

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. 11,799

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION ON ITS OWN)
MOTION TO PERMIT THE OPERATOR, JACK F.)
GRIMM, N.B. HUNT, GEORGE R. BROWN AND AM)
ARCTIC, LTD., AND ALL OTHER INTERESTED)
PARTIES TO APPEAR AND SHOW CAUSE WHY THE)
MOBIL-32 WELL NO. 1, LOCATED 1315 FEET)
FROM THE NORTH AND WEST LINES (UNIT D))
OF SECTION 32, TOWNSHIP 25 SOUTH, RANGE)
1 EAST, DONA ANA COUNTY, NEW MEXICO,)
SHOULD NOT BE PLUGGED AND ABANDONED IN)
ACCORDANCE WITH A DIVISION-APPROVED)
PLUGGING PROGRAM)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

June 12th, 1997

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, June 12th, 1997, 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

June 12th, 1997
 Examiner Hearing
 CASE NO. 11,799

PAGE

DIVISION WITNESS (Present by telephone):

D. RAY SMITH (Field Rep II,
 Artesia District Office, NMOCD)

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REPORTER'S CERTIFICATE 15

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	9	14
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Exhibit 3	13	14

* * *

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 11:00 a.m.:

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6 EXAMINER CATANACH: At this time I'll call Case
7 Number 11,799, which is in the matter of the hearing called
8 by the Oil Conservation Division on its own motion to
9 permit the operator, Jack F. Grimm, N.B. Hunt, George R.
10 Brown and AM Arctic, Ltd., and all other interested parties
11 to appear and show cause why the Mobil-32 Well Number 1,
12 located 1315 feet from the north and west lines (Unit D) of
13 Section 32, Township 25 South, Range 1 East, Dona Ana
14 County, New Mexico, should not be plugged and abandoned in
15 accordance with a Division-approved plugging program.

16 I'll call for appearances at this time.

17 MR. CARROLL: May it please the Examiner, my name
18 is Rand Carroll, appearing on behalf of the Oil
19 Conservation Division, and I have one witness to be sworn.

20 EXAMINER CATANACH: I'll call for other
21 additional appearances.

22 There being none, I will ask the witness to stand
23 and be sworn in at this time.

24 (Thereupon, the witness was sworn.)

25 EXAMINER CATANACH: You may proceed, Mr. Carroll.

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D. RAY SMITH,

the witness herein, after having been first duly sworn upon his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. CARROLL:

Q. Mr. Smith, will you please state your name for the record?

A. My name is Ray Smith.

Q. And who are you employed by?

A. I'm employed by the Oil Conservation Division in the Artesia Office as a Field Rep II.

Q. And what are your duties as an employee of the Division?

A. I'm a field representative. I plug wells, inspect, so on.

Q. And are you familiar with the subject matter of the well in this case?

A. Yes, sir.

Q. And have you testified before the Division before regarding the plugging of abandoned oil and gas wells?

A. Yes, I have.

Q. And were your credentials accepted at that time?

A. Yes, sir, they were.

MR. CARROLL: Mr. Examiner, is Mr. Smith's credentials acceptable?

1 EXAMINER CATANACH: Mr. Smith is so qualified,
2 and I would like the record to further record that Mr.
3 Smith is testifying by telephone from the Artesia District
4 Office in Artesia.

5 Q. (By Mr. Carroll) Mr. Smith, will you please give
6 the Examiner a brief history of this well?

7 A. Yes, sir. Mr. Examiner, I'll begin -- This is
8 quite a lengthy little report on this thing, but the Grimm,
9 Hunt, Brown and AM Arctic Mobil State 32 Number 1, Section
10 32, Township 25 South, Range 1 East in Unit Letter D was
11 spud October 2, 1972.

12 They set 302 feet of 20-inch casing and cemented
13 with 1000 sacks and circulated to surface. They drilled a
14 17-1/4-inch hole to 2860 feet and set 2860 feet of 13-3/8
15 casing, cemented with 1156 sacks of cement, estimated top
16 of cement at 1550 feet.

17 They then drilled a 12-1/4-inch hole to 10,279
18 feet, where they then changed over and drilled 11-inch hole
19 to 11,400 feet.

20 On December 30, 1972, they ran 10,861 feet of
21 9-5/8 casing and cemented with 1000 sacks of Class A
22 cement. Estimated top of cement is 7091 feet.

23 On February 20, 1993, this office received an APD
24 to deepen this well to 20,000 feet.

25 Q. Mr. Smith?

1 A. Yes, sir?

2 Q. Is that date correct, 1993? Or is that 1973?

3 A. Excuse me, 1973.

4 Q. Okay, go on.

5 A. Okay. We have no subsequent report from Grimm
6 Oil Company on the drilling of this hole, but a letter from
7 Mr. Grimm to Mr. Bill Grissitt, OCD office in Artesia, that
8 the well was drilled to 21,759 feet.

9 However, because of equipment lost in the hole,
10 they were forced to sidetrack junk in the hole at 20,688
11 feet, and the new hole reached a TD of 20,767 feet. Plans
12 were at that time to deepen to the hole to 22,500 feet.

13 Q. Was the hole ever deepened to 22,500?

14 A. We have no record of that.

15 Q. Okay.

16 A. Permission was granted on August 3, 1973, to
17 temporarily abandon the hole for a period not to exceed six
18 months, and 100-sack cement plug was spotted at 11,000
19 feet, and the hole was abandoned.

20 An extension was asked for May 21, 1976, and
21 granted by Mr. Grissitt June 8th, 1976, and was to expire
22 October 1 of 1976.

23 And our file contains a note from the Division
24 Director of the NMOCD, Mr. Dick Stamets, dated January 22,
25 1980 to Mr. Grissitt, that Grimm had lost his lease, and I

1 quote, Mr. Stamets, we now need to move to have this well
2 properly PA'd or returned to active drilling status.

3 Mr. Grissitt wrote Mr. Grimm on March 14, 1980,
4 stating, Since there had been no reply to the previous
5 letter of October 19, 1979, I am referring this matter to
6 our attorney in Santa Fe to schedule a hearing.

7 Mr. Grimm wrote Mr. Grissitt March 17, 1980,
8 saying that he was no longer operator of the said well.
9 The present operator is Mr. George Brown of Highland
10 Resources, Inc., 800 San Jacinto Boulevard, Houston, Texas.

11 On March 24, 1980, this office received notice of
12 hearing set for 9:00 a.m., April 9, 1980, for Case Number
13 6850.

14 On March 28, 1980, Mr. Grimm -- excuse me, Mr.
15 Grissitt wrote to Ernest Padilla, General Counsel, in Santa
16 Fe, stating that Mr. I.W. Norman with Highland Resources
17 had called and said they did not want to plug the well but
18 hold it for geothermal possibilities.

19 On April 1, 1980, Mr. Isaac Norman, for George R.
20 Brown, wrote Mr. Grissitt stating Mr. Grimm's desires to
21 remain as the operator of this well. Also on April 1,
22 1980, Mr. Grimm wrote Mr. Grissitt, confirming this, and
23 said he would like to keep the well in its present status
24 for another 12 months.

25 On April 3, 1980, Mr. Padilla wrote Mr. Grimm

1 stating that with proper bonding he might could possibly
2 dismiss the case for one year.

3 On April 22, 1980, Mr. Padilla called Mr.
4 Grissitt and said he would dismiss the case for six months.

5 June 4, 1993, I wrote Mr. Grimm asking for a
6 subsequent report on the status of this well, and he did
7 not respond to my letter.

8 On April 2, 1996, I wrote Mr. Grimm, giving him
9 our Rule 201 A, 201 B, again asking him for a status report
10 on the well, and he did not respond at all.

11 Also on April 2, 1996, I wrote to Mr. George
12 Brown with Highland Resources, who are partners in the
13 well, and my letter was returned.

14 June 24, 1996, I wrote Mr. Grimm again. I again
15 sent him Rule 201 A and B in regard to abandoned wells. I
16 informed him at that time, in order to bring the well into
17 compliance we would at least need to test the casing, and I
18 scheduled an MIT test for August 1, 1996, and I asked for
19 someone to call me. I have had no response.

20 On August 22, 1996, upon instructions from my
21 supervisor, I wrote our legal counsel, Mr. Rand Carroll,
22 asking for a hearing.

23 Q. And that brings us up to the present?

24 A. That brings us to present.

25 MR. CARROLL: Mr. Examiner, if I can refer you to

1 what has been marked OCD Exhibit Number 1, all the
2 documentation that Mr. Smith was referring to is contained
3 in that Exhibit Number 1.

4 I also -- Although it's not in the well file, I
5 did find an order that was issued in 1983 regarding this
6 well and ordering Mr. Grimm and his partners in the well to
7 plug the well. Apparently there was no follow-up to that
8 order, but I will submit that order for you to take
9 administrative notice of.

10 And it is a different case number than that
11 referred to by Mr. Smith in his chronological history of
12 this well. Mr. Smith referred to a Case Number 6850. I'm
13 not sure what exactly happened to that case.

14 Q. (By Mr. Carroll) Mr. Smith, are you familiar
15 with the current condition of the well?

16 A. Yes, sir, Mr. Carroll. Last Friday on June 6th,
17 I made a trip over to the well and found the well to be
18 just sitting idle. They had removed the two-inch flange
19 valves from the Bradenhead. The casing is now sitting open
20 to the atmosphere. There has been a PA marker attached to
21 the surface, and the location has been ripped. But the
22 location is intact, it is usable, the road is in good
23 shape.

24 Q. What do you mean, the location was ripped?

25 A. They took a bulldozer with rippers on it and just

1 drove across it and ripped it up so it would re-seed?

2 Q. Okay, and they have a PA marker on the site?

3 A. Yes, sir.

4 Q. Mr. Smith, in your opinion is the plugging of
5 this well necessary to protect public health and the
6 environment?

7 A. Yes, sir.

8 Q. Is there any fresh water in the area?

9 A. I'm not aware or familiar with the area, so I
10 could not correctly answer that. The things that we are
11 concerned about is the fact that we have open hole across
12 two geothermal zones, one at 15,000 and one at 17,000, with
13 only a 100-sack cement plug at 11,000 between there and
14 surface.

15 Q. Have you worked up a proposal or a procedure as
16 to how you recommend that this well be plugged?

17 A. Yes, sir, I have.

18 Q. And is that contained in Exhibit Number 1 as
19 pages 2 and 3?

20 A. Yes, sir.

21 Q. Will you tell the Examiner how you propose that
22 this well be plugged?

23 A. First off, I feel that we probably should go in
24 and tag the 9-5/8 casing, a plug in the 9-5/8 casing shoe
25 at 10,861.

1 Also then, come on uphole and spot a plug at 7861
2 feet, spot a plug at 4861 feet, a plug at 3944 feet, then
3 we prefer to perforate the 9-5/8 casing at 2910 feet and
4 squeeze, leaving a 100-foot plug behind the pipe and 100
5 foot inside the pipe and tag that plug.

6 We then would come uphole to the 9-5/8 casing
7 shoe, 50 feet below it, and perforate the 9-5/8 and the
8 13-3/8 casing, and by use of a side-kicker sub on a gun we
9 should be able to perforate both strings. Then we could
10 fill up the casing on the back side and leaving the inside
11 full at the same time.

12 Q. And what are you going to do with the hole below
13 10,861 feet?

14 A. We're not going to touch it. We don't want to
15 drill that 100-sack plug at the casing shoe with those
16 geothermal zones below us.

17 Q. Okay. Have you spoken to the OCD's resident
18 geothermal expert regarding the plugging of this well?

19 A. Yes, sir, I have.

20 Q. And did he agree with your proposed plugging
21 procedure?

22 A. As far as I know. He did agree that we did not
23 need to touch that plug at 11,000 feet.

24 Q. And who is this expert we're speaking of?

25 A. Mr. Roy Johnson.

1 Q. It sounds like this hole is going to be expensive
2 to plug.

3 A. We were just visiting about that this morning.
4 We feel like that a conservative estimate would be \$30,000.

5 Q. That includes all the mobilization charges and --

6 A. We feel that we could do it for that. This, like
7 I say, may be very conservative.

8 Q. And there are plugging contractors in the
9 southeast that are capable of moving a rig over there and
10 plugging it to your satisfaction?

11 A. Yes, sir.

12 Q. Mr. Smith, are you aware of a bond for this well?

13 A. What our file shows on that is the bonds have
14 been canceled.

15 MR. CARROLL: Mr. Examiner, I'll refer you to
16 what has been marked OCD Exhibit Number 2. The well file
17 does show that the bond was canceled, but Ms. Diane
18 Richardson with the OCD office, who's the bond
19 administrator, did locate a current \$10,000 blanket bond
20 issued by Travelers Indemnity Company to Mr. Grimm and his
21 partners that would cover this well.

22 Q. (By Mr. Carroll) Mr. Smith, you have not had any
23 luck contacting Mr. Grimm or any of his partners to try to
24 get this well plugged?

25 A. I've had no response at all from anyone.

1 Q. Did you get any return receipts showing that they
2 received letters that you sent to them?

3 A. Yes, sir, I did, Highland Resources and Mr.
4 Grimm.

5 Q. And those letters are contained in Exhibit Number
6 1. If I can refer the Examiner to what has been marked OCD
7 Exhibit Number 3, is the affidavit and notice that was sent
8 to Mr. Grimm and Travelers Indemnity Company regarding this
9 well. I also attempted to obtain an address and send
10 notice to Mr. George Brown, because he seemed to be the
11 principal partner of Mr. Grimm's in this well, but I was
12 informed by Mr. Grimm's office that Mr. Brown had passed
13 away. So I did not send a letter to Mr. Brown. And it
14 appears that Mr. Grimm has been acting on these partners'
15 behalf from the very beginning.

16 THE WITNESS: Excuse me, Mr. Carroll.

17 MR. CARROLL: Go ahead.

18 THE WITNESS: The letter from -- to Mr. Brown had
19 been returned to me unopened, excuse me. Correct that.

20 Q. (By Mr. Carroll) Okay. So, Mr. Smith, it is
21 your opinion that the plugging of this well is now
22 necessary in order to prevent waste, protect correlative
23 rights and protect fresh water and/or protect public health
24 and the environment; is that correct?

25 A. That is correct, sir.

1 Q. Do you have anything else to add at this time?

2 A. I believe not.

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

4 EXAMINATION

5 BY EXAMINER CATANACH:

6 Q. Just a couple of questions, Mr. Smith. Do you
7 feel like we've given these operators adequate opportunity
8 to do something with this well?

9 A. Yes, sir, I do.

10 Q. And do you -- In your opinion, do you believe
11 that these operators are going to do anything with this
12 well?

13 A. I would rather kind of doubt it at this point.

14 EXAMINER CATANACH: Okay, I have nothing further.

15 MR. CARROLL: Mr. Examiner, I move what has been
16 marked OCD Exhibits Number 1 through 3 into evidence.

17 EXAMINER CATANACH: Exhibits 1 through 3 will be
18 admitted as evidence.

19 MR. CARROLL: And that's all I have.

20 EXAMINER CATANACH: Okay. There being nothing
21 further in this case, Case 11,799 will be taken under
22 advisement.

23 (Thereupon, these proceedings were concluded at
24 11:15 a.m.) a complete record of the proceedings in
the Examiner hearing of Case No. 11799,

heard by me on June 12 1987.

25 * * * *Donald H. Catnach* Examiner

Oil Conservation Division

STEVEN T. BRENNER, CCR
(505) 989-9317

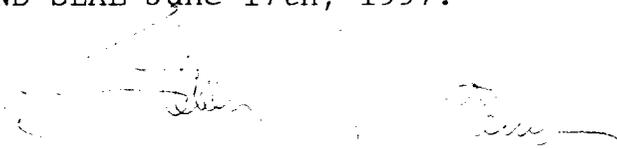
CERTIFICATE OF REPORTER

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 June 17th, 1997.


 STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998