

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED
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IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION DIVISION
FOR THE PURPOSE OF CONSIDERING:

IN THE MATTER OF MESQUITE SWD, INC.'S APPLICATION NO. PKVR0817936301
TO AMEND PERMIT SWD-180

Case No. 14178
Order No. R-13043

MESQUITE SWD, INC'S MOTION FOR CLARIFICATION OF ORDER NO. R-13043

Pursuant to the New Mexico Oil Conservation Division's authority under NMSA 1978 Section 70-2-5 and 70-2-6, Mesquite SWD, Inc. ("Mesquite") moves the New Mexico Oil Conservation Division ("NMOCD") to clarify Order No. R-13043.

I. INTRODUCTION

On October 15, 2008, Division Examiners David Brooks, Richard Ezeanyim, and Terry Warnell held a hearing on Mesquite's Application to Amend Order No. SWD-180 to Inject Salt Water. On November 7, 2008, the NMOCD issued Order No. R-13043 approving Mesquite's Application subject to the conditions set forth in the Order.

The Order contains two discrepancies that Mesquite seeks to resolve through this Motion. First, Mesquite requests that the Director clarify that part of the Order requiring the Exxon State No. 8 well to dispose of water on a vacuum to exclude any pressure necessary to deliver water to the Exxon State No. 8 disposal well and the weight of the full water pressure in the well. **Order No. R-13043, ¶ 3.** Per Mesquite's Application, Paragraph VII(3), such pressure shall not exceed

120 pounds per square inch ("psi").

Second, the Order requires Mesquite to plug four wells before Mesquite commences injection operations into the Exxon State No. 8. *Id.*, ¶ 4. The NMOCD has previously approved the plugging of two of these wells, the Magnolia State No. 3 and the Pure State No. 6. **Exhibit 1, Scout Report, Magnolia State No. 3, dated September 29, 1953; Exhibit 2, Miscellaneous Reports on Wells, Magnolia State No. 3, dated September 30, 1953; Exhibit 3, Form C-102, Pure State No. 6, Dated July 3, 1957; Exhibit 4, Miscellaneous Report, Pure State No. 6, dated July 11, 1957.** The other two wells, the Exxon State Nos. 2 and 7, are active producing wells operated by Mesquite SWD, Inc. **Exhibit 5, Production Data for the Exxon State No. 2; Exhibit 6, Production Data for the Exxon State No. 7; Hearing Tr., p. 23, l. 17-18.** Therefore, Mesquite requests that the NMOCD remove Paragraph 4 from Order No. R-13043.

II. ARGUMENT

Mesquite requests that the Director revise and clarify Order No. R-13043 pursuant to the NMOCD's authority under NMSA 1978 Section 70-2-6 as follows:

A. The Language in Paragraph 3 Regarding Disposal Under Vacuum Should Be Clarified to Exclude Any Pressure Resulting from the Transfer of Water to the Exxon State No. 8.

The Exxon State No. 8 well disposes of water on a vacuum. However, Mesquite must transfer water from the location at the battery to the disposal well. Mesquite therefore requests that the Director clarify Order No. R-13043 so that any water pressure resulting from the transfer of water to the Exxon State No. 8, or the weight of the full water in the well, which shall not exceed 120 pounds psi, will not constitute a violation of the Order R-13043 requiring the Exxon State No. 8 to dispose of water on a vacuum.

B. Paragraph 4 Should Be Removed from Order No. R-13043 Because None of the Wells Identified by the NMOCD in Paragraph 4 Require Plugging.

The NMOCD has previously approved the plugging of both the Magnolia State No. 3 and the Pure State No. 6. The Magnolia State No. 3 was plugged and abandoned on September 29, 1953. **Ex. 1.** On September 30, 1953, L.A. Hanson from the NMOCD approved the plugging of the Magnolia State No. 3. **Ex. 2.** Neither the Applicant nor the NMOCD presented any evidence at the hearing that the Magnolia State No. 3 well was not properly plugged.

The NMOCD also approved the plugging of the Pure State No. 6 well. Order No. R-13043 incorrectly cites the API No. for the Pure State No. 6 well as API 30-015-01099.¹ The correct API No. for the Pure State No. 6 well is API No. 30-015-0190. The NMOCD records for the API No. 30-015-0190 demonstrate that the operator of the Pure State No. 6 well filed a Form C-102 to plug and abandon this well on July 3, 1957. **Ex. 3.** M.L. Armstrong from the NMOCD approved the Form C-102 on July 3, 1957, the same day the operator of the Pure State No. 6 plugged the well. *Id.* On July 11, 1957, a Miscellaneous Report, again approved by the NMOCD, detailed the plugging of the Pure State No. 6 well. **Ex. 4.** Like the Magnolia State No. 3, neither the Applicant nor the NMOCD suggested or presented any evidence at the hearing that the Pure State No. 6 well is not properly plugged.

The other two wells Order No. R-13043 directed Mesquite to plug, the Exxon State No. 2, API No. 30-015-01092, and the Exxon State No. 7, API No. 30-015-01100, are producing wells operated by Mesquite SWD, Inc. **Ex. 5; Ex. 6; Hearing Tr., p. 23, l. 17-18.** Mesquite has attached the production data for both wells showing that these two wells are active producing

¹ The mistake in the API No. may have resulted from a typographical error in Dr. Havenor's Report, Assessment of the Geological Structure and Stratigraphy and Hydrogeological Setting of the Mesquite Exxon State No. 8 Saltwater Disposal Well and Other Wells ("Assessment Report"), **Mesquite Hearing Ex. 25.**

wells. **Ex. 5; Ex. 6.** Additionally, Mr. Perini testified during the hearing that the Exxon State Nos. 2 and 7 are active producing wells operated by Mesquite SWD, Inc. **Hearing Tr., p. 23, l.**

17-18. Consequently, a requirement that Mesquite plug the Exxon State No. 2 or the Exxon State No. 7 would result in waste contrary to the NMOCD regulations. *See, 19.15.1.13 NMAC* ("The production or handling of crude petroleum oil or natural gas of any type or in any form, or the handling of products thereof, in such a manner or under such conditions or in such amount as to constitute or result in waste is hereby prohibited.").

Mesquite provided a copy of this Motion to Mr. Sonny Swazo, counsel for the NMOCD, and Mr. Swazo indicated that he needed time to research the issues presented in this Motion and therefore could not concur in the Motion.

CONCLUSION

For the reasons set forth above, Mesquite requests that the NMOCD:

1. Revise Paragraph 3 as follows:

The disposal of produced water into the Exxon State No. 8 Well shall be under vacuum, excluding the pressure necessary to transfer water to the well and the weight of the full water pressure in the well, such pressure not to exceed 120 psi, and shall be accomplished through a 2-7/8 inch plastic coated tubing set in a packer at 550 feet.

2. Remove Paragraph 4 from the Order.

Respectfully submitted,

HINKLE, HENSLEY, SHANOR & MARTIN, LLP



Thomas M. Hnasko
Kelcey C. Nichols
Post Office Box 2068
Santa Fe, NM 87504-2068
505.982.4554

Attorneys for Applicant Mesquite SWD, Inc.

CERTIFICATE OF SERVICE

I hereby certify that on this on this 17th day of November, 2008, I sent a true and correct copy of the foregoing and ~~Mesquite SWD, Inc.'s Motion for Clarification of Order No. R-13043~~ via postage prepaid first class mail and electronic mail to:

Mr. Sonny Swazo, Esq.
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505



Kelcey C. Nichols



County Eddy Depth 550 Pool Undesig. *

SCOUT REPORT
NEW MEXICO OIL CONSERVATION COMMISSION

Company Robt. W. Atha Well No. 3 Lease Magnolia-State

2310 Feet from S Line 330 Feet from E Line Sec. 15 Twp. 21S Rge. 27E

Land State Contractor Beadle & Yates

Elevation 3248 Spudded 9-19-53 Completed 9-29-53

T. A
T. X
B. X
T. Del. Li.
T. Del. Sd.
T. Y 544?
T. SE
T. Q
T. GB
T. SA
T. Glo.

T. CF Total Depth 560 li P. B.
T. Full. Top Pay District 8
T. Tu. I. P. BOPD
T. DR Base BO Hrs.
T. Wich. Alb. Choke: Inch
T. Abo Tubing @ Ft.
T. WC Pressures: Tubing Casing
T. Hu. GOR Gravity
T. Per-Pe Effective Perforations
T. Penn.
T. Strawn
T. Miss.

CSC. & CEMENTING REC'D

Size	Feet	Sax Cement
10-3/4"	40	7

T. WF Acid & Shooting Record:
T. Dev. From To
T. Sil. From To
T. Mon. From To
T. Simp. From To
T. McK
T. Ell.
T. G.W.
T. Gr. SHOWS
T. S/50 544
T. S/ Sub water 552 to 560
T. S/
T. S/
T. S/

Sep 23 Drlg. 210 anhy & gyp

T.D. 560 li
Sub wtr at T.D.

EXHIBIT

1

tabbles

NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

MISCELLANEOUS REPORTS ON WELLS

Submit this report in TRIPPLICATE to the District Office, Oil Conservation Commission, within 10 days after the work specified is completed. It should be signed and filed as a report on Beginning Drilling Operations, Results of test of casing shut-off, result of plugging of well, result of well repair, and other important operations, even though the work was witnessed by an agent of the Commission. See additional instructions in the Rules and Regulations of the Commission.

Indicate Nature of Report by Checking Below

REPORT ON BEGINNING DRILLING OPERATIONS		REPORT ON RESULT OF TEST OF CASING SHUT-OFF		REPORT ON REPAIRING WELL	
REPORT ON RESULT OF PLUGGING WELL	X	REPORT ON RECOMPLETION OPERATION		REPORT ON (Other)	

Sept. 30, 1953
(Date)

Artesia, N. M.
(Place)

Following is a report on the work done and the results obtained under the heading noted above at the

Robt. W. Atha
(Company or Operator)

Magnolia-State
(Lease)

Beadle & Yates
(Contractor)

Well No. 3 in the NE 1/4 SE 1/4 of Sec. 15

T. 21S, R. 27E, NMPM, Undesignated Pool, Eddy County.

The Dates of this work were as follows:

Notice of intention to do the work (~~was~~) (was not) submitted on Form C-102 on _____, 19____, and approval of the proposed plan (was) (~~was not~~) obtained. Orally Sept. 28, 1953
(Cross out incorrect words)

DETAILED ACCOUNT OF WORK DONE AND RESULTS OBTAINED

Total Depth 560'. Cement plug 560 to 530' and mud immersion to base of 10" casing at 35' 7". 3 sack cement plug in top of 10" casing. Regulation marker set and location cleaned.

EXHIBIT
tabbies
2

Witnessed by _____ (Name) _____ (Company) _____ (Title)

Approved: *L. A. Hanson*
OIL CONSERVATION COMMISSION
(Name)
(Title) (Date)

I hereby certify that the information given above is true and complete to the best of my knowledge.
Name: *Robt. W. Atha*
Position: *Owner*
Representing: *Self*
Address: *1504 Highland Rd., Roswell, N. M.*

NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

RECEIVED

JUL 3 1957

MISCELLANEOUS NOTICES

Submit this notice in TRIPLICATE to the District Office, Oil Conservation Commission, before the work specified is to begin. A copy will be returned to the sender on which will be given the approval, with any modifications considered advisable, or the Office of the Commission or agent, of the plan submitted. The plan as approved should be followed, and work should not begin until approval is obtained. See additional instructions in the Rules and Regulations of the Commission.

Indicate Nature of Notice by Checking Below

NOTICE OF INTENTION TO CHANGE PLANS		NOTICE OF INTENTION TO TEMPORARILY ABANDON WELL		NOTICE OF INTENTION TO DRILL DEEPER	
NOTICE OF INTENTION TO PLUG WELL	X	NOTICE OF INTENTION TO PLUG BACK		NOTICE OF INTENTION TO SET LINER	
NOTICE OF INTENTION TO SQUEEZE		NOTICE OF INTENTION TO ACIDIZE		NOTICE OF INTENTION TO SHOOT (Nitro)	
NOTICE OF INTENTION TO GUN PERFORATE		NOTICE OF INTENTION (OTHER)		NOTICE OF INTENTION (OTHER)	

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Carlsbad, N. Mex.

7/3/57

Gentlemen:

Following is a Notice of Intention to do certain work as described below at the Pure State No. 6

Everett D. BURGATT (Company of Operator) Pure State Lease Well No. 6 in C (Unit)
S.W. 1/4 Sec. 15, T. 21, R. 27, NMPM, Magruder Yates Pool
Eddy County.

FULL DETAILS OF PROPOSED PLAN OF WORK
(FOLLOW INSTRUCTIONS IN THE RULES AND REGULATIONS)

Plug well with 10 sacks of cement in the bottom and fill to surface with drilling with marker and cement cap in the top

This program was approved by the State Water District Engineers Office

JUL 3 1957

Approved....., 19.....
Except as follows:

Approved
OIL CONSERVATION COMMISSION
By *M. L. Armstrong*
Title OIL AND GAS INSPECTOR

Everett D. BURGATT
By *Everett D. BURGATT*
Position Operator
Send Communications regarding well to:

Name.....
Address.....

EXHIBIT
3

NEW MEXICO OIL CONSERVATION COMMISSION

MISCELLANEOUS REPORTS ON WELLS

JUL 11 1957

(Submit to appropriate District Office as per Commission Rule 1106)

COMPANY _____ (Address) _____

LEASE _____ WELL NO. _____ UNIT _____ S _____ T _____ R _____
DATE WORK PERFORMED 7/7/57 POOL _____

This is a Report of: (Check appropriate block) Results of Test of Casing Shut-off
 Beginning Drilling Operations Remedial Work
 Plugging Other _____

Detailed account of work done, nature and quantity of materials used and results obtained.
10 sacks of cement was run in to bottom then mud was used to fill to surface with cement cap and pipe marked

FILL IN BELOW FOR REMEDIAL WORK REPORTS ONLY

Original Well Data:

DF Elev. _____ TD _____ PBD _____ Prod. Int. _____ Compl Date _____
Tbng. Dia _____ Tbng Depth _____ Oil String Dia _____ Oil String Depth _____
Perf Interval (s) _____
Open Hole Interval _____ Producing Formation (s) _____

RESULTS OF WORKOVER:

BEFORE AFTER

Date of Test _____
Oil Production, bbls. per day _____
Gas Production, Mcf per day _____
Water Production, bbls. per day _____
Gas-Oil Ratio, cu. ft. per bbl. _____
Gas Well Potential, Mcf per day _____
Witnessed by _____

(Company)

OIL CONSERVATION COMMISSION

Name M L Armstrong
Title OIL AND GAS INSPECTOR
Date JUL 11 1957

I hereby certify that the information given above is true and complete to the best of my knowledge.

Name _____
Position Operator
Company _____

EXHIBIT 4

Kelcey Nichols

From: Perini, Cindy [cperini@velaw.com]
Sent: Wednesday, November 12, 2008 1:10 PM
To: Clay Wilson; Dave Perini; Kay Havenor; Tom Hnasko; Kelcey Nichols
Subject: Production Report for Exxon 2 - API 30-015-01092

Importance: High

Here is the production report from Exxon State 2 from the OCD website showing that the well has been producing since Mesquite took over the lease. I have also included the actual link.

Thanks,
Cindy

From: Johnny Hinojos [mailto:jhinojos@plateautel.net]
Sent: Wednesday, November 12, 2008 2:02 PM
To: Perini, Cindy
Subject: Emailing: GO-TECH ONGARD Single Results

http://octane.nmt.edu/gotech/Petroleum_Data/single.aspx?API=3001501092&StartYear=2006&EndYear=2008&Production=True&Injection=False

View Production Data

In Internet Explorer, right click and select [Save Target As...]
In Netscape, right click and select [Save Link As...]

Download: [API_NO_3001501092.csv](#)

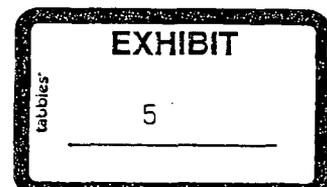
API #: 3001501092 **Well Name:** EXXON STATE # 002
Location: J-15-21.0S-27E , 1650 FSL, 2310 FEL **Lat:** 32.4773634192 **Long:** -104.176625242
Operator Name: MESQUITE SWD, INC [[Operator and Lessee Info](#)] **County:** Eddy
Land Type: State **Well Type:** Oil **Spud Date:** **Plug Date:**
Elevation GL: 3282 **Depth TVD:** 576
Pools associated:

- [MAGRUDER;YATES](#) **Total Acreage:** 40.00 **Completion:** 1 [Summary of Production](#)
- [Show All](#)

Year: 2006

Pool Name:
MAGRUDER;YATES

Month Oil(BBLS) Gas(MCF) Water(BBLS) Days Produced



January	0	0	0	0
February	0	0	0	0
March	0	0	0	0
April	0	0	0	0
May	0	0	0	0
June	0	0	0	0
July	0	0	0	0
August	0	0	0	0
September	0	0	0	0
October	0	0	0	0
November	0	0	0	0
December	30	0	225	31

Year: 2007

Pool Name: MAGRUDER;YATES

Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days Produced
January	30	0	190	31
February	9	0	60	28
March	21	0	90	31
April	6	0	90	30
May	6	0	90	31
June	0	0	0	0
July	20	0	30	31
August	0	0	27	7
September	0	0	480	30
October	9	0	390	31
November	1	0	30	30
December	3	0	90	31

Year: 2008

Pool Name: MAGRUDER;YATES

Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days Produced
January	0	0	0	0
February	9	0	27	29
March	30	0	40	31
April	15	0	66	30
May	0	0	0	0
June	0	0	0	0

July	0	0	0	0
August	0	0	0	0
September	0	0	0	0
October	0	0	0	0
November	0	0	0	0
December	0	0	0	0

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Thank You.

Kelcey Nichols

From: Perini, Cindy [cperini@velaw.com]
Sent: Wednesday, November 12, 2008 1:14 PM
To: Clay Wilson; Dave Perini; Kay Havenor; Tom Hnasko; Kelcey Nichols
Subject: Production Report for Exxon State 7 from OCD website

Here is the production report from Exxon State 7 from the OCD website showing that the well has been producing since Mesquite took over the lease. I have also included the actual link.

Thanks,
Cindy

From: Johnny Hinojos [mailto:jhinojos@plateautel.net]
Sent: Wednesday, November 12, 2008 2:04 PM
To: Perini, Cindy
Subject: Emailing: GO-TECH ONGARD Single Results

http://octane.nmt.edu/gotech/Petroleum_Data/single.aspx?API=3001501100&StartYear=2006&EndYear=2008&Production=True&Injection=False

View Production Data

In Internet Explorer, right click and select[Save Target As...]
In Netscape, right click and select [Save Link As...]

Download: [API_NO_3001501100.csv](#)

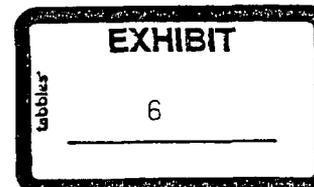
API #: 3001501100 **Well Name:** EXXON STATE # 007
Location: O-15-21.0S-27E , 990 FSL, 2310 FEL **Lat:**32.475549137 **Long:**-104.176630903
Operator Name: MESQUITE SWD, INC [[Operator and Lessee Info](#)] **County:** Eddy
Land Type: State **Well Type:** Oil **Spud Date:** **Plug Date:**
Elevation GL: 3284 **Depth TVD:** 580
Pools associated:

- [MAGRUDER;YATES](#) **Total Acreage:** 40.00 **Completion:** 1 [Summary of Production](#)
- [Show All](#)

Year: 2006

Pool Name:
MAGRUDER;YATES

Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days Produced
January	0	0	0	0
February	0	0	0	0



March	0	0	0	0
April	0	0	0	0
May	0	0	0	0
June	0	0	0	0
July	0	0	0	0
August	0	0	0	0
September	0	0	0	0
October	0	0	0	0
November	0	0	0	0
December	15	0	225	31

Year: 2007

Pool Name: MAGRUDER;YATES

Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days Produced
January	30	0	210	31
February	3	0	30	28
March	6	0	60	31
April	6	0	60	30
May	6	0	60	31
June	0	0	0	0
July	60	0	30	31
August	0	0	30	7
September	6	0	150	30
October	3	0	130	31
November	1	0	30	30
December	6	0	60	31

Year: 2008

Pool Name: MAGRUDER;YATES

Month	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days Produced
January	0	0	0	0
February	15	0	69	29
March	10	0	30	31
April	19	0	33	30
May	0	0	0	0
June	0	0	0	0
July	0	0	0	0
August	0	0	0	0

September	0	0	0	0
October	0	0	0	0
November	0	0	0	0
December	0	0	0	0

Treasury Circular 230 Disclosure: To the extent this communication contains any statement regarding federal taxes, that statement was not written or intended to be used, and it cannot be used, by any person (i) as a basis for avoiding federal tax penalties that may be imposed on that person, or (ii) to promote, market or recommend to another party any transaction or matter addressed herein.

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Thank You.
