

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

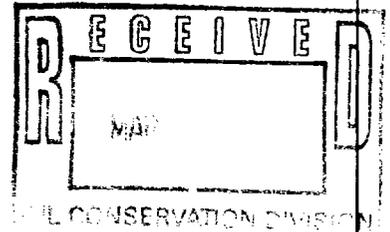
OIL CONSERVATION DIVISION

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

CASE NO. 11,487

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION ON ITS OWN)
MOTION TO PERMIT THE OPERATOR, SCHWARTZ)
CARBONIC COMPANY, FEDERAL INSURANCE)
COMPANY, AND ALL OTHER INTERESTED)
PARTIES TO APPEAR AND SHOW CAUSE WHY A)
CERTAIN WELL IN HARDING COUNTY, NEW)
MEXICO, SHOULD NOT BE PROPERLY PLUGGED)
AND ABANDONED)

ORIGINAL



REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

March 7th, 1996

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, March 7th, 1996, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

March 7th, 1996
 Examiner Hearing
 CASE NO. 11,487

PAGE

DIVISION WITNESS:

ROY JOHNSON

Direct Examination by Mr. Carroll	4
Examination by Examiner Stogner	8

REPORTER'S CERTIFICATE	13
------------------------	----

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	8
Exhibit 2	7	8
Exhibit 3	7	8
Exhibit 4	5	8

* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
 Attorney at Law
 Legal Counsel to the Division
 2040 South Pacheco
 Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 1:09 p.m.:

3
4
5
6
7
8 EXAMINER STOGNER: At this time I'll call Case
9 Number 11,487, which is in the matter of the hearing called
10 by the Oil Conservation Division on its own motion to
11 permit the operator, Schwartz Carbonic Company, Federal
12 Insurance Company, and all other interested parties to
13 appear and show cause why a certain well in Harding County,
14 New Mexico, should not be properly plugged and abandoned in
15 accordance with our rules and procedures.

16 At this time I'll call for appearances.

17 MR. CARROLL: May it please the Examiner, my name
18 is Rand Carroll and I'm here representing the New Mexico
19 Oil Conservation Division.

20 I have one witness that needs to be sworn in.

21 EXAMINER STOGNER: Any other appearances?

22 Will the witness please stand to be sworn at this
23 time?

24 (Thereupon, the witness was sworn.)

25 EXAMINER STOGNER: Mr. Carroll?

1 Johnson's qualifications.

2 EXAMINER STOGNER: Mr. Johnson is so qualified.

3 Q. (By Mr. Carroll) Mr. Johnson, are you familiar
4 with the well that is the subject matter of Case 11,487?

5 A. I am.

6 Q. And this well is the De Baca Well Number 2?

7 A. Yes, sir.

8 Q. And the operator was Schwartz Carbonic?

9 A. Yes, sir.

10 Q. Mr. Johnson, will you please give the Examiner a
11 brief history of this well from the time it was drilled to
12 its current condition today?

13 A. This well was drilled back in -- started back in
14 1937. And if I can skip ahead in Exhibit Number 4, all of
15 the historic correspondence are contained within Exhibit
16 Number 4.

17 And it should be noted that on the second page of
18 this exhibit that this well has been brought to hearing
19 once before, in 1945. January 30th, 1945, to be precise.
20 And it appears that the well was drilled without a plugging
21 bond, and therefore a plugging bond was issued or, in the
22 alternative, to post a bond.

23 Subsequently, this well has gone through numerous
24 correspondent levels over the last fifty years with the
25 State of New Mexico Oil Conservation Division, and there

1 have been numerous problems in the past with this well.

2 Most of them ended in about 1954, 1955.

3 And somehow or other this well has kind of
4 slipped through our cracks, because Schwartz Carbonic has
5 not been in business for over 20 years. It was taken over
6 by Amerigas, and this well somehow or another did not get
7 included with the transfer.

8 Q. Mr. Johnson, what is the current condition of the
9 well, that it needs plugging at this time?

10 A. The current condition of the well is the first
11 page on Exhibit 1, which also contains the only OCD well
12 file records on the well.

13 This well didn't even -- I didn't even know this
14 well existed until we started to clean up the CO₂ plant
15 under our environmental rules and regulations. And upon
16 moving all of the debris around this plant, a lot of it,
17 big steel items that were involved in the dry ice facility,
18 we discovered this well, and we never knew -- I never knew
19 it was there until the plant site cleanup began.

20 And currently this well has got 2 and 3- -- that
21 should be 2 3/8 BUT tubing, cemented in the wellbore.
22 Exhibit Number 1 shows it 2 3/4; it's 2 3/8. And it has a
23 valve, ball valve on top, which is currently leaking and
24 venting CO₂ to the atmosphere.

25 Q. So, Mr. Johnson, in your opinion would the

1 plugging of this well prevent waste, protect correlative
2 rights and/or protect public health and the environment?

3 A. It would.

4 Q. Mr. Johnson, have any attempts been made to
5 locate the operator of this well?

6 A. As I stated earlier, Schwartz Carbonic has not
7 been in business for 20 years, over 20 years, and --

8 Q. Mr. Johnson, was a plugging bond eventually
9 placed on this well?

10 A. From the records contained from our bonding
11 office, it appears that a blanket plugging bond is still in
12 effect on this well. These -- Refer you to Exhibits 2 and
13 3.

14 MR. CARROLL: Mr. Examiner, I'll refer you to
15 Exhibit Number 3. This is a copy of the Application that
16 was sent to Schwartz Carbonic Company and the Federal
17 Insurance Company.

18 Federal -- The notice sent to Federal was
19 accepted, and what was funny was that the notice sent to
20 Schwartz Carbonic was accepted by somebody. We are of the
21 opinion that this P.O. box was assumed by somebody else and
22 they just signed for it because it was delivered to their
23 P.O. box, but the information we have is that Schwartz
24 Carbonic has been out of business for 20 years.

25 And with that I offer what have been marked OCD

1 Exhibits Numbers 1 through 4 into the record.

2 EXAMINER STOGNER: Exhibits 1 through 4 will be
3 admitted at this time.

4 MR. CARROLL: And that's all I have in this case,
5 Mr. Examiner.

6 EXAMINATION

7 BY EXAMINER STOGNER:

8 Q. Mr. Johnson, did we get the letter from Schwartz
9 Carbonic back in any way, form or fashion yet?

10 A. Not the letter. What we got was the return
11 receipt card from the registered mail.

12 Q. And when you said that this well was discovered
13 because there were -- who was cleaning up the old ice
14 plant --

15 A. It's another company by the name of Arico, who
16 basically obtained the dry ice plants and facilities, not
17 the wells, but the dry ice plant and facilities from
18 Amerigas.

19 Q. And what was the wellbore? Just laying under
20 some debris or something?

21 A. Yes.

22 Q. And is that tubing sticking out of the ground, or
23 does it have a cap or anything on it?

24 A. The tubing comes up to about 24 to 32 inches out
25 of the ground, and there's a small ball valve on it.

1 Q. Okay.

2 A. The well presently has got about 15 pounds of
3 pressure.

4 Q. Do you have any estimate of what the flow was
5 when you opened up that ball valve?

6 A. It would probably make 5000 cubic feet a day.
7 And it would not bleed down.

8 Q. Who took over the Schwartz Carbonic wells?

9 A. Amerigas.

10 Q. Amerigas. But Amerigas doesn't own this one,
11 or --

12 A. No, this well never -- We never got a C-104 for
13 transfer of ownership on this well.

14 Q. Does Amerigas still operate out there?

15 A. No, no.

16 Q. Nobody operates those old wells? Were they all
17 plugged and abandoned?

18 A. Amerada Hess picked up the leases and the wells,
19 and Amerada Hess plugged all of the wells in that area that
20 they obtained from Amerigas.

21 Q. So there is no production whatsoever out there
22 anymore?

23 A. Not on this particular lease.

24 Q. Who has the CO₂ rights in this area?

25 A. To the best of my knowledge, no one. Amerada

1 Hess gave the leases basically back to the rancher.

2 Q. Okay. Do you have a proposed plugging program
3 for this well?

4 A. The proposed plugging program that I'd like to
5 propose would be on the bottom of page one of Exhibit 1,
6 and that would just be to run in the hole with 30 to 40
7 feet of one-inch pipe and pump 75 sacks of cement or until
8 circulation has been achieved.

9 This well has gone through a lot of workovers in
10 the past 50 years, especially from 1937 to 1945. Our
11 records on this well are not very good, and this is
12 probably the best, simplest and cheapest plugging program I
13 can come up with.

14 If I were to try to retrieve a lot of these
15 casings that have not been cemented in the ground, and
16 especially with the nature of CO₂, I believe that we would
17 probably end up spending over \$100,000.

18 Q. Is there any water intervals above the CO₂ in
19 this area?

20 A. Yes, there is.

21 Q. At what -- essentially what depth?

22 A. Also the windmills in this area are 45 to 90 feet
23 deep.

24 Q. Any deeper freshwater horizons?

25 A. No, most of the formations are too tight.

1 Q. Is there any water wells around this one?

2 A. Yes.

3 Q. About how far, roughly?

4 A. I have one particular water well that's probably
5 within a thousand feet, and they also had another water
6 well for the plant facility that was probably within a
7 hundred feet of this well.

8 Q. Any indications that CO₂ has leaked into that
9 water interval?

10 A. Fifteen years ago, yes.

11 Q. Was there --

12 A. Present day, no.

13 Q. Present day, no.

14 Was that from, I assume, other wells in the
15 area --

16 A. That was from -- Yes, sir.

17 EXAMINER STOGNER: -- that have been plugged and
18 abandoned?

19 Okay. Do you have any other questions of this
20 witness?

21 MR. CARROLL: That's all I have, Mr. Examiner.

22 EXAMINER STOGNER: Okay, does anybody else have
23 any questions of Mr. Johnson?

24 Thank you, Mr. Johnson, you may be excused at
25 this time.

1 Do you have anything further, Mr. --

2 MR. CARROLL: That's all I have your Honor.

3 EXAMINER STOGNER: -- Carroll?

4 If there's nothing further in this matter, this
5 case will be taken under advisement.

6 (Thereupon, these proceedings were concluded at
7 1:20 p.m.)

8 * * *

9

10

11

12

13

14

15

16

17

18

19

20

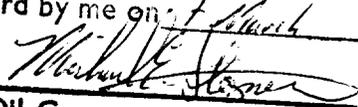
21

22

23

24

25

**I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 11487,
heard by me on 7 March 1996.**

**Michael E. Stogner, Examiner
Oil Conservation Division**

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL March 20th, 1996.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998