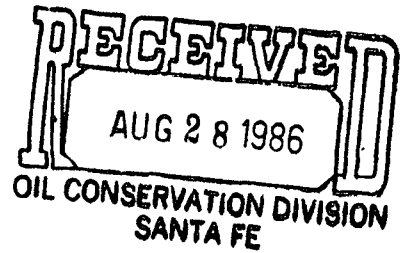


FIRST JUDICIAL DISTRICT COURT  
COUNTY OF SANTA FE  
STATE OF NEW MEXICO



JOHN ETCHEVERRY,

Plaintiff,

vs.

No. SF 86-1509(c)

SAGE OIL COMPANY, a Texas  
Corporation, STATE LAND OFFICE,  
and OIL CONSERVATION DIVISION,

Defendant.

ANSWER OF DEFENDANT SAGE OIL COMPANY

COMES NOW, Defendant Sage Oil Company, and for its answer to the Complaint filed herein states:

1. Upon information and belief Defendant admits the allegations contained in paragraph 1 of the Complaint herein.
2. Defendant denies the allegations contained in paragraph 2 of the Complaint herein and states that it is a partnership duly organized under the laws of the State of Texas.
3. Upon information and belief Defendant admits the allegations contained in paragraph 3 of the Complaint herein.
4. Upon information and belief Defendant admits the allegations contained in paragraph 4 of the Complaint herein and further states upon information and belief that the Oil Conservation Division of the Energy and Minerals Department of

the State of New Mexico also maintains offices in Aztec, Artesia and Hobbs, New Mexico.

5. Defendant admits that it is engaged in the transaction of business in Lea County, New Mexico. This business involves the disposal of salt water produced in conjunction with oil and gas operations in the State of New Mexico. Except as specifically admitted herein, Defendant denies each and every remaining allegation of paragraph 5 of the Complaint herein.

#### ANSWER TO COUNT I

6. Defendant reasserts and incorporates by reference as though fully set forth herein each and every response set forth in paragraphs 1 through 5 of its answer to the Complaint herein.

7. Defendant admits that since 1983 it has been engaged in the business of disposing of produced waters into the San Andreas Formation through its Shell State SWD Well No. 1 and admits that this injection is authorized by New Mexico Oil Conservation Division Order No. R-7150 and that Defendant is the holder of a Salt Water Disposal Easement No. SWD-01-04. Except as specifically admitted herein, Defendant denies each and every allegation contained in paragraph 7 of the Complaint herein.

8. Defendant admits that at the time of applying for its salt water disposal easement it was aware of two wells from which it would dispose of water into the Shell State SWD Well No. 1. Defendant further admits that it is engaged in the business of disposing of water produced in conjunction with oil and gas

operations through this well. Defendant further admits that none of the produced water disposed of in the Shell State SWD Well No. 1 is obtained from lands appurtenant to or located on Section 32, Township 14S, Range 23E. Except as specifically admitted herein, Defendant denies each and every remaining allegation contained in paragraph 8 of the Complaint herein.

9. Defendant is without sufficient information to form an opinion as to the truth of the allegations contained in paragraph 9 of the Complaint herein and therefore denies those allegations.

10. Defendant is without sufficient information to form an opinion as to the truth of the allegations contained in paragraph 10 of the Complaint herein and therefore denies those allegations.

11. Defendant is without sufficient information as to form a belief as to the truth of the allegations contained in paragraph 11 of the Complaint herein and therefore denies those allegations.

12. Defendant admits that it has injected water produced in conjunction with oil and gas operations in the State of New Mexico into its Shell State SWD Well No. 1. Except as specifically admitted herein, Defendant denies each and every allegation contained in paragraph 12 of the Complaint herein.

13. Defendant denies the allegations contained in paragraph 13 of the Complaint herein.

14. Defendant denies the allegations contained in paragraph 14 of the Complaint herein.

15. Defendant denies the allegations contained in paragraph 15 of the Complaint herein.

#### ANSWER TO COUNT II

16. Defendant reasserts and incorporates by reference as though fully set forth herein each and every response set forth in paragraphs 1 through 15 of its answer to the Complaint herein.

17. Defendant admits that from 1983 to date it has engaged in the business of disposing of water produced in conjunction with oil and gas operations in the State of New Mexico into its shell state SWD Well No. 1. Except as specifically admitted herein each and every remaining allegation contained in paragraph 17 of the Complaint herein is specifically denied.

18. Defendant denies the allegations contained in paragraph 18 of the Complaint herein.

19. Defendant denies the allegations contained in paragraph 19 of the Complaint herein.

#### ANSWER TO COUNT III

20. Defendant reasserts and incorporates by reference as though fully set forth herein each and every response set forth in paragraph 1 through 19 of its answer to the Complaint herein.

21. Defendant denies the allegations contained in paragraph 21 of the Complaint herein.

ANSWER TO COUNT IV

22. Defendant reasserts and incorporates by reference as though fully set forth herein each and every response set forth in paragraphs 1 through 21 of the Complaint herein.

23. Defendant denies the allegations contained in paragraph 23 of its answer to the Complaint herein.

FIRST AFFIRMATIVE DEFENSE

Plaintiff has failed to state a claim upon which relief can be granted.

SECOND AFFIRMATIVE DEFENSE

The Complaint on file herein is barred for failure to exhaust administrative remedies.

THIRD AFFIRMATIVE DEFENSE

The Complaint on file herein is barred as a collateral attack upon the administrative order of the State of New Mexico.

FOURTH AFFIRMATIVE DEFENSE

The Complaint on file herein is barred by the applicable statute of limitations.

FIFTH AFFIRMATIVE DEFENSE

The claims set forth in the Complaint herein are barred by the doctrine of laches.

SIXTH AFFIRMATIVE DEFENSE

The claims set forth in the Complaint herein are barred by the equitable doctrine of estoppel.

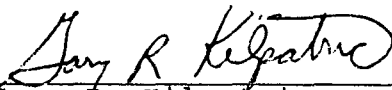
SEVENTH AFFIRMATIVE DEFENSE

The claims set forth in the Complaint herein are barred by the doctrine of res judicata.

WHEREFORE, Defendant Sage Oil Company prays that plaintiff take nothing and gain no relief from the allegations contained in its Complaint and Defendant Sage Oil Company prays for such other and further relief as the Court may deem just and proper.

Respectfully submitted,


MONTGOMERY & ANDREWS, P.A.

By   
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Gary R. Kilpatrick  
W. Perry Pearce  
Galen M. Buller  
Post Office Box 2307  
Santa Fe, New Mexico 87504-2307  
(505) 982-3873

Attorneys for Defendant Sage Oil  
Company

CERTIFICATE OF SERVICE

I hereby certify that I caused to be mailed a true and correct copy of the foregoing Answer of Defendant Sage Oil Company to J. W. Neal, Esquire, Neal & Neal, P.C., Post Office Box 278, Hobbs, New Mexico 88240; Michael R. Comeau, Esquire, Stephenson, Carpenter, Crout & Olmsted, Post Office Box 669, Santa Fe, New Mexico 87504-0669; Jeffrey Taylor, Esquire, Oil Conservation Division, New Mexico Energy and Minerals Department, Post Office Box 2088, Santa Fe, New Mexico 87504-2088; and Louhanna M. Walker, Esquire, New Mexico State Land Office, Attorney for Commissioner of Public Lands, Post Office Box 1148, Santa Fe, New Mexico 87504-1148 on this 27th day of August, 1986.

  
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Gary R. Kilpatrick

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