

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

9 July 1986

EXAMINER HEARING

IN THE MATTER OF:

Application of Verde Grande, Inc. CASE
for salt water disposal, Lea County, 8935
New Mexico.

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Jeff Taylor
 Attorney at Law
 Legal Counsel to the Division
 State Land Office Bldg.
 Santa Fe, New Mexico 87501

For the Applicant: Roland E. Caudill, Pro Se

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

STATEMENT BY MR. CAUDILL	3
Questions by Mr. Taylor	4
Questions by Mr. Catanach	6
Questions by Mr. Taylor	11
Questions by Mr. Catanach	16
Questions by Mr. Taylor	17
Questions by Mr. Stockton	18

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MR. CATANACH: Call next Case
8935.

MR. TAYLOR: Application of
Verde Grande, Inc., for salt water disposal, Lea County, New
Mexico.

MR. CATANACH: Are there
appearances in this case?

MR. CAUDILL: Yes, sir, there
are. I'm Roland Caudill, President of Verde Grande.

MR. SABO: Ernie Sabo with the
State Land Office.

MR. STOCKTON: Burce Stockton,
State Land Office.

MR. CATANACH: Are there other
appearances?

(Mr. Caudill sworn.)

MR. TAYLOR: Why don't you go
through your application, more or less; you saw part of the
last case; go through the various parts of the application
and I think the main question we have is the offset -- what
is it, offset wells within two miles?

MR. CATANACH: Well, we need to

1 go through the whole application and --

2 MR. TAYLOR: But specifically,
3 I mean you need to go into detail on the other producing
4 wells in the area.

5 MR. CAUDILL: Okay. Well, there
6 are several producing wells in the area. There are only two
7 that are producing in the Wolfcamp. Both of those are real-
8 ly noncommercial wells. They are lease retainers. They're
9 producing but below commercial value.

10 MR. TAYLOR: You can just go
11 through the application form step by step and --

12 MR. CAUDILL: Oh, step by step.
13 All right.

14 MR. TAYLOR: -- give us that
15 information, unless the examiner has other --

16 MR. CATANACH: No, that's fine.
17 We need that on the record.

18 MR. CAUDILL: Okay. All of the
19 wells in that -- within the two mile zone are in the Strawn,
20 which is approximately 500 feet below the zone we're wanting
21 to propose to inject into.

22 We also already have an ap-
23 proved disposal one location to the northeast of this Aztec
24 State Com No. 3. That is Aztec No. 1. We are proposing, if
25 this one is accepted, to plug that well back because we do

1 have some casing problems on it and it would be more expen-
2 sive to fix it than to put this well into operation.

3 The Aztec State Com No. 1 is a
4 16-year old well and this Aztec -- I mean Aztec State No. 1
5 is a 16-year old well and the Aztec State Com No. 3 is 4-
6 year old well, so we feel like by getting the packer fluid
7 in behind that, that that casing will last a lot longer and
8 be a lot safer.

9 Also this well takes, by our
10 present tests, we ran a 700-barrel rate test on it with
11 Pennzoil's permission, to determine how it was going to take
12 water. It did take 3.8 barrels of water a minute on a
13 vacuum; no pressure, which severely minimizes the possibil-
14 ity of fracing out anything within that formation; also
15 severely limits the possibility of contamination in the
16 fresh water zone.

17 Okay, all of the offset opera-
18 tors were notified no later than June 21st -- I mean, I'm
19 sorry, May 21st. That was the latest signed for certified
20 mailed copy, notification. I did, however, personally call
21 all of the offset operators ahead of time and they verbally
22 also said that they had no objection.

23 Later on Yates came back and
24 decided -- of course I didn't talk to their particular
25 engineer there -- decided they had some sort of objection

1 but we got that straightened out with them. They no longer
2 have an objection.

3 Okay, as you can see, we -- the
4 well is already perforated between the intervals of 10,230
5 feet to 10,726 feet. There are 21 perforations at various
6 intervals in those zones. That is all considered the Wolf-
7 camp, as verified by the geologist at the State OCD office,
8 Oil Conservation Commission office.

9 MR. TAYLOR: Who did you talk
10 to at our office?

11 MR. CAUDILL: Well, Jerry Sex-
12 ton and also your geologist. He went through the logs and
13 verified that the top of the Wolfcamp is at 9,480 foot is
14 the top of the Wolfcamp.

15 This well has been plugged
16 back. It was originally in the Strawn; was plugged back
17 with a cast iron bridge plug and 25 foot of cement at 11,125
18 foot.

19 MR. CATANACH: Mr. Caudill, you
20 said -- is there Wolfcamp production in the area?

21 MR. CAUDILL: There are two
22 marginal Wolfcamp wells. The other offset operator, I
23 talked to her, and she is just hoping for some kind of kick
24 out of this as a waterflood, because it is a below marginal
25 operational well. They are what we call lease retainers,

1 but they're producing them at the required level to retain
2 the leases.

3 MR. CATANACH: Okay. You have
4 another disposal well located to the north of this proposed
5 well?

6 MR. CAUDILL: To the north and
7 east.

8 MR. CATANACH: Okay.

9 MR. CAUDILL: The next location
10 to the north and east.

11 MR. CATANACH: And do you plan
12 on --

13 MR. CAUDILL: Plugging it back.

14 MR. CATANACH: -- plugging it
15 -- plugging it?

16 MR. CAUDILL: Well, plugging it
17 back to 4000 foot. We hope to later on make a brine (sic)
18 well out of that if -- if the EID agrees, and we go through
19 all -- all that they require.

20 MR. CATANACH: Whose water or
21 what water are you currently disposing off into the --

22 MR. CAUDILL: We are a commer-
23 cial --

24 MR. CATANACH: It is a commer-
25 cial well?

1 MR. CAUDILL: It is a commer-
2 cial well. It's various water from all over.

3 MR. CATANACH: And this well
4 you're proposing is going to be commercial also?

5 MR. CAUDILL: Yes, but it will
6 be more so pipeline to the various producers in the area.

7 MR. CATANACH: What formation
8 water do you generally dispose of?

9 MR. CAUDILL: Wolfcamp and
10 Strawn.

11 MR. CATANACH: You haven't had
12 any compability problems with that water in the other well?

13 MR. CAUDILL: No, sir.

14 MR. CATANACH: Approximately
15 what volume do you anticipate on disposing?

16 MR. CAUDILL: Between 1500 and
17 2000 a day. I seriously doubt at the moment whether there
18 is anything in excess of 1500 barrels a day; however, with
19 the major disposal within the Lovington area fixing to get
20 shut off because of the plant kicking off, then there's
21 going to be 10,000 extra barrels that's got to go somewhere
22 daily.

23 MR. CATANACH: Mr. Caudill, are
24 there any wells within a half mile that penetrate the Wolf-
25 camp?

1 MR. CAUDILL: Oh, yes, all of
2 them. Every -- every Strawn well penetrates the Wolfcamp.
3 The Strawn formation is below the Wolfcamp.

4 MR. CATANACH: So there are
5 several.

6 MR. CAUDILL: Oh, yes. All of
7 the cement in all of the surrounding wells that do penetrate
8 that zone, according to their engineers, is -- is in excess
9 of the 10,000 feet that we expect to set our packer at.

10 MR. CATANACH: But you haven't
11 submitted anything to substantiate that. You haven't sub-
12 mitted any schematics or any detail on these wells at all,
13 have you?

14 MR. CAUDILL: Yes, and they
15 were all submitted in the prior application for that Aztec
16 State No. 1.

17 MR. CATANACH: Well, they
18 weren't all submitted because the area of review is differ-
19 ent for the two wells.

20 MR. CAUDILL: Well --

21 MR. CATANACH: You're supposed
22 to submit information on wells that penetrate the injection
23 zone in a one-half mile radius of the --

24 MR. CAUDILL: Right. Well,
25 when I did the Aztec State No. 1 I went a little excess of

1 the one-half mile and so most of those were covered in this
2 one.

3 MR. CATANACH: When did you ob-
4 tain approval for the No. 1?

5 MR. CAUDILL: That Aztec State
6 No. 1 was in 1983. No, '84, I'm sorry; 1984.

7 MR. CATANACH: And in reviewing
8 information for that location, you said that the cement tops
9 in those wells were well above the injection zone?

10 MR. CAUDILL: Proposed injec-
11 tion zone, yes, sir.

12 And this is also, besides what
13 I reviewed, that your department was talking to their
14 engineers of the various offset operators. None of them
15 expressed any concern that the cement was below that.

16 MR. CATANACH: The logs have
17 been submitted on this well?

18 MR. CAUDILL: Yes.

19 MR. CATANACH: Did you submit
20 any fresh water analysis?

21 MR. CAUDILL: No, those were
22 all submitted with the Aztec State 1. The same fresh water
23 wells are right in this exact area.

24 So they should give us a longer
25 review time if there is any contamination at all it would

1 show up quicker.

2 MR. TAYLOR: Who is the surface
3 owner of the area here, is that the state?

4 MR. CAUDILL: The Aztec State
5 No. 1 is myself.

6 MR. TAYLOR: Okay.

7 MR. CAUDILL: The Aztec State
8 Com No. 3 is Shelby Gilmore and we have an agreement with
9 him, a signed agreement with him, so this is with his
10 approval.

11 MR. TAYLOR: Let's see, you
12 lost me. Which well is this application for?

13 MR. CAUDILL: For the Aztec
14 State Com No. 3.

15 MR. TAYLOR: Okay, and that's,
16 Mr. Gilmore is the --

17 MR. CAUDILL: Is the surface
18 owner?

19 MR. TAYLOR: -- surface owner?

20 MR. CAUDILL: Yes.

21 MR. TAYLOR: Well, let's see, I
22 don't see a proof of notice in here to him. Why don't you
23 --

24 MR. CAUDILL: Well, because I
25 had a signed agreement with him.

1 MR. TAYLOR: Why don't you give
2 us a copy of that agreement so we'll --

3 MR. CAUDILL: Oh, okay, I think
4 I have one with me.

5 MR. TAYLOR: -- have it in our
6 files to show that the surface owner --

7 MR. CAUDILL: Right.

8 MR. TAYLOR: -- is in agreement
9 with this.

10 MR. CAUDILL: Right.

11 MR. TAYLOR: Let's see, so on
12 the area of review you drew a curve that's slightly to the
13 southwest.

14 MR. CAUDILL: Right, that is
15 correct.

16 MR. TAYLOR: Okay, is that a
17 what, a one mile radius?

18 MR. CAUDILL: That's a half
19 mile radius.

20 MR. TAYLOR: Half mile radius?

21 MR. CAUDILL: One mile right
22 through there.

23 MR. TAYLOR: Yeah. Let's see,
24 just right off I see that Bass Enterprises may get -- need
25 to get notice. Did you notify them?

1 MR. CAUDILL: Yes, I did, both
2 verbally and by certified mail.

3 And Skelton Oil, which is the
4 other Wolfcamp producer in there was also notified, as
5 you'll notice.

6 MR. TAYLOR: Oil companies are
7 changing their names so quickly --

8 MR. CAUDILL: This is Mrs.
9 Skelton, an independent operator --

10 MR. TAYLOR: Okay.

11 MR. CAUDILL: -- and she owns
12 that well and I spoke with her personally.

13 MR. TAYLOR: You've got Texaco
14 or --

15 MR. CAUDILL: It used to be
16 mostly Getty but now it's Texaco.

17 MR. TAYLOR: I was just trying
18 to figure out who is who in here.

19 Well, that -- your notice ap-
20 pears appropriate on that . I think maybe -- I don't have
21 any other questions but maybe I'll have a statement.

22 MR. CAUDILL: The mineral
23 rights there is still Pennzoil. They retain the mineral
24 rights and they are selling us this well for this specific
25 purpose of salt water injection. Their water is pipelined

1 to us.

2 MR. TAYLOR: Okay. Could you
3 give us a copy of that agreement, too?

4 MR. CAUDILL: Sure thing.

5 MR. TAYLOR: If you want to
6 cross out any dollar amounts that's all right with me --

7 MR. CAUDILL: Okay.

8 MR. TAYLOR: -- just so we can
9 see --

10 MR. CAUDILL: Right.

11 MR. TAYLOR: -- you have a pro-
12 perty right to use the well.

13 MR. CAUDILL: Okay.

14 MR. TAYLOR: I guess that's all
15 I have.

16 Oh, let me check, there are
17 fresh water wells within the area of the southwest --

18 MR. CAUDILL: Oh, yes, in fact
19 for the Aztec State 1 --

20 MR. TAYLOR: -- of the little
21 circle you have?

22 MR. CAUDILL: -- we have our
23 own water well for our stock within, oh, 60 yards of the
24 wellhead.

25 MR. TAYLOR: And is that all

1 the information relative to those wells in the file for the
2 --

3 MR. CAUDILL: Yes, for the --

4 MR. TAYLOR: -- Aztec --

5 MR. CAUDILL: -- Aztec State
6 No. 1.

7 MR. CAUDILL: Okay. You have
8 no problem with the fact that those wells are either shallow
9 or all the wells are adequately plugged so that there'd be
10 no movement of water?

11 MR. CAUDILL: No, there's no
12 problem with any coming back up or any contamination in that
13 area.

14 MR. TAYLOR: Let's see, isn't
15 there a statement in here that you reviewed the -- what does
16 it say you have to do?

17 MR. CAUDILL: It says that --

18 MR. TAYLOR: You've examined
19 the records and find no evidence of open faults?

20 MR. CAUDILL: They were all
21 submitted upon -- for the Aztec State No. 1 in early 1984.

22 That's one of the deals that
23 was prior submitted.

24 MR. TAYLOR: Okay, we'll have
25 to review that file and see if anything may be lacking.

1 MR. CAUDILL: Okay.

2 MR. TAYLOR: Let's see if the
3 Land Office has any questions.

4 MR. CATANACH: Mr. Caudill, in
5 your No. 1 have you been injecting under pressure?

6 MR. CAUDILL: Yes, we do have
7 to because water -- right after we started we had a casing
8 leak. We cemented it in and we also cemented off our vacuum
9 zone, the zone that was taking water on a vacuum originally,
10 and we have never been able to get it back.

11 MR. CATANACH: That was the
12 Wolfcamp?

13 MR. CAUDILL: Yes, it was in
14 the Wolfcamp.

15 MR. CATANACH: I see, so you
16 don't anticipate you needing to inject under pressure?

17 MR. CAUDILL: We really do not
18 expect it at all; not taking that fantastic a rate. It may
19 slow down a bit but I think it will continue taking it.

20 And I visited with a couple of
21 geologists and they tell me the same thing.

22 Of course there are no guaran-
23 tees.

24 MR. CATANACH: What was this
25 well originally drilled for? Was it a producer?

1 MR. CAUDILL: They had some
2 production in the Strawn. They then plugged it back, moved
3 up the Wolfcamp, tried to make a producer out of it, and got
4 nothing but just a little bit of gas.

5 MR. CATANACH: I see.

6 MR. CAUDILL: Same way with the
7 Aztec State 1.

8 MR. CATANACH: For the record,
9 we have a letter from Yates concerning objection that they
10 previously had and have withdrawn now. They requested that
11 the injection pressure in the well be restricted so as not
12 to exceed fracture pressure.

13 Just for the record I thought I
14 should read that on the record.

15 MR. CAUDILL: That would be at
16 2120 pounds, I believe, would be is what you all's allowable
17 would be.

18 MR. CATANACH: But if you don't
19 foresee injecting under pressure I don't think that will be
20 a problem.

21 MR. CAUDILL: No.

22 MR. TAYLOR: I'm kind of con-
23 cerned on this affirmative statement because our rules re-
24 quire that we have one. Would it be your testimony that the
25 review you made for your previous application on the Aztec

1 No. 1 is adequate to cover the area that -- that would be
2 affected by the Aztec No. 3?

3 MR. CAUDILL: Oh, yes, defin-
4 itely.

5 MR. TAYLOR: So that --

6 MR. CAUDILL: Especially
7 visiting with you all's geologist, the whole area is gener-
8 ally running the same. It's at a slant, a slope, but there
9 are no open fractures that have been discovered in that
10 area.

11 MR. TAYLOR: You guys from the
12 Land Office have any questions you want to ask? Any con-
13 cerns or --

14 MR. STOCKTON: Mr. Caudill, you
15 provided notice to the Land Office of this application, did
16 you not?

17 MR. CAUDILL: No. They don't
18 own the surface rights so according to Jerry I didn't have
19 to do that.

20 MR. STOCKTON: Jerry?

21 MR. CAUDILL: Sexton, in Hobbs.

22 MR. STOCKTON: Sexton? I am
23 not personally real clear on that but I believe that since
24 we're a mineral right owner we should have notice.

25 MR. TAYLOR: Oh, the State owns

1 the minerals there?

2 MR. STOCKTON: Yes.

3 MR. CAUDILL: Well, we will be
4 sure and send you notification on it so if you object --

5 MR. STOCKTON: Uh-huh.

6 MR. CAUDILL: He said he didn't
7 feel it was necessary.

8 MR. STOCKTON: Do you intend to
9 request an easement for salt water injection for this well?

10 MR. CAUDILL: From -- from who?

11 MR. STOCKTON: From the Commis-
12 sioner of Public Lands?

13 MR. CAUDILL: No.

14 MR. STOCKTON: I believe that
15 is also necessary.

16 MR. CAUDILL: Okay, when did
17 that rule come back?

18 It wasn't on our No. 1.

19 MR. STOCKTON: Well, we're
20 going to look into that. You may need one there, too.

21 MR. CAUDILL: Okay. The reason
22 I say this is because it was determined that salt water in-
23 jection came under the landowner's act instead of the min-
24 eral rights act. This was ruled in a court of law some two
25 years ago.

1 MR. STOCKTON: Would you --

2 MR. CAUDILL: And this is the
3 only reason I didn't even think to ask permission for an
4 easement.

5 MR. STOCKTON: Would you care
6 to stop and visit with us --

7 MR. CAUDILL: Yeah, no problem
8 at all.

9 MR. STOCKTON: -- after this
10 hearing?

11 MR. CAUDILL: In fact I was
12 wanting to visit you all, anyway.

13 MR. TAYLOR: If you have a
14 mineral lease you have the right to -- this can be off the
15 record.

16
17 (Thereupon a discussion was had off the record.)

18
19 MR. CATANACH: Yes, I'll take
20 administrative notice of Administrative Order SWD 275.

21 MR. CAUDILL: Right.

22 MR. CATANACH: And I have no
23 further questions of the witness.

24 Is there anything else in this
25 case?

1 All right, we'll leave this
2 case open for a period of time so that I may review the in-
3 formation and if I have any further questions of the wit-
4 ness, which may have to be put on the record, we may have to
5 call you back.

6 MR. CAUDILL: Okay.

7 MR. CATANACH: You may be ex-
8 cused, Mr. Caudill.

9 MR. CAUDILL: Thank you.

10

11

(Hearing concluded.)

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY
CERTIFY the foregoing Transcript of Hearing before the Oil
Conservation Division (Commission) 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. 8735
heard by me on July 9, 1986

David H. Catanzano, Examiner
Oil Conservation Division