

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
October 14, 1970

EXAMINER HEARING

IN THE MATTER OF:)
)
)

Application of Eastland Oil Company)
for an exception to Order No. R-3221,)
as amended, Eddy County, New Mexico.)

) Case No. 4438
)
)

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING



NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date OCTOBER 14, 1970

TIME: 9:30 A.M.

NAME	REPRESENTING	LOCATION
Dale M. Carter	Texas Inc.	Midland
William J. Brown	Shenandoah	Mid
Ralph L. Gray	Moran	Artesia
K.D. McQueen	Moran	Hobbs
James D. Jennings	Shenandoah + Moran	Roswell
Kym Hartman	White Land Koch + Kirby	Lordsburg
Nina L. Burkham	P.V. Byrum	Santa Fe
George D. Neal	The Eastland Oil Co	Midland, Tex
Jason W. Kellah	Kellah & Fox	Santa Fe

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

1120 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO
1203 FIRST NATIONAL BANK EAST • PHONE 256-1294 • ALBUQUERQUE, NEW MEXICO

MR. NUTTER: The hearing will come to order. We are, at the present time, on Case No. 4437. However, the witness is not here. We will continue that case until later.

We will call now Case No. 4438.

MR. HATCH: Application of Eastland Oil Company for an exception to Order No. R-3221, as amended, Eddy County, New Mexico.

MR. KELLAHIN: If the Examiner please, Jason Kellahin, Kellahin and Fox, Santa Fe, appearing for the Applicant. I have one witness I would like to have sworn.

(Witness sworn.)

(Whereupon, Applicant's Exhibits 1 through 4 were marked for identification.)

GEORGE NEAL,

having been first duly sworn according to law, upon his oath, testified as follows:

DIRECT EXAMINATION

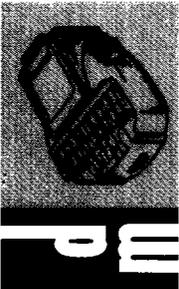
BY MR. KELLAHIN:

Q Would you state your name, please?

A George Neal.

Q By whom are you employed and in what position, Mr. Neal?

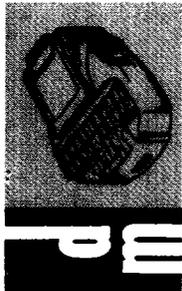
A Eastland Oil Company, vice-president in charge of



dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

1120 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO
1203 FIRST NATIONAL BANK EAST • PHONE 256-1294 • ALBUQUERQUE, NEW MEXICO



production.

Q Have you ever testified before the Oil Conservation Commission?

A I have not.

Q For the benefit of the Examiner, would you briefly summarize your education and experience in the petroleum business?

A I was graduated from Rice Institute in 1943 with a BS in mechanical engineering. Worked for Humble Oil and Refining Company as a petroleum engineer for eight years; Eastland Oil Company as an engineer and production superintendent for fifteen years.

Q In connection with your work, was any of it in the Southeastern New Mexico area?

A Yes.

Q Is the area involved in the application of Eastland Oil Company in Case 4438 under your jurisdiction?

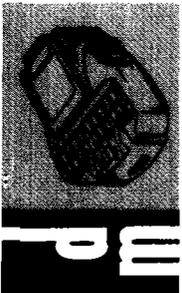
A That's correct.

MR. KELLAHIN: Are the witness' qualifications acceptable?

MR. NUTTER: Yes, they are.

Q (By Mr. Kellahin) Mr. Neal, are you familiar with the application of Eastland Oil Company in Case 4438?

- A I am.
- Q What is sought by Eastland Oil Company in this case?
- A We are asking for an exception for the disposal of salt water on surface pits in Section 5 and 6, 18-31; in the northwest northwest of 5 and the northeast northeast of Section 6.
- Q Is that in the Grayburg-Jackson Field Area, Eddy County?
- A It's in the area. It's undesignated as a pool.
- Q It is in Eddy County?
- A Correct.
- Q Now, referring to what has been marked as the Applicant's Exhibit 1, would you identify that exhibit?
- A It's a land plat of the area with the two leases involved colored in yellow and the areas colored in red are exemptions that have been granted for surface salt water disposal.
- Q Now, there are some individual tracts colored in red and those are specific exemptions that have been granted, is that correct?
- A That is correct.
- Q Now, in the lower right-hand corner of the exhibit there are areas, solid areas colored. What is that?



dearnley-meier reporting services, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

1120 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO
1203 FIRST NATIONAL BANK EAST • PHONE 256-1294 • ALBUQUERQUE, NEW MEXICO

A That is the beginning of the general area of the potash mine area that covers several townships that is exempt.

Q That was a blanket exemption from the Commission?

A Correct.

Q Now, the area you have marked in yellow is the acreage that is operated by Eastland Oil Company, is that correct?

A That is correct, two quarter sections.

Q Two quarter sections? Do you propose to dispose on the surface water produced from wells on those two quarter sections?

A That is correct. Yes, sir.

Q Now, referring to what has been marked as the Applicant's Exhibit No. 2, would you identify that exhibit?

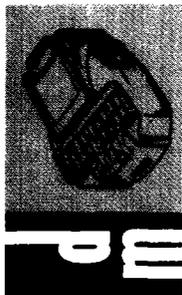
A It's a composit of two USGS maps showing contoured the general drainage area adjacent to Cedar Lake Draw which is the general drainage area and drainage for the area --

MR. NUTTER: What was the name of that, please?

THE WITNESS: Cedar Lake Draw.

MR. NUTTER: Cedar Lake Draw?

THE WITNESS: Right. And movement of surface



water is to the -- from our leases it would be to the south and to the salt lake area of potash mine area.

Q (By Mr. Kellahin) Would the surface drainage then, in your opinion, be toward that area which is exempt by the Commission?

A Yes, sir, it would.

Q Did you personally make an inspection to determine if there were any water sources present in this area?

A I did.

Q What did you find?

A I could find no surface water being produced in -- within at least a five-mile radius of this surface area and considerably further, but I just found no surface water being produced at all in the area.

Q Do you know whether any water was encountered in any of the oil wells that were drilled in this area?

A The knowledge that I have, none. The drilling contractor has stated that there was no surface water encountered.

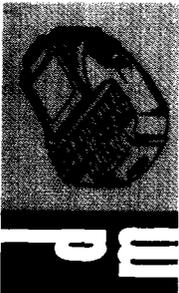
Q I believe the exhibit does show a tank, water tank, within the area which is marked yellow. What is that?

A That is a steel water tank that the person ranching

dearnley-meier consulting services, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

1120 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO
1203 FIRST NATIONAL BANK EAST • PHONE 256-1294 • ALBUQUERQUE, NEW MEXICO



this area hauls water by truck to this steel water tank from which he waters his cattle.

Q Do you know where he is getting his water?

A From the Caprock Line that comes off the Caprock water system in Loco Hills.

Q He has no fresh water supply there to supply that tank, is that correct?

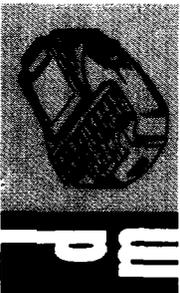
A None whatsoever.

Q Now, referring to what has been marked as the Applicant's Exhibit No. 3 and 4, would you identify those exhibits?

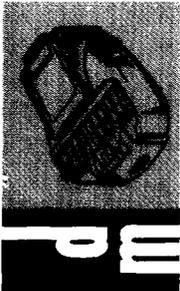
A They are acreage dedication plats filed on the two wells that are presently producing, one well in Section 5 and one well in Section 6 and the location of the salt water pit indicated being in the same unit area as the well.

Q Could you give the location of the well and the pits for the record?

A Identifying the well as Arco Federal, the Arco Federal Lease, which comprises 160 acres of northwest quarter of Section 5, the well is located in the northwest northwest of Section 5 and also the surface pit is located in Unit "D".



- Q Now, that shows the footage location of the surface pit, does it not?
- A Yes, 960 feet from the west line, 910 feet from the north line.
- Q That's for the well in Section 5. Now, the one in Section 6, do you show the same information?
- A Yes. It's identified as the Allied Federal Lease. It's 160 acres. The 160 acres of the northeast quarter section of Section 6 in the well is in the Unit "A" and the pit is also in Unit "A" identified as 900 feet from the north line and 460 feet from the east line.
- Q Now, at the present time, you have two producing wells on these two leases.
- A That's correct.
- Q What volumes of water do they make?
- A The Arco Federal has been in for approximately 60 days and is producing 8 barrels of water a day at the allowable rate of 70 barrels of oil and the Allied Federal Well has only been producing approximately a week and it is presently making 20 barrels of water a day and it's my opinion that it will reduce somewhat to approximately the level of the Arco Federal Well and



maybe in the order of 10 barrels a day.

Q Was your experience with the Arco Well similar to that?

A Yes. It came in at a higher rate of water production and has leveled off at the present rate around 10 barrels a day.

Q And you anticipate the other one will?

A I would think the other one would do the same, yes, sir.

MR. NUTTER: How much oil does that one make?

THE WITNESS: It is making allowable rate.

MR. NUTTER: Both of them are?

THE WITNESS: Yes, sir.

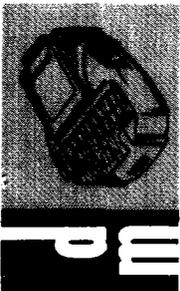
Q (By Mr. Kellahin) You anticipate that in the future there would be an increase in the amount of water?

A Not from the present zone which is the Grayburg Zone being produced, no; but there is a possibility of San Andres production there that is undetermined at the present time.

Q That isn't developed yet?

A No, sir.

Q So the water you are talking about is from the Grayburg?



A Grayburg section, right.

Q Do you anticipate other wells will be drilled in this area?

A Yes, we plan to develop both 160-acre tracts which will be four wells to each battery.

Q Mr. Neal, on the basis of your investigation and your opinion, would the use of surface pits for the disposal of salt water or produced water cause any damage to any underground waters or any surface waters?

A I can see none that would be damaged.

Q Are there any surface waters in the area?

A No, sir. There's no stored water on the surface and there is no ground water being produced on the surface.

Q Did you find any tanks or earthen tanks for livestock?

A None whatsoever.

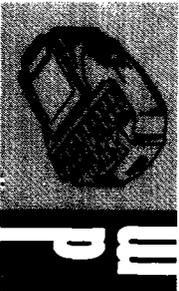
Q Were Exhibits 1 through 4 prepared by you or under your supervision?

A They were.

MR. KELLAHIN: At this time I would like to offer in evidence Exhibits 1 through 4 inclusive.

MR. NUTTER: Eastland's Exhibits 1 through 4 will be admitted in evidence.

MR. KELLAHIN: That's all I have, Mr. Nutter.



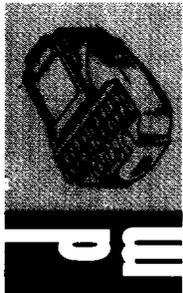
MR. NUTTER: Does anyone have any questions of the witness? He may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: Nothing.

MR. NUTTER: Does anyone have anything they wish to offer in Case No. 4438? We will take the case under advisement.



dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

1120 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO
1203 FIRST NATIONAL BANK EAST • PHONE 256-1294 • ALBUQUERQUE, NEW MEXICO

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

1120 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO
1203 FIRST NATIONAL BANK EAST • PHONE 256-1294 • ALBUQUERQUE, NEW MEXICO

I N D E X

WITNESS

PAGE

GEORGE NEAL

Direct Examination by Mr. Kellahin

2

E X H I B I T S

Applicant's 1 through 4

2

