's correct. There are two parts to Exhibit Three?

A Yes.

Q Would you identify for us whether this 5-1/2 inch, I guess that's an intermediate casing string, has any cement outside?

A You're referring to the proposed or the --

Q No, sir, this is the -- it's not either the proposed or --

A Are you referring -- are you referring to the immediate well or to the Sage Energy Well?

Q Sage Energy Well is the State of New Mexico Well No. 2.

A Does it have cement behind the pipe?

Q Yes, sir.

A Is that your question?

Q Yes, sir.

A It does to a calculated top of 7200 feet; above there it does not.

Q And then the 7-1/2 inch -- I'm sorry, it's

1  
2 the 12-3/4 inch casing string that has cement behind it down  
3 to a depth of about 373 feet?

4 A. Right.

5 Q. And then the next cement top is the one that  
6 cements the 8-5/8ths inch intermediate casing string, and that  
7 cement top is at 3500 feet.

8 A. As calculated, yes.

9 Q. And then at the base of that, the base of  
10 that cement, then, is at the 4260?

11 A. Yes.

12 Q. All right, sir. When was this well plugged  
13 and abandoned, Mr. Mulloy?

14 A. This well was not plugged and abandoned.  
15 It's producing well.

16 Q. This is still a producing well?

17 A. The one that you were just asking about.

18 Q. Yes, sir, and how about the next one, then?

19 A. The next one is plugged and abandoned.

20 I'll have to refer to notes. It will take a minute until I  
21 can find them.

22 Well, I'm sorry, I do not have that inform-  
23 ation. It was -- it was plugged upon the drilling. It was --  
24 no completion attempt was ever made.

25 Q. Let's look at Exhibit Four, if you please.

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A. Okay.

Q. Could you give us some of the history on the original drilling of this proposed disposal well?

When was it first drilled?

A. It was drilled in 1970.

Q. Was it ever completed?

A. No.

Q. Have you examined this well recently to determine its status and suitability for disposal?

A. Have I examined it recently?

Q. Yes, sir.

A. I would certainly hope so. That's what I'm asking to do, is to dispose water in it.

Q. Yes, sir, and what have you done to examine the well?

A. I've examined the New Mexico Oil Conservation Commission files in Hobbs; gone to the location, dug out the wellhead to make sure that the 8-5/8ths inch casing was in truth there.

Q. And you found it there?

A. And it was there.

Q. Did you do anything else at this point?

A. No, sir, that was with the permission of Mr. Ray Graham, State Land Office.

1  
2 Q You haven't commenced any tests on the well  
3 to determine whether, in fact, it's still suitable for dis-  
4 posal.

5 A No.

6 Q You identified a water analysis from a wind-  
7 mill in the area. Would you show us on your Exhibit Number  
8 One approximately where that windmill is located?

9 A Well, it's a mile -- it's a mile northeast.  
10 It would be in Section 28, somewhere in the southwest of the  
11 southwest quarter, and that is not a survey estimate; that's  
12 an estimate by the man that got the sample from the windmill.

13 Q Have you found the presence of any other  
14 fresh water wells in the immediate area?

15 A If they are there, they are not obvious to  
16 the observer's eye. I'm not saying --

17 Q Did you make that observation or did you  
18 have someone do that for you?

19 A I had someone do it.

20 Q You said you'd found a number of plugged  
21 and abandoned wells in Section 35 in the immediate area around  
22 the field itself. Did you find any other plugged and abandoned  
23 wells in the area of the field operated by any other operators  
24 or in the possession of other operators that could be used  
25 for disposal purposes?

1  
2 A Well, there's, as I stated previously,  
3 there are numerous abandoned wells in the area to the east --  
4 I mean to the west and to the southwest, but as I said, it  
5 was believed that since there was a more dense accumulation  
6 of wells in the area, that there would possibly be more ob-  
7 jection to disposal in that area. Also, as I said, we found  
8 no well in that area that still had the 8-5/8ths casing at-  
9 tached, which we felt was very important to the re-entering  
10 of the well.

11 MR. KELLAHIN: Thank you. I have  
12 nothing further.

13  
14 CROSS EXAMINATION

15 BY MR. STAMETS:

16 Q Mr. Mulloy, on the two exhibits which dealt  
17 with produced water quality, I saw quite a difference in the  
18 in that water. I presume it comes from two different forma-  
19 tions?

20 A No, sir, and I -- I really can't answer  
21 that question, either. I was aware of the difference in those  
22 two, the total dissolved solids, and they're basically from,  
23 both from the Permo-Penn and possibly it could have something  
24 to do with the -- with the way that the samples were taken,  
25 since the wells has been shut-in for some period of time. I

1  
2 cannot testify as to just how these water samples were taken.  
3 It's possible that some sedimentation could have occurred in  
4 one and maybe not in the other one. I just don't -- I just  
5 don't know.

6 Q Mr. Kellahin noted earlier in cross examin-  
7 ation that Sage State of New Mexico Well No. 2, which is not  
8 cemented across the injection interval, that well is located  
9 right at the edge of the half mile circle drawn around this  
10 injection well, is that correct?

11 A Yes, yes, it is.

12 Q Would Sage be prepared to test this well on  
13 an annual basis?

14 A Let me make a statement here that probably  
15 I should have made in the very beginning. We're talking  
16 about two different Sage's. This is not -- this is not the  
17 same company and I should have made that earlier.

18 This, Sage Energy is -- is located in San  
19 Antonio and Sage Oil is located in Wichita Falls, and they're  
20 not associated in any way.

21 I suppose I should have clarified that in  
22 the very beginning.

23 MR. KILPATRIC: No relation.

24 A Sage Energy Company is the old K. K. Amini  
25 Oil Company.

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2 Q All right, well, let me -- let me rephrase  
3 that, then.

4 This is a well that if it were located more  
5 proximate to the proposed injection well, the one that we  
6 would require that the injection interval be cemented, at that  
7 distance I feel that we would be safe in requiring some sort  
8 of periodic test, but what that would mean is if we discovered  
9 pressure or flow in this well, the Sage applicant for salt  
10 water disposal well would be in the position of either having  
11 to repair that well at that time or cease their injection.

12 Do you have any problem with that type of  
13 requirement?

14 A I wouldn't think that that would be a prob-  
15 lem at all (inaudible).

16 We did not receive any of the waivers back  
17 that we requested they be sent to the Commission. I do not  
18 know what Sage's position was.

19 Q Now I believe I understand you correctly to  
20 say that initially this well would be serving company leases  
21 but later on could be used for other operators, as well.

22 A I would think that if it was capable of  
23 handling more water, if the capacity was there and the need  
24 was there, I feel sure that -- that they would be very agree-  
25 able to taking additional --

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Q. But it would all be Permo-Penn water?

A. I would think so. I believe that's probably about the only large volume of water being produced in the area.

Q. Okay.

A. These wells are producing on REDA pumps, which accounts for the tremendous volumes of water. It also accounts for the fact that it is economically possible to re-enter and produce these large volumes of water to produce the 100, 100 or so, barrels of oil per day that they now -- that they now are capable of producing.

MR. STAMETS: Are there any other questions of this witness?

Anything further in this case?

MR. KELLAHIN: I have a brief statement to make.

MR. STAMETS: The witness may be excused.

Mr. Kellahin, you had a statement?

MR. KELLAHIN: Yes, sir. My client is a rancher in the immediate, as I've told you, Mr. Examiner, and he and the other ranchers are very nervous about what may be contamination of what small amount of fresh water they have in the immediate area, and he is particularly distressed that

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2 an abandoned well on ranch property that he leases from the  
3 State is going to become a dumping place for produced water  
4 that is produced from fields some miles away.

5 I think I have the same concerns that he  
6 has insofar as the broad potential scope of granting the appli-  
7 cant's request.

8 I'm a little nervous that Mr. Mulloy is  
9 unable to specifically tell us more about the status of the  
10 producing wells, the exact sources of the produced water in  
11 terms of amounts, how long they've produced the volumes of  
12 water they've produced.

13 I'd like to suggest that if the Examiner  
14 approves the application, that it be limited to approval of  
15 the two wells operated by Sage Oil Company at this time, and  
16 that would give the applicant immediate relief, allow him to  
17 continue to produce his wells and derive the income from the  
18 sale of the oil.

19 We'd request that if any other operators  
20 join the system, or any other wells are placed on the system,  
21 that that only be done after notice and hearing and an oppor-  
22 tunity for us to come before the Examiner again so that we  
23 could have the Commission determine whether it is fair and  
24 reasonable to use that disposal well in a more extensive way  
25 than is immediately required, and we have nothing further,

1  
2 thank you.

3 MR. KILPATRIC: May I respond, Mr.  
4 Examiner?

5 MR. STAMETS: Certainly.

6 MR. KILPATRIC: Quite briefly, it's  
7 our position that Mr. Kellahin's client, Mr. Etcheverry,  
8 doesn't have standing in this case and that he's not the land-  
9 owner or an offset operator. He's merely the surface lessee  
10 and he has not shown any damage or any injury.

11 I believe that to limit the use for the  
12 injection capabilities of this well would be to -- probably  
13 to -- not in the interest of preventing waste, and that there  
14 are other wells that are in the same position as our two  
15 producing wells that would be uneconomical unless they could  
16 find a place to dispose the water, and this injection well is  
17 capable of that disposal, it ought to be used. We ought to  
18 have the ability to use it.

19 MR. STAMETS: Anything further?

20 We'll take the case under advisement.

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22 (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 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 CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7738 heard by me on 11-23 1982  
Richard R. Hanna, Examiner  
Oil Conservation Division