

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date JUNE 8, 1983 Time: 8:00 A.M.

NAME	REPRESENTING	LOCATION
W.V. Kellakin	Kellakin & Kellakin	Santa Fe
Chad Dickerson	Loose & Carson & Dickerson	Artesia
ARIENE LUTHER	Environmental Protection	Window Rock
John E. Jacob	THE Navajo Tribe	Ariz
Paul Rind	TXO PRODUCTION	MIDLAND
Edward Hendley	" "	"
Clark Vickers	" "	"
Ted Sawloski	Amoco Production	Houston
James C. Allen	" "	"
Clyde A. Mate	" "	"
Bruce A. Black	Black oil	Farmington
William A. Fay	Campbell, Fry & Back	Santa Fe
Bob Huler	Byram	Santa Fe
Larry Sheppard	Amoco	Houston
Kang Brooks	N.M.U.C.D.	Artesia
Tommy Roberto	Jerome P. McHugh	Farmington
John Roe	" " "	"

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NAME	REPRESENTING	LOCATION
Charles Ghelston	Nm o c d	Artesia
Charles Dunning	Sun E+P Co	Dallas Tx
Stephen D. Ring	Amoco Production	Denver
Tom Wugan	Wugan Prod Corp.	Jarvis
Carl M. Hoover	Beeco Petr. Corp	Houston
JOHN OWEN	NORTHWEST EXP	DENVER
Leo Clements	N.M.O.C.D.	ARTESIA
Paul L. Bruce	Pennzoil	MIDLAND, TX

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

8 June 1983

EXAMINER HEARING

IN THE MATTER OF:

Hearing called by the Oil Conservation
Division on its own motion to permit
Red Mountain Associates, et al, to
appear and show cause why a total of
56 wells in McKinley County, should
not be plugged and abandoned in accord-
ance with a Division-approved plugging
program.

CASE
7892

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

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

For the Applicant:

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I N D E X

FRANK CHAVEZ

Direct Examination by Mr. Pearce

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Cross Examination by Mr. Stogner

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E X H I B I T S

Division Exhibit One, Plugging Program

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2 MR. STOGNER: We'll call first case
3 this morning, Case Number 7892, which is in the matter of
4 the hearing called by the Oil Conservation Division on its
5 own motion to permit Red Mountain Associates, United States
6 Fidelity and Guaranty, and all other interested parties to
7 appear and show cause why a total of 56 wells in McKinley
8 County, located in Township 20 North, Range 9 West, should
9 not be plugged and abandoned in accordance with a Division-
10 approved plugging program.

11 MR. PEARCE: May it please the
12 Examiner, I am W. Perry Pearce, appearing in this matter on
13 behalf of the New Mexico Oil Conservation Division.

14 I have one witness who needs to be
15 sworn.

16
17 (Witness sworn.)
18

19 FRANK CHAVEZ,
20 being called as a witness and being duly sworn upon his oath,
21 testified as follows, to-wit:
22

23 DIRECT EXAMINATION

24 BY MR. PEARCE:

25 Q For the record, would you please state your

1
2 name, position of employment, and place of residence?

3 A. My name is Frank Chavez. I'm employed by
4 the Oil Conservation office as a supervisor in the Aztec
5 District Office.

6 Q And how long have you held that position,
7 sir?

8 A. For three years.

9 Q And have you previously testified before the
10 Commission or one of its examiners and had your credentials
11 made a matter of record?

12 A. Yes, I have.

13 Q And does your district include the lands
14 covered in the application in Case 7892 before the Examiner
15 today?

16 A. They do.

17 Q And do your duties as District Supervisor
18 include making recommendations to the Commission or one of
19 its examiners as to when wells should be plugged and aban-
20 doned?

21 A. Yes, they do.

22 Q And are you generally familiar with the
23 subject matter of Case 7892?

24 A. Yes, I am.

25 Q For the Examiner, and those in attendance,

1
2 sir, would you please describe the general nature of Case
3 7892?

4 A. The general nature of the case is to permit
5 Red Mountain Associates and their bonding company to appear
6 and show cause why their operated wells in McKinley County
7 should not be plugged and abandoned.

8 Q. How many wells are we talking about, sir?

9 A. There are 56 wells.

10 Q. Could you describe the nature of the project
11 underlying this Red Mountain --

12 A. Red Mountain Associates began operations on --
13 in this area a few years ago, and when they began operations
14 we had problems with reporting and with their operations in
15 this field.

16 It's my understanding now they are no longer
17 a viable operator. We get no response from any correspondence
18 that we send to Red Mountain Associates. They have not
19 physically operated the wells, as best as we can tell, since
20 at least November.

21 They have not filed any C-115 since that
22 time, either.

23 The wells in question are shallow wells on
24 an old -- in two old fields that are capable of marginal,
25 low -- low marginal production.

1
2 Q And you say these wells are shallow. What
3 is the average depth in those wells, would you estimate?

4 A 450 to 500 feet.

5 Q Have you reviewed the reports which have
6 previously been filed with the Division concerning these
7 wells?

8 A Yes, I have.

9 Q And would you please, for the Examiner and
10 those in attendance, summarize the history of those wells in
11 general?

12 A The majority of these wells were drilled by
13 several different operators throughout the years, and there
14 have been at times secondary recovery projects initiated in
15 this field, in these two fields, with some moderate success.

16 Red Mountain Associates assumed operation
17 of both the Chaco Wash Mesaverde Pool and the Red Mountain
18 Menefee Pool in order to try to consolidate the operations
19 and install secondary recovery projects that might be a lit-
20 tle more successful.

21 They initiated some drilling programs and
22 drilled many new wells, during which time we did have trouble
23 obtaining reports from them.

24 At times we have shut their operations in
25 and threatened actions for their violations which, the least,

1
2 were lack of reporting.

3 There are pollution problems out there.
4 They have been storing oil in open vessels and allowing oil
5 and water to run on the surface of the ground, with little
6 or no effort made to clean it up.

7 The situation out there right -- presently
8 is that the wells are open to the atmosphere, several of
9 the wells are open to the atmosphere.

10 The wells which are pumping, I'm sorry,
11 equipped to pump, are standing idle, and the injection wells,
12 or wells which have been used for injection, are also standing
13 idle, some of them open to the atmosphere.

14 We feel that there is no possibility in the
15 foreseeable future of Red Mountain returning to these leases
16 to operate them. The equipment has deteriorated and the
17 problems that have arisen in their production, I think have
18 overwhelmed their ability to act.

19 Q. At this time do you know of any other in-
20 stances of possible waste or pollution which would be caused
21 by failure to have these wells either plugged or operated
22 at this time?

23 A. Yes, there are -- is a small amount of
24 shallow ground water in the area. Should their -- casing
25 failures occur, there could be a problem of the shallow

1
2 ground water escaping into the formation and causing waste
3 by actually damaging the producing oil formation.

4 As far as the oil itself, I think there's
5 very little possibility of pollution caused by the oil except
6 on one well, which apparently -- a newer well which they have
7 drilled, does some bottom hole pressure and oil does come to
8 the surface on it.

9 Q At this time are you prepared to recommend
10 a plugging program, or would you prefer to describe such a
11 program at the actual time of plugging?

12 A Exhibit Number One shows the plugging pro-
13 gram, in general, at the top, that we specified, and we list
14 the different wells and the tubular that we either have on
15 record or that we presume is in the well.

16 Q Okay, generally what is the nature of that
17 plugging program?

18 A Generally to just fill the wells from total
19 depth to surface with cement.

20 Q Was Exhibit One prepared by you or under
21 your direction and supervision?

22 A Yes, it was prepared under my direction by
23 my staff geologist.

24 Q Do you have anything further for the Examiner
25 at this time?

1
2 A. Yes, there's a possibility that another
3 operator may take over operations of some of these wells and
4 turn them into producable wells in the near future.

5 Q. Would you believe that it would be appro-
6 priate if the Division enters a plugging order to enter the
7 well -- enter the order requiring the plugging of each of
8 those wells and then simply delete those wells which may be
9 operated by a subsequent operator?

10 A. Yes.

11 MR. PEARCE: Mr. Examiner, we have
12 nothing further at this time.

13 I would move the admission of Exhibit
14 One.

15 MR. STOGNER: Exhibit One will be
16 admitted into evidence. I show an Exhibit Two here, is that
17 also a part of Exhibit One or is that a separate exhibit?

18 A. That should be actually page two of Exhibit
19 One.

20 MR. STOGNER: Thank you. Exhibit
21 One will be admitted into evidence.

22
23 CROSS EXAMINATION

24 BY MR. STOGNER:

25 Q. Mr. Chavez, you said something about shallow

1
2 ground water. Just how shallow is that ground water out
3 there?

4 A. There's a possibility that -- of shallow
5 ground water from just below surface to the producing hori-
6 zons. The nature of the formation is such that you have
7 interspersed sandstone lenses. Some of them have water in
8 then instead of oil, and that is the nature of the ground
9 water.

10 Q. Stock water, fresh enough for stock water?

11 A. Yes, I think some of that is.

12 MR. STOGNER: I have no further
13 questions for Mr. Chavez. Are there any
14 further questions of this witness?

15 If not, he may be excused.

16 Is there anything further in Case
17 Number 7892 this morning.

18 MR. PEARCE: I have nothing further,
19 sir.

20 MR. STOGNER: If not, Case Number
21 7892 will be taken under advisement.

22
23 (Hearing concluded.)
24
25

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7892, heard by me on June 8, 1983.
Michael E. Stogner, Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 193-B

Santa Fe, New Mexico 87501

Phone (505) 433-7409