CASE 5960: OCC - PERMIT CORINNE GRACE
TO SHOW CAUSE WHY CZRTAIN WELLS SHOULD
NOT BE SHUT-IN, EDDY COUNTY, NEW MEXICO

(ase Number 5960 Application Transcripts. Small Exhibits

T/



DIRECTOR
JOE D. RAMEY

## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO P. O. DRAWER DD · ARTESIA 88210

PHIL R. LUCERO



STATE GEOLOGIST
EMERY C. ARNOLD

August 10, 1977

Case 5960

Corinne Grace P.O. Box 1418 Carlsbad, NM

Attention: Ms. Juanita L. Jones

Re Humble Grace Com. #1-P-2-23-26 Panagra Com. #1-B-11-23-26 Eddy County, NM

Dear Ms. Jones:

A field inspection of the subject wells on August 9, 1977 revealed that all of the corrective action as outlined in Commission Order R-5488, dated July 5, 1977, has not been performed.

Therefore, in accordance with said Order R-5488, the subject wells are hereby ordered shut-in immediately.

Upon completion of all corrective action as set out in the Order, and this office so notified, another inspection of the well sites will be made.

Further, by copy of this letter the transporter is ordered to cease taking gas from the above wells immediately upon receipt of said letter.

Sincerely yours,

W.A. Gressett

Supervisor, District II

WAG:sm

Xc: Transwestern Pipeline Co. P.O. Box 2521, Houston, TX 77001

Mr. Joe Ramey Santa Fe, NM

## NEW MEXICO OIL CONSERVATION COMMISSION

## FIELD TRIP KEPORT

		DATE	8-9-77	
Name of Employee	W.A. Gres	sett		
Time of Departure	1:00 PM	Time of Return	4:30 PM	•
Miles Travelled	89			

In the space below please indicate purpose of tribute codies cormed, listing wells or leases visited.

Michael P. Grace Grace Atlantic #1-J-24-22-26. Well is shut-in and there has been no work performed on the well to comply with Mr. Ramey's letter of 6-27-77. (See picture).

Checked Corinne Grace wells for compliance with Order R-5488. Panagra Com. #1-B 11-23-26. The fence around tanks has not been repaired, pit has not been filled and levelled. One new 280 bbl. tank has been set outside the fenced area and is connected to the bottom of the other tanks, but does not have an overflow line to the pit. This well appears to be producing out the casing tubing annulus.

Humble Grace Com. #1-P-2-23-26. The Strawn zone of this well is producing, as per C-115. The cellar is almost full of water and the gas is still bubbling up through it. They have set a new 280 bbl. tank inside the fenced area, and it was running over. I went by their office, but it was locked up.

Employee's Signature

District #II

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## NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION	HEARIN	G	
SANTA	FE ,	NEW	MEXICO

NAME	REPRESENTING	LOCATION
Bill Gressett	7.74.00C	artisia
Lelan Wernie	71. W. 20 -	Rotesia.
Janox Kaliah	Chry god Co.	1 Sota A
J.J. Noton	Atlantic Pichfield Co.	W. Aland
Joe Don Cook	Ind	Roswell
D.4. Hanga	Sindependent	Rosell
Andrew M. Ives Many Topocus Monchant	Marland Inc.	Cords bad

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 21, 1977

## COMMISSION HEARING

## IN THE MATTER OF:

The hearing callled by the OCC on its ) own motion to permit Corinne Grace and ) all other interested parties to appear ) and show cause why certain wells should ) not be shut in until they can be ) operated in such a manner as to prevent ) injury to neighboring leases and protect) fresh water supplies in Eddy County, ) New Mexico.

CASE 5960

BEFORE: Joe D. Ramey, Secretary-Director
Phil Lucero, Member
Emery Arnold, Member

Daniel S. Nutter

## TRANSCRIPT OF HEARING

## APPEARANCES

For the New Mexico Oil Ly

Lynn Teschendort, Esq.

Conservation Commission: Legal Counsel for the Commission State Land Office Building Santa Fe, New Mexico

For Pennzoil Company:

Jason W. Kellahin, Esq. KELLAHIN & FOX Attorneys at Law 500 Don Gaspar Santa Fe, New Mexico

For Energy Resources
Development Company:

Andrew M. Ives, Jr., Esq. BIGBEE, STEPHENSON, CARPENTER

& CROUT Attorneys at Law

Suite 200, Bokum Building Santa Fe, New Mexico

Sid II: Orrish reporting service

General Court Reporting Service

Calle Mejia, No. 122, Santa Fe, New Mexico 375:
Phone (202) 92-0-1

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MR. RAMEY: The hearing will come to order. The first case on the docket is Case 5960 in the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Corinne Grace and all other interested parties to appear and show cause why the following wells should not be shut in until they can be operated in such a manner as to prevent injury to neighboring leases or properties and to protect against contamination of fresh water supplies.

The wells are the Humble Grace Com Well No. 1

located in Unit P of Section 2 and the Penagra Com Well No. 1

located in Unit B of Section 11, both in Township 23 South,

Range 26 East, Eddy County, New Mexico.

I would ask for appearances at this time.

MS. TESCHENDORF: Lynn Teschendorf appearing on behalf of the Commission and I have two witnesses.

MR. RAMEY: Any other appearances?

MR. KELLAHIN: Jason Kellahin, Kellahin and Fox, Santa Fe, appearing for Pennzoil Company.

MR. RAMEY: Do you have any witnesses, Mr. Kellahin?

MR. KELLAHIN: No, no witnesses.

MR. RAMEY: You have a statement to make, I assume?

MR. KELLAHIN: Yes.

MR. RAMEY: Any other appearances?

MR. IVES: Andrew Ives for Energy Resources Development Company. We hold a mortgage on a portion of the properties

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involved. I have no witnesses.

MR. RAMEY: Any other witnesses or appearances?

All right, Ms. Teschendorf, you may proceed

MS. TESCHENDORF: I call Lelan Mermis.

MR. NUTTER: Who is your other witness, Ms. Teschendorf?

MS. TESCHENDORF: Mr. Stamets.

MR. NUTTER: Will you stand and be sworn, please?

(THEREUPON, the witnesses were July sw.rn.)

## LELAN MERMIS

called as a witness, having been first duly sworn, was examined and testified as follows:

## DIRECT EXAMINATION

BY MS. TESCHENDORF:

Q. Would you state your name and residence, please?

A. Lelan Mermis and I live in Artesia, New Mexico.

Q. By whom are you employed and in what capacity?

A. I work for the New Mexico Oil Conservation Commission

20 and I'm a Field Rep.

Q. Have you previously testified before the Commission?

A. No.

Q. Would you briefly give your educational and employ-

# ment background?

A I was graduated from high school, I went to college

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for a year at Eastern New Mexico University, I roughnecked for various drilling operators for about six to eight years, worked two and a half years for Amoco Production Company and then went to work for the Commission. I have been with them for five and a half years. MS. TESCHENDORF: Is the witness considered qualified

MR. RAMEY: You are familiar with the operations of oil and gas wells?

THE WITNESS: Yes, sir.

as an expert field representative?

MR. RAMEY: How they should be operated?

THE WITNESS: Yes, sir.

MR. RAMEY: I think the witness is qualified.

(Ms. Teschendorf continuing.) Mr. Mermis, are you 15 | familiar with Case Number 5960?

> Yes, I am. A.

What is the purpose of this case?

It's a hearing called by the Commission on a motion to permit Corinne Grace and other interested parties to appear to show cause why the following wells should be shut in so they can operate them in a manner to prevent injury to property and to keep from damaging the water.

Are you familiar with the Penagra Com Well No. 1?

Yes, I am.

Who is the operator of this well?

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- A. Corinne Grace.
- Q. Have you inspected this location?
- A. Yes.
- Q. On what date?
- A. On 5-26 I checked the Corinne Grace. The tank was running over at the Humble Grace and --
  - Q Just about the Penagra Well, please?
- A. Okay, about the Penagra. Okay, it had a tank leak down there on it and had water out on the Penagra.
  - Q. Have you checked it on any other days?
  - A. Oh, yes, quite a few times.
  - Q. Please give those dates?
- A. I would say -- I won't give you definite dates
  but I can give you months. It's in April, May and June where
  I consecutively when I was doing field inspections down there
  I would run by them to see how they were doing and I would go
  talk to them and tell them they had a mess down there and they
  said, "Well, we'll try to get over there and do something with
  it." I never had much luck.
- Q. Would you describe more particularly what you found at the Penagra well?
- A. They've got a drilling pit that's been there every since the well has been drilled that they have consistently used sometimes and I finally talked to them and told them to quit using that but it has got two five hundred barrel tanks

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that have leaks in them, the water has run out, gets all around the tank and then it exceeds the dike and runs out into the road and most of the time water is standing at the tank battery all of the time.

MR. RAMEY: Now, when you say they use the drill pit, for what purpose are they using the drill pit?

I would say that either they are running short on storage and diverted it straight to the pit.

MR. RAMEY: Storage for what?

To put salt water in off of production.

MR. RAMEY: Allowing salt water to get into the drilling pit?

- Right. Now, it was dry and has been dry for sometime. 14 They haven't used this for sometime but it has had water in it before.
  - (Ms. Teschendorf continuing.) Let me show you what I've marked as Exhibits One and Two. Do you recognize those pictures?
    - Yes, I took these.
  - Okay, would you describe them, Exhibit One first, and tell the Commissioners what they show?
- Okay, Exhibit One, it's the back side looking toward the west and you can tell in the picture here where the dike is and where the water is standing and you can see the 25 seeps in the tank on it and then out here in the road where I

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parked, I would say thirty or forty feet or more east of the dike I took a picture of it and you can see where this dike has run over and the water has run all over the place.

## Q. And Exhibit Two?

A. Exhibit Two is looking east and it shows this water where it is constantly around this particular tank right here. Anytime I have ever checked it, gone by, it's got a leak somewhere, I haven't found it and sometimes when the tank is full it will run over from the top somewhere up there but there is water around it.

MR. RAMEY: What type of water is this?

A. It's salt water.

MR. RAMEY: Did you take a sample of the water and have it analyzed?

A Not on the Penagra.

MR. RAMEY: How can you be sure it's salt water?

A. I tasted it, it's pretty rank.

Q (Ms. Teschendorf continuing.) When was the last time you inspected the Penagra Well?

A. 6-19.

Q And had the conditions changed any?

A. No. It still had a small amount of water, about the same as in that picture, about the same amount of water.

MS. TESCHENDORF: That's all the questions I have on this particular well. Would you like to question him now

or at the end of this?

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## CROSS EXAMINATION

BY MR. RAMEY:

Mr. Mermis, earlier in your testimony you said something about "contacted", I assume the Grace people?

Right, Juanita Jones. She more or less runs the thing down there. That's who I go see whenever they have problems.

They are still maintaining an office, I assume that's in Carlsbad?

- Right, that's over by the airport.
- Have you talked to them recently, say within the last 14 | month?

Yes, on 5-26, I've got a copy of my field report here. The tanks had run over at the Humble Grace and the Penagra and whenever I got in Bill Gressett notified me and told me that I would have to meet a lawyer in Carlsbad concerning this particular lease the following day.

- You contacted the Grace's on 5-26 you say? Q.
- Yes.
- Okay. Q.
- I told them that they had a mess out there.
- Or a representative of the Grace's?
- Yes, sir. A.

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MR. LUCERO: Are you going to submit the field report as an exhibit?

THE WITNESS: I can.

MR. LUCERO: I'm asking the question.

MS. TESCHENDORF: They are Commission records, if the Commission would like to adopt them as part of the record, fine.

MR. LUCERO: That represents a written documentation of what he saw, that seems to me that would be the best evidence

THE WITNESS: One thing I didn't do, I didn't state that I did go there then on this day, it's not down in writing but that is the day I went.

MR. LUCERO: I noticed that you referred to the writing when you were reminding yourself of when you went over there.

THE WITNESS: Yes, sir.

MS. TESCHENDORF: He said that on the day he did other things he also went to see Juanita Jones but he didn't write it down in his report.

MR. LUCERO: He explained it but it appeared to me that he was referring to the paper to remind himself of the day.

I suggest that we submit it as evidence.

CROSS EXAMINATION

BY MR. LUCERO:

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		Ö.	Ţ	would	like	to	ask	some	ethii	ng	about	thes	se pi	ctures	3
l	over	here.		You m	ention	ned	that	it	was	ru	nning	out	over	the	
I	road	•													

- A. Yes, sir.
- Q. Where is the road with respect to these two exhibits here?
- 7 M. There is a road on that shot of the one at the back
  8 of the tank there. There is a road that goes from the Humble
  9 Grace to the Penagra. What it is, it's a small pipeline road
  10 there and it has run out from the tank and come out of the
  11 pit, going over in this pipeline area and next to a maintained
  12 road where there are some people living. There are a few
  13 trailers down there now.
  - Q. How far is that road, the first road you referred to, from the tank?
    - A. I would say probably about fifty yards.
  - Q How far away from the tank were you when you took the second picture?
    - A. Approximately the same distance.
    - Q. And were you standing on the road?
- A. Right, I was parked in the road and shot it looking west.
- Q Is there any salt water there between the tank and road now when you took this picture?
  - A. As you can tell, that dark spot on the left-hand side

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of the picture there.

- Q. Yes.
- A. It's a little crusty stuff where it's dried. It's not standing anymore, it's dried now but there has been water that has run out there.
- Q Is the condition of the tank battery and the color of the earth around it where it is darkened and all that, is that typical around tank batteries due to previous activities when they were drilling to the time of production?
- A. I would say probably during production time where you have had some type of problem it will turn the dirt a darker color especially from salt water or sulfides.
- Q This picture, Exhibit Two, looks like it is rather dried out around that tank now?
- A. Well, from the dike forward there you can see a spot in there that shows there is a small amount of water there and you can see the salt crystals forming.
- Q. Would you say there is the equivalent of one barrel of salt water there on the surface?
  - A. I would say probably less.
  - Q. Less?
- A. Right but I would say probably in the next picture,
  I would say there is probably a barrel or more out around the
  tank itself.
  - Q Is that endangering neighboring leases or properties?

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A. Yes, sir, I would say it would.

One barrel would contaminate fresh water supplies, one barrel of salt water out of the tank?

- A. If it were continual, I would say, yes.
- Q. How close to the surface would the fresh water aquifers have to be for one or two barrels of salt water to contaminate the fresh water?

MS. TESCHENDORF: He's not a geologist.

MR. LUCERO: Well, I'm sorry, if he can't answer it he can't answer it, he's posing as an expert over here.

MS. TESCHENDORF: He's a field representative.

MR. LUCERO: Well, okay then, but we are saying on our own motion that these people are, I don't care who it is, in danger of contaminating fresh water supplies and endangering leases or property and he shows me two pictures and in one of them there is about a barrel of salt water on the surface, anybody here can look at them, and on the other one maybe two barrels. This is back in May when he was contacting those people and warning them.

MS. TESCHENDORF: May I ask a couple of questions?

MR. LUCERO: No. I'm asking the questions now.

- A. There is still the same amount of water around the tank.
- Q (Mr. Lucero continuing.) Well, you said now it's dry, now it's June?

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A. The back part of it is dry but around where the tank is that water stays there all of the time. I don't think I've ever been by it when it has ever been dry.

- Q In your opinion do you think this contaminates fresh water supplies and injures neighboring leases or properties?
  - A. I would say the fresh water supplies, yes.
- Q But you say you don't know how it will endanger the fresh water with one or two barrels of salt water around the tank?
- A. Well, I would say, yes, for the reason that if it is continual, say there is a hole in the tank which evidently there is because there is constantly water around in the other picture.
  - Q. Would you say it's a lot of water or not?
- A In that particular picture, no, on the back side but in the other one, yes.
- Q. You would say this is a lot of water here, this little puddle next to the tank?
  - A. Continually, yes.
- Q. And this is going to endanger the fresh water under the ground?
  - A. Yes, sir.
- Q. Is the fresh water aquifer about eight or ten feet under the ground there?
  - A. I couldn't answer that because I don't know.

1	Ď.	Is there any danger to fresh water a hundred feet
2	away?	
3	Α.	I would say, yes, eventually.
4	Q.	Is it going to endanger fresh water a thousand feet
5	away. Le	et's say we went up there and poured a barrel of salt
8	water ne:	xt to the tank every day?
7	A.	I would still say, yes.
8	Q.	You would say, yes?
9	A.	Yes.
10	Q.	You said that the tank was leaking or appeared to
11	be leakir	ng?
12	А. `	Yes.
13	Q.	What substance would the tank be leaking out under
14	the groun	id?
15	A.	Salt water.
16	Q.	Do the tanks get this color when they are leaking
17	salt wate	er or is that the color of oil?
18	A.	Well, some of that is rust and oil and iron sulfide
19	it sits t	here and just seeps some of the time.
20	Q.	From the tank?
21	A.	Yes, sir.
22	Q.	In your testimony you said that you couldn't locate
23	the area	of the secpage or loakage?
24	A.	Well, when it's that slight one day you might go

25 by it may be sitting there leaking and the next day you go by

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it may not be.

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- Q So your testimony is that there is a slight leak of salt water from this tank?
  - A. I would say, yes.
- Q. And yet you say it's going to endanger other properties and leases?
  - A. Yes, sir.
- Q. How many times did you contact these people to clean this place out?
- A. Oh, golly, I couldn't answer that for sure because in the five and a half years that I've had dealings with them it has been quite a bit, you know.
- Q. Sir, we are not to be condemning anybody for five and a half years of activity over here, we have one case before us and we are just trying to be fair and just about it. We are talking about this one tank. How many times did you contact them about this one leakage?
  - A I don't know, I couldn't answer that for sure.
  - Q One time for sure?
  - A. Oh, yeah.
  - Q Five times?
  - A. I would say, yes.
  - Q. Ten times? Over how much of a period of time?
  - A. I don't know, I can't answer that for sure.
  - Q You mentioned one conversation you had with them, a

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## Mrs. Jones?

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- A. Yes, sir.
- Q What day was that?
- A. 5-26.
- O This is the day before you took the pictures?
- A. Yes, sir.
- Q What did this lady tell you?
- A. She said they would try to do something about it.
- Q And you have never heard from them since?
- A. No.
- What were your instructions to her, sir?
- 12 A. I asked them if they couldn't pick up the water and 13 they said, yes, they could, you know, that they would do 14 something but no definite answer.
  - Q How many times did you go by there after you took these pictures to see if they picked it up or not?
    - A. Well, on 5-26, 5-27 and 6-19.
  - Q And you never contacted them again to see what the delay may have been in fixing this thing up?
    - A No, sir.
  - Mave you ever seen any of this salt water running over? How far away are these trailers where you said there is human habitation?
  - A. I would say the first one is probably a little over a hundred yards to the due south of the tank battery.

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	Ō.	Did yo	ou ever	see	any	salt	water	in	the	proximity
of	the	trailers	themse	elves	?					

- A. No, sir, there is a road in between the trailers and this tank battery.
  - Q. So this water never went beyond the road?
  - A. Right.
- Q. Could you point to anyone of these pictures where you located the seepage of this water onto the surface, the ground surface?
  - A. I probably can on the picture of the front shot.
  - Q. Would you put an "X" on it there?
  - A. Yes, sir.
- Q I stand to be corrected but you mentioned to me in your earlier examination that you couldn't spot the seepage on the tank?
- A. On that particular day, on other days, yes, the places where I indicated on the picture with the arrow.
- Q. What remedial action do you think these people should take with respect to cleaning this up?
- A. I would say that for one they would have to shut the lease in and they would have to --
  - Q. Can I ask you a question with respect to that?
  - A. Yes, sir.
  - Why would they have to shut the lease in?
  - A. If they didn't have any place where they could store

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their water and take care of what they are producing, I would say shut the lease in.

- Q. How much water are they producing that is going onto the ground, enough to justify shutting down the lease?
  - A. I haven't been able to check that amount.
- Q So then you haven't explored what remedial action they have to do to dispose of the water and not shut down the lease?
- A. Well, that or if they wanted to they could leave the lease, go on and set another tank, put it in a tank until they could fix the one they've got.
  - o So it could be done that way then?
  - A. Yes.
  - Q. Would that be the simplest way to do it?
  - A. I would say, yes, sir.
  - Q. Does this well have a lot of production to it?
  - A I couldn't answer that.
  - Q. Have you looked at the production record?
- A. Mr. Gressett has got a copy of the production record, the amount of water and the amount of gas.
- Q. When you contacted this lady, Mrs. Jones, did you suggest to her that she take the action of securing another tank and more or less how to remedy it?
- A. I asked her one time if they couldn't produce any other tank until they got this one with the valve on the front

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fixed, now, if they did, I don't know but it sits and drips around where the valve header comes off the front of the tanks and on the seams and at one time I checked the well, the tank was completely full and where I have marked on the top part of the picture it's leaking where that riser goes up into the top of the tank. They've got a leak there.

- But you are in no position to state what happened all of this time that you examined it to cause injury to neighboring leases or properties or contamination of fresh water supplies, you are not in a position to state that now?
- A. Well, I'll put it this way, if it was my land, which it's not, but if it were my land and they produced like that on a piece of property that I offset I would go tell them about it or I would contact the Commission until they did do something about it.
- You are recommending the shutting in of the lease in order to force them to do something about it, taking that drastic action?
- Either that or produce it in a manner where they can contain it and then get themselves fixed back into shape to where they are not going to be running water all over the place. I have seen that back dike on that one completely full and run over.

MR. LUCERO: No further questions.

MR. RAMEY: Mr. Arnold.

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## CROSS EXAMINATION

## BY MR. ARNOLD:

- How do they dispose of water out of there?
- A. They've got a truck and they go down there and pick it up and haul it over to a disposal well.
  - O Are they doing this on a regular basis?
- A. I've had to call them a time or two when I've gone by. The thing will be sitting there running over and I'll go by the office and tell them their tank is running over and to go down there and pick the water up. I try to cooperate with them, they usually do, they usually send somebody to pick up the water.
- Q. How much water -- you say Mr. Gressett is going to give how much it makes; do you know how much water the well makes?
- A. No, I could read that off, the percentages we've got.
  - Ne can wait.

MS. TESCHENDORF: Mr. Gressett I wasn't going to call as a witness but since these are Commission records

Mr. Mermis can read them off as well as anyone.

A. They show in January -- where do you want to start?

How about January of 1976 and I'll give you the whole thing

all of the way through April, or is that too much?

MR. LUCERO: Is that on the amount of water this

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thing produces?

A. Yes, sir.

MR. LUCERO: If you want to introduce it into evidence, that doesn't show the amount that is running on the ground.

- 6 representative monthly figure of how much the well makes, I don't really care about exact barrels per month.
- Okay, I'll take January of 1976, they say that they produced eighty-five twenty-three MCF of gas and seventeen oil and seven thousand eight hundred and fifty barrels of water in 11 thirty-one days and I can skip down here to July of '76. They 12 produced twenty-nine oh seven MCF of gas, zero oil, four 13 thousand nine hundred and twenty barrels of water in thirty-one 14 days. In November of '76 they produced thirty-two fifty-eight 15 MCF, no oil, forty-five hundred barrels even in thirty days. In January of 1977 they produced thirty-four forty-two MCF of gas, zero oil, forty-six fifty of water in thirty-one days. In February of 1977 they produced twenty-eight fifty-six MCF of gas, zero oil, forty-six hundred barrels in twenty-eight days In March they produced twenty-nine seventy-three MCF of gas, zero oil, fifty-one fifteen water in thirty-one days. April they produced twenty-five seventy-one MCF of gas, zero oil, forty-nine fifty of water in thirty days.
  - Q It didn't make any oil then?
  - A. It only shows January of '76 making seventeen barrels,

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February is ten, March is three, April is four, May five barrels and June four barrels and from there on out they don't show any oil.

- Q. One month made seven thousand barrels a month?
- A. Yes, sir, it made seventy-eight fifty in January of 1976.
- Q. How many trips would they have to make to get rid of that?

A. I have no idea. It sounds like a bunch. I would say that the tank truck that they've got, I'm just taking a guess, but looking at the size I would say it's a hundred and thirty barrel truck.

MR. ARNOLD: I don't have any further questions.

## CROSS EXAMINATION

BY MR. LUCERO:

- Q. Just in comparison, let's say forty thousand barrels in one month, what's the largest amount of barrels you have seen on the surface just setting there do you estimate?
- A. I would say I have probably seen as much as fifty barrels out, maybe more.
- 22 0. That is a rough guess?
  - A. Yes, sir.
  - Q. Did you ever talk to the fellow that drives the truck; is that by private contract?

1		λ.	No,	sir.	he's	got	his	own	pumper	and	he	pumps	iŧ	: and
2	is	suppo	osed to	o hau!	l the	wate	er.							
3		Q.	Well	l ther	ı does	he	cont	tract	with	these	pe	ople	or	does
4	he	work	for th	nem?										

A. He works for Michael P. Grace. Grace has got his own truck.

MR. LUCERO: No further question.

## CROSS EXAMINATION

BY MR. RAMEY:

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Q. Mr. Mermis, I think from your testimony that you feel this is a recurring problem, something that is going on every day?

A. Yes, sir.

Q If the tank get full it seeps out of at least six or five places that you have marked with an arrow?

A. Yes, sir.

Q. And when it isn't full it could leak out of the bottom?

A. Yes, sir.

Q. There is a presence of water inside the fence at the battery?

A. Yes, sir.

Q. From your Exhibit Number One, but there is also evidence that water has been outside the battery on surrounding

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- A. Yes, sir.
- Q And it has caused damage, I assume?
- A. Yes, sir.
- Q. Salt water will kill grass?
- A. Yes, sir.
- Q. And you have contacted these people and asked them to clean this up?
  - A. Yes, sir.
  - Q. The area, and have had no cooperation?
  - A. None at all.
    - MR. RAMEY: That's all.

## CROSS EXAMINATION

## 15 | BY MR. LUCERO:

- Q. What kind of grass is located on this other property?
- A. Well, from the pipeline east you've got range grass and your scrub oak or whatever that is.
  - Q. Has any of this gone over east from the pipeline?
  - A. Yes, sir.
    - Q. Right into this grass?
    - A. There are places there that --
- Q. Looking at this it looks like there is nothing but
- 24 | rock and dirt?
  - A. that's part of the right-of-way where that picture

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was taken.

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Q Are there any cattle grazing there?

A. Yes, sir.

Q. Right near there?

A. Yes, sir.

MR. LUCERO: I have no further questions.

## CROSS EXAMINATION

BY MR. RAMEY:

Q. Do you have any instances where cattle have consumed salt water?

A. Well, when we get into the Humble Grace I'll show you a picture because there is one that died in the cellars there.

Q You don't know that cattle will drink salt water?

A. It depends, from what experience I've had which is very little as far as cattle goes, if they don't get the required amount of minerals they are supposed to get when they are ranging they will lick that salt and they will lick oil to get their minerals, they will get in it.

Q Well, what I'm trying to determine where there is the presence of salt water where cattle are grazing is that a hazard to the cattle?

A. Yes, sir, I would say, yes.

MR. RAMEY: No further questions.

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MR. LUCERO: Do you feel that repeated warnings to these people is kind of a pain in the neck and you want the Commission to do something about it now?

THE WITNESS: Yes, sir.

MR. LUCERO: No further questions.

MR. KELLAHIN: Mr. Ramey, may I ask a question, 7 please, or would you rather wait until it's through? MR. RAMEY: Did you have another question?

MS. TESCHENDORF: I have a couple or three.

## DIRECT EXAMINATION

12 BY MS. TESCHENDORF:

Mr. Mermis, how long would you say over all that this Penagra well has been in this condition with the water problem? One year or two years?

- I would say for the last four years.
- And you say during that time you have spoken to either Juanita Jones or some other representive of the Grace's at least five times?
  - Yes, sir. A.
    - And they have never done anything about it?
    - No.

MS. TESCHENDORF: That's all.

MR. RAMEY: Mr. Kellahin.

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## CROSS EXAMINATION

## BY MR. KELLAHIN:

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- Q Mr. Mermis, you say this has been going on for at least four years, that indicates that well is at least four years old, is that correct?
  - A. Well, it's older than that.
- Older than that? Do you have any idea when it was drilled?
- A. The first 104 was signed by Mr. Gressett on April 26,
- Q And as I understand your testimony the drilling pit is still in existence on this lease?
  - A. Yes, sir, it is.
  - Q Is that a lined pit?
- A. Part of it is but it's full of drilling cuttings on the two front halves but the back part is not and at one time when I checked the lease the whole front part where the water was going in was completely full and then they cut a part out on the east side to go in your reserve end, they cut that out and that thing was about half to three-quarters full of produced water.
- Q As I understand you to say it was partly lined, though?
- A. Yes, the front two halves were lined at the time it was drilled.

But at the present time you have a pit that is

2	partly 1	ined and partly unlined?
3	۸.	Yes, sir.
4	Q.	And you did see water in this pit?
5	А.	Yes, sir.
6	٥.	And it has not been filled and compacted as required
7	by the R	ules of the Commission?
8	A.	No, it has not.
9		MR. KELLAHIN: That's all I have.
10		MR. RAMEY: Any other questions? You may proceed,
11	11 Ms. Teschendorf.	
12		
13		DIRECT EXAMINATION
14	BY MS. TI	ESCHENDORF:
45		Mr. Mermis, are you familiar with the Humble Grace
15	Q.	Mr. Mermis, are you ramitital with the numble Grace
18	Well?	Mr. Mermis, are you ramiliar with the numble Grace
		Yes, I am.
16	Well?	
16 17	Well?	Yes, I am.
16 17 18	Well? A. Q.	Yes, I am. Who is the operator of this well?
18 17 18 19	Well? A. Q. A.	Yes, I am. Who is the operator of this well? Corinne Grace.
18 17 18 19 20	Well? A. Q. A. Q.	Yes, I am. Who is the operator of this well? Corinne Grace. Have you made a field inspection?
18 17 18 19 20 21	Well? A. Q. A. Q. A.	Yes, I am.  Who is the operator of this well?  Corinne Grace.  Have you made a field inspection?  Yes, I have.
18 17 18 19 20 21	Well? A. Q. A. Q. A. Q. A. Q.	Yes, I am.  Who is the operator of this well?  Corinne Grace.  Have you made a field inspection?  Yes, I have.  On what dates have you inspected the Humble Grace?

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- A. Okay, by the well, it's got a small fence around the wellhead and there is a narrow opening that you can go in there. The cellar is completely full of water.
  - The cellar is uncovered?
- full of water and it has got a dead calf in it and water -- well
  then it goes over south to the separator and next to the
  separator is a five hundred barrel tank that has run over a
  number of times. It has had holes in the tank. A couple of
  times I went by and told them about that. They did fix that
  tank but water has run from that well to the north beyond the
  well itself and they've got an area there that they've got
  fenced off where it was just solid water in there and they just
  let it soak up and they did go in there and fence it off and
  then right east of the five hundred barrels there is a two ten
  and I would say probably a three hundred barrel inlined tank
  inside there and it's got a fence and a small dike around it.
  - Q Let me show you Exhibits Three and Four. Did you take those pictures?
    - A Yes, I did.
    - Q. What do they show?
  - A. It shows this dead calf that has fallen into this cellar and if you look on the rear-end part of it there you can see where they've either got a packer leak or a tubing leak of a sort and it's sitting there bubbling. This picture

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here, it's just from a different angle and you can see the opening on this other angle here of how that calf did get into that cellar.

- What does that fence look like? Is it a barbed wire fence?
- It's a barbed wire fence, yes. It's not strung real tight, it's not in the best repair I would say.
- So any cattle could get in there quite easily, calves at least?
  - Right.
- Let me show you Exhibits Five through Seven and what 12 do those show? Those are also pictures that you took, are they not?
- Right. Okay, Picture Number Five shows this five 15 | hundred barrel tank I was telling you about. You can tell over here, I'll mark it with my pen with an arrow, you can tell where they have repaired this tank and you can look on the ground here and you can see that -- past my car you can kind of see the fence in the background there but water has run all of the way down into where you pull into this lease right here on this particular picture. This one over here shows the --
  - What's that number?
  - This is Number Six. It shows the inlined tank and a production tank over there and the water out inside the fenced off area. Now this fence is not too good either.

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not strung real tight and on the outside of this fence there are quite a few cattle tracks in it. I didn't get a picture of that.

And in Picture Number Seven you can see this production tank and where everything has run over on this it has made quite a mess.

- Q. When was the last time you visited the Humble Grace?
- A. 6-19-77.
- Q. Had conditions changed any?
- A. No, they had not. I took another picture.
- Q. And that is your Exhibit Eight?
- A. Right.
- Q And that shows that conditions have not changed appreciably?
  - A. Not at all it doesn't look like to me.
- Q. Have you also made efforts to contact the Grace's or their representatives to get this location cleaned up?
  - A. Yes, I have and mostly for containment.
- Q. How many times would you say you have contacted them on this particular well?
- A. More than I did on the Penagra. I couldn't give you a definite number.
  - Q Five or ten or quite a few?
  - A. I would say ten would probably be the closest number I could give you.

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			Page	33	
1	δ	And over what period of time?			
2	۸.	Over the past couple or three	years.		
3	Q.	It has been in that condition	for two	or three	years
4	А.	Yes, it has.			
5	Q.	And they have never done anyth	ning to	clean it	up?
6	A.	Nothing.			
7	Q.	In your opinion could failure	to corre	ect these	<b>;</b>
8	problems	cause injury to neighboring lea	ses or p	property	such
9	as the ca	ttle?			
0	λ.	Yes.			
1	Q.	And the salt water in the exhi	bit depi	.c <b>t</b> s a cr	ust of
2	salt all	over the place, could those con	ditions	in your	opinio
3	contamina	te fresh water supplies in the	area?		
4	A.	I would say, yes.			
5		MS. TESCHENDORF: I would offe	r Exhibi	ts One t	hrough

MR. RAMEY: They will be admitted.

(THEREUPON, OCC Exhibits One through Eight were admitted into evidence.)

### CROSS EXAMINATION

22 BY MR. RAMEY:

Q. Mr. Mermis, has the ranch owner or the rancher in this area complained about these operations?

A. Yes, sir.

Eight into evidence.

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Q.	On	hoth	wells?
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- A. Both.
- Q. Was that the purpose of your meeting an attorney down there?
- 5 A. Yes, sir. On 6-27 I met with a Mr. James Shuler, 6 he is a lawyer in Carlsbad.
  - Q. On 6-27?
  - M. Excuse me, 5-27, I'm sorry. And we went to the Humble Grace first and he has got a client, and you can tell in the picture, that has lost a calf there and this is what the complaint was and I took the other picture while I was there. Mr. Shuler stayed with me on the Humble Grace and the Penagra both and I believe he also took a string of pictures.
    - Q. I assume on the Humble Grace this is also salt water?
    - A. Yes, sir, it is.
    - Q How about the water in the cellar, did you taste it?
    - A. Yes, sir.
    - Q You've got a lot of courage.
    - A. I tasted it before that calf ever fell in.

      (THEREUPON, a discussion was held

      off the record.)
  - A. You can tell in that picture, you would have to see the animal if you could be there but you can tell in the picture that the calf fought pretty hard to get out of there

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it?

1	because he is skinned from the shoulder and it just peeled the
2	hide on him and finally I guess he just drowned to death.
3	MR. LUCERO: Would you consider that a normal reaction

MR. LUCERO: Would you consider that a normal reaction for a drowning calf?

A. I would say, yes, sir. He just couldn't get out.
You can tell that he fought it pretty hard.

Q. (Mr. Ramey continuing.) You say that the Grace's do have a pumper?

- A. Yes, sir.
- Q And periodically I would think that he would go to this well?
  - A. Well, I would say that he should.
  - Q. But yet he made no effort to remove the carcass from
- A. When I went Sunday the carcass was getting pretty dilapidated in there. Now there is not much left.

MR. RAMEY: Any other questions?

### CROSS EXAMINATION

20 BY MR. LUCERO:

- Q. What remedial action would you suggest in the case of this latter one?
- A. That well there has definitely got some kind of a packer leak or tubing leak and it has got to be repaired because it keeps putting this water into the cellar. It will

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have to be shut in to be repaired.

- Q. And then after that what about all of this water that is going on the ground?
- A. Well, they need to get their tanks in shape to where they can maintain it in a manner where it doesn't make a mess.

MR. RAMEY: Would you recommend anything like, say, removing the salt contaminated dirt and replacing it with fresh dirt?

A. I would say, no, for one reason, the amount of water that has been dumped out there we might create a bigger hole in the ground than what we've already got. I don't believe we could dig it out that deep or anybody where you could ever get down to where you could find good dirt.

MR. RAMEY: Well, isn't it normal operation, Mr.

Mermis, that after an operator drills a well he, of course, has a drilling pit to catch his cuttings and hold his reserve fluids while he's drilling the well. Isn't it normal operation after drilling is completed that when the pit dries up that it is then covered and normally mounded somewhat to keep the fluids and rainwater and such as that from gathering in the pit?

A. Yes, sir.

MR. RAMEY: Is the drilling pit fenced properly?

MR. RAMEY: Well on the Penagra?

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A. On the Penagra, yes, it is fenced.

MR. RAMEY: Any other questions of the witness?

MR. LUCERO: Will replacing of that leaky tank either with another tank on the Penagra or repairing that tank, would that take care of the problem?

A. I would say for containment, yes, but as far as them maintaining it and staying on top of it, no.

MR. LUCERO: Well, of course, you are prejudging somebody, sir. I know the past is prologue but we are involved in one case here and in all fairness no matter who it is, I asked you a question. Would that take care of the evidence you have presented?

A. Yes, sir.

MR. RAMEY: Mr. Nutter.

### CROSS EXAMINATION

BY MR. NUTTER:

Q. Mr. Mermis, this Humble Grace Well produces water and I presume that these -- you've got in Picture Number Six, you show a big, horizontal tank that lies on its side.

Now, does that tank contain water or what is that?

A. Yes, sir.

Q. And then there is a vertical tank also that has labeled on it that it is a food supplement for livestock, is that a salt water tank also?

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A.	Yes.	sir.	thev	do	produce	into	both	of	them
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- Q. They produce into both of them. Now, the water from this well is also trucked to the disposal well I presume?
  - A. Yes, sir.
- Q. And do each of these tanks have holes in them and leak when they get up to a certain level?
- A. On that horizontal five hundred that's sitting there, it had a hole in it, well, I couldn't give you a date, I don't remember what the date is. It had a hole in it and I went by it one day and there was water running out of it all the way north past where my car is in that picture, just one big muck hole.
- Q. The water was running directly out of the tank onto the ground and across the road?
- A. Right and I went over and told them, I said, you are going to have to do something with your water here and clean this mess up. They said, okay. So they diverted their water into the horizontal tank and were keeping it maintained but they never did pick the water up off the ground.
  - Q Now, what tank was that that had the hole in it?
  - A. The upright five hundred.
- Q Is that the one that is the livestock supplement tank or is that the black tank with the silver top?
  - A No, the livestock.
  - Q That's the livestock supplement?

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A.	Yes,	sir
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- Now, what's the black tank with the silver top, is that also a salt water storage tank?
- No, sir, that's supposed to be where you put your distillate, your discharge off your separator.
  - That's a condensate tank?
  - A. Yes, sir.
- Q. Now, does the horizontal tank have any holes in it or has it had holes in it?
  - No, sir, that tank does not.
- Do they still use the supplement tank for storage water?
- I'm not sure about that. I couldn't say definitely if they are or not.
  - Do these tanks ever run over if they get too full?
- This black tank, I don't know what the particular problem is but that black tank for some reason or another, evidently the dump valve on the separator is not working properly or whatever but I've seen that black tank running over.
  - With condensate?
- Well, I don't know if it's condensate what's left in the tank, plus water. 23
  - And sometimes it overflows and may be a mixture of water and condensate or just water or maybe just condensate

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that flows out of it?

- A. Yes, sir.
- The horizontal tank, does it ever run over when it gets too full?
- I have seen it one time, it was just barely running over. I couldn't give you a date on that for sure.
- Would that be what causes this big belt of rust stain around the side of the tank?
- I would say, yes, but it may have been that way when they hauled it in.
- And then when the water gets on the ground it just sits there and some of it is contained in this fenced area 13 but other water just runs across the countryside?
  - Yes, sir.
  - Now, you say that in these pictures you can observe some kind of a leak?
    - Yes, sir.
  - And a tubing leak or packer leak or something that was bubbling in there?
    - Yes, sir.
- Could you identify the point at which that bubbling is occurring there in the cellar on either or both of those 23 | pictures?
  - Well, it will have to be this one because it won't show on this one, it's in behind there. It's right there.

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MS. TESCHENDORF: What number of picture is that?

A. Number Three.

Q (Mr. Nutter continuing.) Okay, that's on the surface of the water in the vicinity of the hindquarter of the cow, apparently?

A. Yes, sir.

Q And there is gas bubbling up through the water at that point?

A. Yes, sir.

MR. NUTTER: I believe that's all.

Mr. Mermis, would you make some little circles around in that area?

### CROSS EXAMINATION

BY MR. LUCERO:

Q Did you try to establish the source of the bubbling, whether it was a casing leak or just below the water level of the pipe or anything like that?

A. Well, the first time I ever noticed it the cellar was nearly full of water so just from the way that I know the wellhead is hooked up it has got to be coming between the tubing and the casing. It's coming out of that valve assembly.

Q Would that involve draining that little pit there and replacing it with another pipe or whatever it takes?

A. The only thing you could do with that is shut the

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well in and pull it and either run a hydro test and check
your tubing or see if it's a packer leak. You can pressure
up on the back side and see if you can pump through it. You
would have to run some type of blanking fluid on your tubing,
pressure up on your tubing first and see if it had a leak and
if it indicated it had a leak most likely that's what it could
be.

### CROSS EXAMINATION

BY MR. RAMEY:

- Q. Well, could this be a leak in the head assembly also?
- A. Well, that well with a packer shouldn't have any gas or fluid coming up between the production casing and the tubing.
- Well, would it be critical if you do have gas and
   water coming between the tubing and the production casing?
- A. Dependent upon the amount of gas you would have coming out, it would be a real bad fire hazard.
- Q I mean assuming they could repair the surface leak to where all of the fluids were contained in the wellbore until they got to the separation equipment of the lease.

  Would this be a hazard to the operations of the well?
- A Well, state that again. I'm not sure I know exactly what you want.
  - Q Well, you are saying they probably have a packer

leak or a tubing leak?

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- A. Yes, sir.
- But if they have either of these and they contained the fluid, kept it from seeping out into the cellar, filling 5 the cellar and possibly running over from the cellar and also I assume wasted gas by letting it escape into the cellar and thus into the atmosphere, if they contained these fluids within the production casing, would this be any hazard to the operation of the well?
  - A. No.
  - I assume this well makes quite a bit of water?
- Well, just a second, I'll restate that, I'll say, 13 yes, for one reason. If you have got a tubing leak and if your pressure would exceed what your other zone is producing 15 from this zone, it could turn around and by-pass or hydrostatically overcome what you have got down in the hole and turn around and get into another zone.
  - Is this a dual completion?
  - Yes, it's a dual.
  - Is that why it has a packer in it?
  - Yes, sir. A.
- The operator could take a packer leakage test on the Q. 22 well and determine whether he had a tubing leak or a packer leak? 24
  - Yes, sir.

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Q.	Wnat	does	the	latest	packer	leakage	test	show?

- 2 A. I don't think there has ever been one run. We've
  3 got a letter in here of December 4th, 1973 to Corinne Grace.
  4 Mr. Gressett wrote this letter. It says: (Reading.) Dear
  5 Juanita, We hereby acknowledge receipt of Form C-122, Multipoint
  6 Back Pressure Test for the Strawn zone as subject to dually
  7 completed well. However, to this date we have not received
  8 a test of the Morrow zone subsequent to the recent workover
  9 on the packer leakage test. (End of reading.)
- 10 Q You have nothing in the well file to indicate they
  11 have ever filed any packer leakage test with the Commission?
- A. According to the well file here there has never been one posted.
  - Q. Are they producing both zones on this dual at this time or only one zone?
- 16 P. Well, this 104 here is dated October 30th, 1973 for the South Carlsbad Morrow and this 104 is dated October 15, 18 1973 for the Carlsbad Strawn and they are both producing.
  - Q. They are both producing. Does the Strawn normally make a lot of water in this area?
  - A. I would say -- well, there is quite a bit here according to this. Would you want from January 1977 down?
  - Q You might just pick out one month, say, give me March of 1977. How much water did each zone make?
    - A. In March they made three thousand one hundred and

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ninety barrels of water in thirty-one days. On the Morrow side it shows zero.

MS. TESCHENDORF: Doesn't that indicate that that zone is not producing?

A. I would say, yes.

MS. TESCHENDORF: So only one zone is producing in that well?

It looks like September of 1976 they show one barrel of water in thirty days.

- (Mr. Ramey continuing.) From what zone? Q.
- From the Morrow.
- From the Morrow?
- Yes, sir. A.
- So the Morrow is no longer producing in the well and only the Strawn is producing? 15
  - Well, in January of 1977 it shows the Morrow has produced one hundred and thirty-five MCF, no oil, no water, produced it one day and I believe that was the last production report day and that's January of 1977.
    - I assume the Morrow is the deeper of the two pays?
  - Yes, it is.
- So the Morrow should be producing out of the tubing? 22
- Yes, sir. 23
  - The Strawn between the tubing and the casing annulus, or in the tubing casing annulus?

1 I'm going to look. This thing is supposed to have 2 two strings of tubing according to this.

MR. NUTTER: Is there a packer set above the Strawn perforations?

A. Yes, sir.

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MR. NUTTER: So the annulus should be sealed off from either producing zone?

A. Yes, sir.

MR. NUTTER: Mr. Mermis, can you tell the source of 10 this water in this well, in the cellar?

No, I can't.

MR. NUTTER: It appears from Photograph Number 13 Three that the cellar is full almost to the point of running over. Does this cellar ever run over and the water go out 16 onto the ground in the adjacent vicinity?

I've never seen the cellar run over. I've seen it to that point of being full quite a few times.

MR. NUTTER: Now, what is that cellar lined with, is it lined with some boards or something?

Yes, that's it.

MR. NUTTER: So when it gets full to a certain extent water would just seep out and go into the outer 23 surrounding soil?

> A. Yes, sir.

> > MR. NUTTER: And maybe that is why it doesn't run

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over then?

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A. It's possible.

MR. LUCERO: Have you seen cellars like that fill

4 with rainwater?

A. Yes, sir.

MR. RAMEY: Any other questions of the witness?

MS. TESCHENDORF: I have just one.

Do you have that field report that Mr. Lucero

wanted entered as an exhibit, your May 26th report, I believe?

I'll mark that as Exhibit Ten.

MR. RAMEY: It will be admitted.

(THEREUPON, OCC Exhibit Ten, Field Report,

was admitted into evidence.)

MR. RAMEY: Any other questions of the witness? He

15 may be excused.

(THEREUPON, the witness was excused.)

### R. L. STAMETS

called as a witness, having been first duly sworn, was examined and testified as follows:

### DIRECT EXAMINATION

BY MS. TESCHENDORF:

- Q. State your name and residence, please?
- A. I'm R. L. Stamets, Technical Support Chief of the

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Oil Conservation Commission in Santa Fe, New Mexico.

- Have you previously testified before the Commission and had your credentials as an expert geologist made a matter of record?
  - I have and they are.
  - Are you familiar with Case 5960?
  - Yes, I am. A.
- Have you inspected the sites of the Penagra Well and the Humble Grace well that are the subject of this hearing?
  - Yes, I have. A.
  - What was the nature of that inspection?
- A week ago today we were in Carlsbad on other matters 13 and we went by these two particular wells shortly after lunch and made a short inspection of each one.
  - And what did you observe at the Penagra Well?
  - I would concur with everything that was stated by the previous witness. Obviously I could not state what happened over a long period of time but my observation of the condition of the well is basically the same as shown in the photograph.

In addition to that, I noticed that there was a considerable amount of drilling line located near the pit which I believe could entangle cattle or horses or stock if they got over into it and there were some boards there with some nails sticking up, just kind of a hazardous type of situation.

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I did notice that you could see at the back of the little dike that surrounded the tank where this dike had filled up from time to time and ran over and the water had run down the road.

- You also made an inspection of the Humble Grace well on that day, did you not?
- Yes, we went from the Penagra over to the Humble Grace and again I would verify what Mr. Mermis has reported.

At the Penagra you could see the tanks leaking. At the Humble Grace there was no evidence of any leakage but there 11 was considerably more water around the tanks and also there 12 was a little bit of oil on the surface of the water and you could observe the calf in the cellar and see the bubbles coming up from the cellar.

- This Exhibit Nine, did you take that picture? Q.
- Yes, that was taken at the Humble Grace Well. A.
- And that was taken on your visit last week?
- Yes.
- And what does that show?
- You can see the horizontal tank which has been referred to and the black tank. You can see water on the The salt crystals around the edge are really not surface. that visible because the color of the road is about the same color as the salt crystals but you can see the oil on the surface.

On In your opinion could the condition of these two wells as they now exist pose a threat of contamination to fresh water in the area?

A. That's kind of a difficult question to make a positive response to. Let me say this, when the Commission had its hearing to establish the order, Order R-3221 which prohibits the disposal of water on the surface in Lea, Chaves, Eddy and Roosevelt Counties, an exception was given to any forty acre tract or developed forty acres so they could produce up to a barrel a day of water and put it on the surface. The kind of volumes of water that you see on the surface there themselves, if that were all of the water there ever was at those two locations I really don't believe it would be a hazard to fresh water but if volume of water are continually put out on the surface then, yes indeed, they would represent hazards to fresh water.

Water in this area is relatively shallow. I know of no well in the immediate vicinity, you know, like right next door. The wells in the area are sixty feet deep to maybe a couple of hundred feet deep. You've got a surface that is a caliche type surface. You could have a lot of fractures in this caliche which would allow the water to travel a fairly lengthy distance from this pit. Besides that you can have whatever rain falls in the area being contaminated by the salt before it has an opportunity to soak into the ground so

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it represents certainly a potential for contamination to the fresh waters.

MS. TESCHENDORF: I'll offer Exhibit Nine into evidence and that's all I have.

MR. RAMEY: It will be admitted.

(THEREUPON, OCC Exhibit Nine was admitted into evidence.)

### CROSS EXAMINATION

BY MR. RAMEY:

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- Order Number R-3221 and it permitted operators to put so much water on the surface of the ground. That isn't quite correct.

  Don't you mean into unlined surface pits?
  - A. Yes.
  - Q. The Commission has never authorized salt water to be put on the surface of the ground?
    - A. That is correct.
  - Q. And the order strictly prohibits salt water from being dumped on the surface of the ground?
  - A. I would like to make that clarification. Also I would point out that in those cases where wells produced more than this barrel per day per developed forty, it has been the policy to not permit them to dispose of even this barrel per day on the surface but to dispose of all of the

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water, simply because of the fact that it would be an impossible situation to maintain. If a well produces more than a barrel a day who is to say without someone being constantly at the well that they are only disposing of one barrel per day or are they disposing of all of it. In this case these wells look like they are making somewhere between four and eight thousand barrels a month and that's a considerable volume of water which could be potentially put on the surface there.

- So in this case we wouldn't allow the operator in either of these wells to dispose of the water into a pit?
- That is correct and that is the policy which we 12 follow everywhere where 3221 is effective.

MR. RAMEY: Thank you. Any questions of the 14 witness? Mr. Kellahin.

### CROSS EXAMINATION

BY MR. KELLAHIN:

Mr. Stamets, you observed gas bubbling up from the Humble well, didn't you?

Yes,

- In your opinion is that caused either by a leak in the tubing or a packer leak?
- Without being able to see precisely where it comes from that certainly would be the best estimate.
  - That would be a reasonable conclusion, wouldn't it? Q.

×	Yes.	
A.	YAC	

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- Q If that were to continue would that constitute waste?
- A. Yes, it's obviously waste because it is a small amount of gas getting away. It could, of course, get to be worse, whatever is leaking could be cut out and the volume could certainly increase.
- Q. Now, the Commission Rules and Regulations do not permit the operation of wells in that condition, do they?
  - A. No.

MR. KELLAHIN: That's all I have.

MR. LUCERO: I have a question.

### CROSS EXAMINATION

BY MR. LUCERO:

- Q Dick, you mentioned in your testimony that gas was escaping, bubbling up or was that in response to Mr. Kellahin's question that he suggested it was gas?
- A. I just confirmed what Mr. Mermis had previously reported and I didn't go over and smell it, especially with a dead calf in there. I did not try to light it. I would assume if it is coming from around the wellbore that it would naturally be gas.
- Q. But you do not know it's gas based on your inspection?

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Α.	NO.

- Therefore, Mr. Kellahin's question is not relevant in terms of being certain and definite that you had tested for gas and that it was gas?
- Well, I'm not going to make a legal interpretation of what I said, I'll leave that to the lawyers here.
- Okay, I'll withdraw the question but you didn't test it for gas?
  - No. A.
- So you can't say for certain for the purposes of this hearing that was gas bubbling out of there?
  - It was a gas but I don't know what kind of gas.
- Could it have been gas from the dead baby hippo or calf or whatever it was?
- No, it would have to be some continual source because the bubbles were coming up continuously.
- Q. When you are talking about bubbles, it's either gas or it isn't regardless of whether it is a bubble?
- Well, to clarify that, air is a gas or a combination of gases and this had to be some gas. It could have been carbon dioxide, nitrogen, methane.

MR. RAMEY: You didn't make any determination as to 23 whether it was natural gas?

- No, I did not.
  - (Mr. Lucero continuing.) You said there could be

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some contamination of fresh water, you are dwelling on a hypothetical possible situation and not a present actual situation, is that correct?

A. If I can remember exactly what I said, I think I said that the situation which I observed if it took place on a continual basis provided the potential for contamination of fresh water. Now, I only saw the wells for a few minutes and did not have the advantage of observation over a long period of time and so that is all I can say.

- Q. That is a potential?
- A. Yes, it certainly is.

MR. LUCERO: No further questions.

### CROSS EXAMINATION

BY MR. RAMEY:

- Q. You do know of instances where the water that has been put in open pits has contaminated underlying fresh water?
- A. Yes, we have some very strong proof in Lea County which ties fresh water contamination directly back to pits which were formerly used to dispose of salt water.

MR. LUCERO: And that would depend on geological and hydrological evaluations and expert testimony to definitely prove that, wouldn't it, rather than potential?

A. Well, that is kind of a difficult question to make a really positive response to. You just have to take general

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existing geological parameters and draw some conclusions to.

Water gets underground because it percolates down from the surface, therefore, any water which gets on the surface of the ground certainly provides a potential if it is contaminated water, it provides a potential contaminate for the subsurface.

MR. ARNOLD: Mr. Stamets, you said that gas coming up you felt was evidence of a leak in the tubing. Isn't it also evident that there is a leak in the casing or is the casing valve open?

THE WITNESS: I don't know any way to really check that until you get in there and pump the cellar out and have a look in the cellar.

MR. ARNOLD: Well, the first thing they have to get through is the casing to get into the pit, right?

THE WITNESS: Well, assuming now that it's a packer leak, it would have to leak by the packer and come up the tubing casing annulus and then come out through a valve or through some part of the wellhead that is not fitted properly.

MR. ARNOLD: Normally the casing tubing annulus would be confined, however, unless you did open the valve?

THE WITNESS: Yes.

MR. ARNOLD: That's all.

MR. RAMEY: But you do feel, Mr. Stamets, that there is a possibility of waste occurring at this well?

THE WITNESS: Vas.

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MR. RAMEY: The well is a natural gas well?

THE WITNESS: Yes.

MR. RAMEY: So it might be logical to assume that the bubbling that is occurring in the cellar is natural gas?

THE WITNESS: Yes.

MR. RAMEY: And the water in the cellar is not natural?

THE WITNESS: We visited a few other wells while we were there that same day and none of the other wells had any water in the cellar, those which we could observe, and it had obviously been quite dry around there for a considerable period of time.

MR. RAMEY: You feel that the water in the cellar is probably coming from the well?

THE WITNESS: That would be the most reasonable guess where it could be coming from, that's the most obvious place.

MR. RAMEY: There is a possibility of a tubing leak, a casing leak, a leak in the head or a valve being open but we have no way of telling what is occurring?

THE WITNESS: That is correct. Of course, if you have this salty water inside the casing up against the two different tubing strings you have a potential for corrosion of any of these and either, say the drowning of the Morrow zone by this produced water, or the water going out the side of the

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casing and getting into other dry zones.

2 MR. RAMEY: Any other questions of the witness? may be excused.

(THEREUPON, the witness was excused.)

MR. RAMEY: Do you have anything further, Ms.

Teschendorf?

MS. TESCHENDORF: No, sir.

MR. RAMEY: Mr. Kellahin do you have anything you wish to offer?

MR. KELLAHIN: I have no evidence, I have a statement to make if I may.

MR. RAMEY: If you will, please.

MR. KELLAHIN: I'm representing Pennzoil Company 14 which was force pooled into the Humble Grace Com No. 1 Well and offsets the Penagra Well.

We feel without going beyond the confines of the evidence that has been presented here this morning that the operator of those two wells has shown a disregard for notices or demands made by the Oil Conservation Commission to clean up the situation at these two wells. The fact that since 1972 they have an open drilling pit unfilled in violation of the Commission's orders, the fact that they haven't filed their 23 packer leakage test, although requested by the Commission, all indicate that this operator is not going to comply with the orders of this Commission unless some action is taken which

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will get their attention and Pennzoil strongly recommends

that the Commission as stated in its call in this hearing on its

own motion shut these wells in until they are in compliance.

MR. RAMEY: Thank you, Mr. Kellahin.

Mr. Ives, do you have anything you want to add?

MR. IVES: No, I don't.

MR. LUCERO: Can I ask the gentleman just one question?

MR. RAMEY: Mr. Mermis?

MR. LUCERO: Mr. Mermis, if these wells are shut in would it give an undue advantage to any of the neighboring wells as far as Strawn production that would normally go to these wells?

MR. MERMIS: Possibly. I wouldn't be able to determine
that because I don't have any idea exactly how the Morrow "B"
sands or the Strawn sands, how they run in that particular
area. I couldn't say if the offsetting wells would have that
kind of advantage or not, I couldn't answer that question.

MR. LUCERO: Are you familiar enough with this, Dick, that you might know?

MR. STAMETS: The Commission is responsible for protecting correlative rights and that is providing the operator the opportunity to produce his just and equitable share of the oil and gas in the pool, however, I don't believe that this requirement takes precedence over any of the other powers granted to the Commission in its enumeration of powers to

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prevent waste, to require operations in a manner that will not harm neighboring properties, so I don't think under those circumstances when an operator refuses to take corrective action that he has forfeited his correlative rights.

MR. LUCERO: I have no further questions.

MR. RAMEY: Mr. Mermis, say, take another operator, would it be normal when you contacted these operators that if they are doing something in violation of our orders that they would immediately cease doing that and make every effort to clean it up and what have you?

MR. MERMIS: On the average most of the operators that I've contacted in the area down there have been excellent to work with. If they've got some kind of a problem I get on the phone and call them up or if I'm in Carlsbad I tell them to do so and so and they usually clean it up. I have no problems with anybody else down there.

MR. RAMEY: So if you've got another operator in the area that had a hole in the tank and that was the only tank he had on the lease and it was leaking water, what would be his normal procedure, would he shut his well in?

MR. MERMIS: He might not shut it in, he may go ahead and produce it but keep it in containment where it would go into a pit, I would say that they would get a truck in there and keep an eye on the pit and keep the water hauled out until they could get in there and get something done about it, set a

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temporary tank in there to produce into or whatever.

On the average I've not had that kind of problems really with anybody else. These are the only people that I have this with.

MR. RAMEY: Do you have any instances where any of the district officers have told an operator to shut in a well until the situation is rectified?

MR. MERMIS: I can't answer that, I just don't know.

MR. RAMEY: Would you confer with Mr. Gresset and

see if he ever has?

MR. MERMIS: Yes, we did shut some in.

MR. KELLAHIN: In response to the question that was asked by Mr. Lucero, since we are the offsetting operator, I don't want to leave the Commission with the thought that Pennzoil is trying to drain anybody's gas. If you look at the

MR. RAMEY: All right, thank you. Any other questions?

Pennzoil is trying to drain anybody's gas. If you look at the production of the wells involved here, it's pretty low as it is and it's highly unlikely that within any reasonable time that it would take to repair these wells that any drainage would occur.

MR. LUCERO: Thank you.

MR. RAMEY: Anything further in the case? The Commission will take the case under advisement.

### REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings to the best of my knowledge, skill and ability.

F./Morrish,

825 Calle Mejia,

DIRECTOR

JOE D. RAMEY

Aztec OCC

Other Andrew Ives

### **OIL CONSERVATION COMMISSION**

STATE OF NEW MEXICO P. O. BOX 2088 - SANTA FE 87501

LAND COMMISSIONER PHIL R. LUCERO July 11, 1977



STATE GEOLOGIST EMERY C. ARNOLD

5960 CASE NO. Re: Mr. Jason Kellahin R-5488 ORDER NO. Kellahin & Fox Attorneys at Law Post Office Box 1769 Applicant: Santa Fe, New Mexico 87501 OCC (Corinne Grace) Dear Sir: Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case. Yours very truly, JOE D. RAMEY Director JDR/fd Copy of order also sent to: Hobbs OCC Artesia OCC

### BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION OF NEW MEXICO ON ITS OWN MOTION TO PERMIT CORINNE GRACE AND ALL OTHER INTERESTED PARTIES TO APPEAR AND SHOW CAUSE WHY CERTAIN WELLS IN EDDY COUNTY, NEW MEXICO, SHOULD NOT BE SHUT-IN.

> CASE NO. 5960 Order No. R-5488

### ORDER OF THE COMMISSION

### BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 21, 1977, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 5th day of July, 1977, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

### FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That Corinne Grace is the owner and operator of the Humble Grace Com Well No. 1 located in Unit P of Section 2 and the Panagra Com Well No. 1 located in Unit B of Section 11, both in Township 23 South, Range 26 East, Eddy County, New Mexico.
- (3) The continuing field inspections by Commission field personnel have revealed the following conditions at said wells:

### (A) Humble Grace Com Well No. 1

Salt water has leaked or escaped from the tanks at the location, and such waters have occasionally run off the location. Fences around the tank battery and the wellhead are in disrepair. The cellar is open, full of water, and constitutes a hazard. There is a gas and water leak at the wellhead.

-2-Case No. 5960 Order No. R-5488

### (B) Panagra Com Well No. 1

Salt water has leaked or escaped from the tanks at the location, and such waters have occasionally run off the location. Fences around the tank battery are in disrepair. Drilling pits have not been filled and leveled and may have been utilized by persons unknown for disposition of water. That there is junk on the location that could be a danger to persons or livestock,

- (4) That the conditions set out in Finding No. (3) above constitute operations which result in and may continue to result in injury to neighboring leases or properties and/or endangerment of fresh water supplies.
- (5) That the operator has not corrected those conditions set out in Finding No. (3) above.
- (6) That to prevent continued injury to neighboring leases or properties and/or endangerment of fresh water supplies, the operator should correct each of the conditions set out in Finding No. (3) above within 30 days, or shut-in said Humble Grace Com Well No. 1 and Panagra Com Well No. 1.

### IT IS THEREFORE ORDERED:

- (1) That, within 30 days after the effective date of this order, the operator, Corinne Grace, is hereby ordered to perform the following corrective action on her Humble Grace Com Well No. 1 located in Unit P of Section 2 and her Panagra Com Well No. 1, located in Unit B of Section 11, both in Township 23 South, Range 26 East, Eddy County, New Mexico:
  - (A) The operator shall repair or replace any leaking tanks and shall provide for adequate salt water storage at the locations;
  - (B) The operator shall repair any leaking wellhead equipment;
  - (C) The operator shall construct or repair fences around the tank batteries, wellheads, or facilities which constitute hazards to people or livestock; and
  - (D) The operator shall cause the drilling pits to be filled and leveled and junk to be removed from the location or buried.

-3-Case No. 5960 Order No. R-5488

- (2) That upon completion of all corrective action set out in Order (1) above, the operator shall notify the supervisor of the Artesia district office of the Commission in order that the Commission may inspect said well sites.
- (3) That if said corrective actions are not completed within the 30 days provided above, said Commission district supervisor shall order said well(s) shut-in and shall notify the appropriate gas transporter(s) of such shut-in order.
- (4) That any well ordered shut in under the provisions of this order shall remain shut-in until all corrective actions have been completed and such well shall be released for production by the Secretary-Director of the Commission.
- (5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

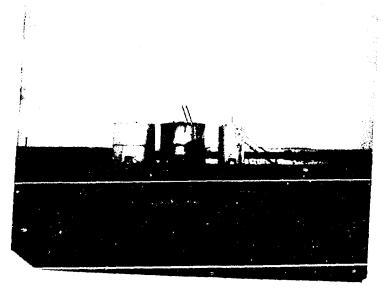
PHIL R. LUCERO, Chairman

RMERY C. ARNOLD, Member

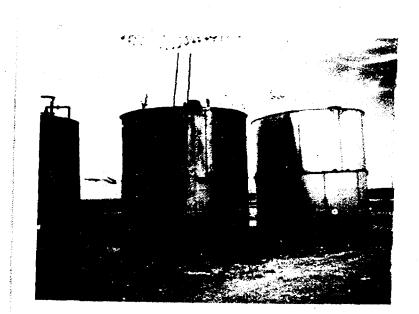
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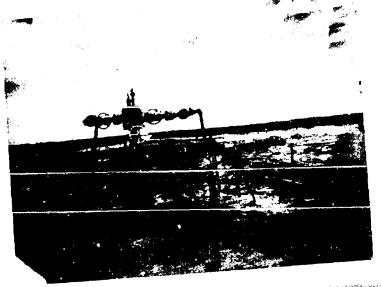
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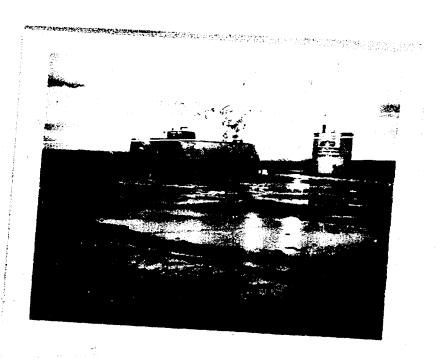
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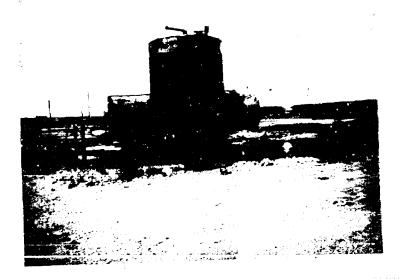
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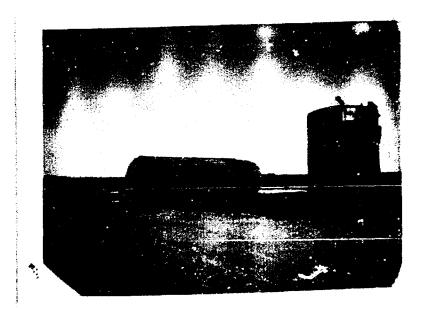
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Corenne Brace

OIL CONSERVATION COMMISSION
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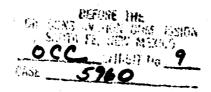
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Joseph Hace Then 19 2 - 23 - 26 2 - 19 - 17 Time 5:2021)

OIL CONSERVATION COMMISSION SANTA FE, NEV MEXICO EXHIBIT NO. 8

1:45 P.M. 6-14-77 Humble Grace # 1 P-2-23-26



## SWEW MEATERS OIL CONSERVATION COMMISSION

### FIELD TRIP REPORT

		5-26-77		
Mama of Employee	Lolan Mormis			
Time of Departure	9:00 AM	Time of Recurn	4:30 PM	
Wilco Travelled	1.26	and Design of the State of the		

In the space below please indicate purpose of trip and devices or rormed, lighting wells or leases visited.

CK Thornton Hopper in Balck River Pool. Everything SI. Moved in 500 bbl. tank at new disposal well & getting it ready.

Spot checked Corinne Grace in South Carlsbad Pool. Tanks had run over at Humble Grace T Btry. & Panagra T Btry. When I got in, Bill G. said I had to meet with a lawyer about this same lease.

CK Cities Service Oil Co. Simpson A #1-29-21-27. BP set at 7230' then they went in with a tool to retrieve it, but could not. So, they pushed it down the hole to 7533' then it set again and would not move again. Pumped 100 bbls. of water & could not load the hole. So they ran another BP that will be set above first one. I will keep checking.

SEFORE THE OIL CONSERVATION COMMISSION
Scale For Now Moxico
Case No. 5900 Exhibit No. 10
Submitted by 0CC

Employee's Signature

District #II

Hearing Date\_

Dockets Nos. 23-77 and 24-77 are tentatively set for hearing on July 6 and July 20, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

#### DOCKET: COMMISSION HEARING - TUFSDAY - JUNE 21, 1977

10:00 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM, STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 5960:

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Corinne Grace and all other interested parties to appear and show cause why the following wells should not be shut-in until they can be operated in such a manner as to prevent injury to neighboring leases or properties, and to protect against contamination of fresh water supplies:

Humble Grace Com Well No. 1 located in Unit P of Section 2, and Panagra Com Well No. 1 located in Unit B of Section 11, both in Township 23 South, Range 26 East, Eddy County, New Mexico.

CASE 5961:

Application of D. L. Hannifin for amendment of Order No. R-4432, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-4432 to remove the present operator of the pooled proration unit comprising the S/2 of Section 24, Township 22 South, Range 26 East, South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico, and to designate applicant as operator of said unit.

Docket No. 22-77

#### DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 22, 1977

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM, STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 5962: Application of Amoco Production Company for a non-standard proration unit, unorthodox locations, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 320-acre non-standard proration unit comprising Lots 9, 10, 15 and 16 and the SE/4 of Section 2, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's State "C" Tract 11 Wells Nos. 1 and 5 located at unorthodox locations in Units X and I, respectively, of said Section 2.

Application of Amoco Production Company for a non-standard proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 240-acre non-standard proration unit comprising the SW/4 and W/2 SE/4 of Section 22, Township 20 South, Range 37 East, Eumont Cas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's Gilluly B Federal Lease Well Nos. 7 and 16 at unorthodox locations in Units K and M of said Section 22, respectively.

CASE 4962: (Reopened)

In the matter of Case 4962 being reopened pursuant to the provisions of Order No. R-4538 which order established temporary special pool rules for the Peterson-Pennsylvanian Associated Pool, Roosevelt County, New Mexico. All interested parties may appear and show cause why said temporary special pool rules should not be rescinded.

CASE 5964: Application of Texas Pacific Oil Company, Inc., for non-standard proration units and unorthodox gas well locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for two 160-acre non-standard gas proration units comprising the NW/4 of Section 9, and the SW/4 of Section 11, dedicated respectively, to its State "A" A/c-2 Wells Nos. 63 and 62, at unorthodox locations 990 feet from the North line and 2310 feet from the West line of Section 9 and 1980 feet from the South line and 2310 feet from the West line of Section 11, all in Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico.

CASE 5965: Application of Layton Enterprises, Inc., for a dual completion and salt water disposal, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Elkins State Well No. 1, located in Unit N of Section 1, Township 7 South, Range 28 Fast. Chaves County, New Mexico, in such a manner as to produce oil from the Cisco formation thru tubing in the production casing and to dispose of produced salt water down the production/intermediate casing annulus into the San Andres and Yeso formations thru the open-hole interval from 1861 feet to approximately 5000 feet.

CASE 5966: Application of J. R. Cone for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinebry and Tubb production in the wellbore of his Eubanks Well No. 2 located in Unit L of Section 14, Township 21 South, Range 37 East, Lea County, New Mexico.

# OIL CONSERVATION COMMISSION P. O. BOX 2088 SANTA FE, NEW MEXICO 87501

June 3, 1977

Michael P. Grace II Corinne Grace Box 1418 Carlsbad, New Mexico 88220

Attention: Ms. Juanita L. Jones

Dear Ms. Jones:

I am in receipt of your letter of June 1, 1977, requesting permission to flare gas from three wells because of water problems.

April production figures were checked and only the Grace Atlantic indicated any water production. Production from this well was 38,644 MCF gas and 21 bbls. water. Gas production should be sufficient to remove water from the well bore.

Based on the above, I can see no reason for flaring gas from these wells.

Attached are field trip reports from our Artesia office. These reports indicate extensive "clean up" work is necessary on some of your leases. A hearing before the Commission covering the Humble Grace and Panagra has been set on June 21, 1977.

Yours very truly,

JOE D. RAMEY Director

JDR/fd enc.

### NEW MEXICO OIL CONSERVITION COMMISSION

#### FIELD TRIP REPORT

				b) \ i i	2-27-17
Name	of	Employee	Lelan Mermis		v a sandinan ang ang mang ang mang ang ang ang ang ang ang ang ang ang
Time	of	Departure	8:30 AM	Time of Recurr.	2:30 PM '
Miles	<b>T</b>	ravelled		AND	

In the space below please indicate purpose of trivian indicate cormed, listing wells or leases visited.

Met with Mr. James Shuler, Lawyer, in Carlsbad & we went to Corinne Grace Humble Grace #1-P-2-23-26. We took the first picture at 10:05 AM of dead calf in cellar at well head. Second picture was taken at 10:10 AM looking North of a tank that has run over 100 yds. Third picture was taken at 10:15 AM of tank that run over making a mess inside fenced area. The fourth picture was taken at 10:20 AM looking Southwest of the mess inside fenced area. The fifth picture, taken 10:22 AM of same calf as in picture One, but at a different angle. The gate opening could let calf walk in. There is salt water in road, around the well & around fenced off area that has dried up. Fences are very poor and cattle tracks are just about everywhere you look. Not dumping while there.

Picture six is by Panagra #1-B-11-23-26, looking West at back of tanks. Small amount of water out, but some has run outside of fenced off area. Picture seven, taken at Panagra #1 from the front side looking Southwest. Water has leaked out of tank. Fences very poor. Cattle can easily walk in this area also.

JUN - 2 1977

LOCULTAMED COMM.

Employee's Signature

District #II

### NEW MEXICO OIL CONSERVITION COMMISSION

FIELD TRIP REPORT

				DA11	-31-//
Name	of	Employee	Lelan Me	rmis	
Time	of	Departure	9:00 AM	Time o. Rec.rn	4:30 PM :
Milea	T	ravelled	109	de of the Continue of the Cont	

CK Corinne Grace Gopogo #2-24-22-26. Tank leaking small amount. Gopogo #1 & City of Carlsbad #1-25-22-26. OK. Gradonoco #1 2-23-26. OK. Humble Grace #1-2-23-26. SI. Panagra #1-11-23-26. Tank leaking small amount. Carlsbad Grace #1-36-22-26. Flaring. I contacted operator.

M.P. Grace Grace Atlantic #1-24-22-26. Back on line. Witness plugging on Cities Service Oil Co. Simpson A #1-29-21-27 set BP 7542' 35' of cmt on top. Cmt 100/sx Class H at 6600'. 35/sx same 5100'. Will finish plugging tomorrow.

JUN - 2 1977
OIL CONSERVATION COLAMICS COLAMICS (2)

Employee's Signature

District #II

In the matter of the Maring Called by the OCC on its own motion to permit Corenne Stace and all other interested parties to appear and show eace why the following wells should not be shut in until they can be operated in A some such a manner as to prevent injury to neighboring leases a properties, and to protect against contamination of fresh water supplies: Humble Grace Com Will no. 1 Cocated in Unit P of Section 25 the and Panagra Com Will No. 1 located in Unit B of Section 11, both in T235, RZGE, Eddy County, n.m.

Mail Llocket 6:

James Shuler Shuler & Cliamond Attys at Law P.O. Box 1257 Carlsbad 88220 DRAFT

### BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION OF NEW MEXICO ON

AA.

Order No. R- 5488

ORDER OF THE COMMISSION

### BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 21

19 77 , at Santa Fe, New Mexico, before Examiner

NOW, on this day of July , 1977, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

#### FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That Corinne Grace is the owner and operator of the Humble Grace Com Well No. 1 located in Unit P of Section 2 and the Panagra Com Well No. 1 located in Unit B of Section 11, both in Township 23 South, Range 26 East, Eddy County, New Mexico.

- (3) The continuing field inspections by Commission field personnel have revealed the following conditions at said wells:
  - Salt water has leaked or escaped from the tanks at the location, There is no adequate pit which could be utilized to contain each water spills at the location and such waters have occasionally run off the location.

    Fences around the tank battery and the well head are in disrepair. The cellar is open, full of water, and is a hazard to contain each tank battery and the well head.
  - (B) Fanagra Com Well No. 1

(A)

Salt water has leaked or escaped from the tanks at the location, There is no pit which could be utilized to centain salt water spills at the location and such waters have occasionally run off the location. Fences around the tank battery are in disrepair. Drilling pits have not been filled and leveled and may have been utilized by persons unknown for disposition of water. That there is junk on the location that could be a danger to persons or livestock.

(4) That the conditions set out in Finding No. 3 above Constitute operations which result in and may continue to result in injury to neighboring leases or properties and/or endangerment of fresh water supplies.

- (5) That the operator has not corrected these conditions set out in Finding No. (3) above.
- (6) That to prevent continued injury to neighboring leases or peroperties and/or endangerment of fresh water supplies, the operator should correct each of the conditions set out in Finding No. (3) above within 30 days, or shut-in said Humble Grace Com Well No. 1 and Panagra Com Well No. 1.

### IT IS THEREFORE ORDERED:

- (1) That, within 30 days after the effective date of this order, the operator, Corinne Grace, is hereby ordered to perform the following corrective action on her Humble Grace Com Well No. 1 located in Unit P of Section 2 and her Panagra Com Well No. 1, located in Unit B of Section 11, both in Township 23 South, Range 26 East, Eddy County, New Mexico:
  - (A) The operator shall repair any leaking tanks and shall provide for adequate salt water storage at the locations;
  - at each location to contain spills of selt water at such location;
  - The operator shall construct or repair fences around the emergency pitc, tank batteries, wellheads, or facilities which represent hazards to people or livestock; and
    - The operator shall cause the drilling pits to be filled and leveled and junk to be removed from the location or buried.
    - (B) The operator shall repair any leaking well head equipment;

- (2) That upon completion of all corrective action set out in Order (1) above, the operator shall notify the supervisor of the Artesia district office of the Commission in order that the Commission may inspect said well sites.
- (3) That if said corrective actions are not completed within the 30 days provided above, said Commission district supervisor shall order said well(s) shut-in and shall notify the appropriate gas transporter(s) of such shut-in order.
- (4) That any well ordered shut in under the provisions of this order shall remain shut-in until all corrective actions have been completed and such well shall be released for production by the Secretary-Director of the Commission.
- (5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

## BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING

CALLED BY THE OIL CONSERVATION

COMMISSION OF NEW MEXICO FOR FOR THE PURPOSE OF CONSIDERING:

CASE No. <u>5960</u> Order No. R-<u>5411</u>

### ORDER OF THE COMMISSION

### BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on \_\_\_\_\_\_\_, 19\_at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

#### FINDS:

(1) That due public notice having been given as required by Law, the Commission has jurisdiction of this cause and the subject matter thereof.