

DEC 13 1982

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December 9, 1982

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REPLY TO SANTA FE OFFICE

Mr. Richard L. Stamets
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Sage Oil Company - Case No. 7738

Dear Mr. Stamets:

I am writing this letter on behalf of Sage Oil Company, the applicant in the above referenced case, in response to the proposed findings submitted by John E. Etcheverry in opposition to the application in this case.

In paragraph 2 of those proposed findings, Etcheverry states that the applicant had "two unspecified wells that were capable of producing in the Saunder Permo Upper Penn Field which would each produce approximately 150 barrels of water per day." Actually, testimony was taken and evidence was introduced and admitted identifying the two wells in question and establishing the fact that they produced an excess of 2200 barrels of water per day. If these wells were actually producing merely 300 barrels of water per day each, Sage Oil Company would have no need to apply for approval of a salt water disposal well as it would be economical to haul out that volume of water by truck.

Paragraphs 3 and 4 of Etcheverry's proposed findings state that Sage Oil Company failed to show that the proposed disposal well was the closest reasonably available location at which to dispose of the water in question and that Sage Oil Company had failed to show that no other existing disposal well or disposal system was economically available to it. I am not aware that either of these two findings are required in order for approval of this application. However, there was testimony that Sage Oil Company had made arrangements with another entity to use another

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disposal well until it became full and that arrangement was terminated. Furthermore, there was testimony that this was the closest and best available location.

Mr. Etcheverry's proposed findings and order would require Sage Oil Company to recement the well belonging to Sage Energy Company. These are two completely different entities and Sage Oil Company has no interest in the Sage Energy Company's State of New Mexico Well No. 2 which Etcheverry would require be cemented. Furthermore, it should be noted that this well is on the very perimeter of the review area and it is highly unlikely that cementing would be required in any case.

In light of the fact that Sage Oil Company has provided the information required for approval of its application to dispose of salt water produced in the Saunder Permo Upper Penn Field into the Shell-State No. 1-SWD Well at a maximum rate of 3000 barrels of salt water per day and that Mr. Etcheverry failed to show how his interest as a surface lessee would be damaged by the approval of this application, I request that the application be approved as submitted.

Very truly yours,


Gary R. Kilpatrick

GRK:cs
8555-82-1
cc: W. Thomas Kellahin, Esquire
Mr. John W. Mulloy