

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
MAY 31, 1978

COMMISSION HEARING

IN THE MATTER OF:

Case 6234

Hearing called by the Oil Conservation Commission on its own motion to permit Corinne Grace, the Travelers Indemnity Co., to appear and show cause why wells should not be plugged and abandoned in accordance with a Division-approved plugging program.

Before: Joe Ramey, Chairman

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission:

Joe Ramey, Chairman
 Emory Arnold, Commissioner
 Phil Lucero, Commissioner
 Richard L. Stamets, Staff Member

Lynn Teschendorf, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

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MR. RAMEY: Call next case 6234. In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Corinne Grace, the Travelers Indemnity Company, and all other interested parties to appear and show cause why the following wells should not be plugged and abandoned in accordance with a Division-approved plugging progra.

In Lea County, several wells and in Eddy County, several wells.

I will ask for appearances at this time.

MS. TESCHENDORF: Lynn Teschendorf, appearing on behalf of the Commission. I have two witnesses.

MR. RAMEY: Any other appearances? Let the record show no other appearances. I will ask the witnesses to stand and be sworn at this time.

(WHEREUPON, the witness were duly sworn.)

JERRY SEXTON

the witness herein, having been previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MS. TESCHENDORF:

Q Would you state your name, by whom you're employed and in what capacity, please?

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A Jerry Sexton, District I Supervisor for the New Mexico Oil Conservation Division.

Q Have you previously testified before the Commission and are your credentials a matter of record?

A Yes.

Q Do your duties as district supervisor include making recommendations to the Commission as to when wells should be plugged and abandoned?

A Yes.

Q Are you familiar with the subject matter of this case, 6234?

A Yes.

MS. TESCHENDORF: Is the witness considered qualified?

MR. RAMEY: He is considered qualified.

Q (By Ms. Teschendorf) Have you reviewed all the reports filed with the Commission concerning the wells in Lea County?

A Yes.

Q Would you please refer to the records for the Texas Pacific AH State Well No. 1 and summarize its history?

A The well was originally drilled to Bow B in

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early 1966 and then recomplated to the Ranger in 1971, then plugged in 1972.

In '75 a C101 and C102 were received by the Oil Conservation Division by Corinne Grace to reenter this well.

On October 23, 1975 the approval was rescinded because no work had been done. But on field inspection of the well, the well has been reentered.

Q Is there any possibility that hydro-carbons can escape from the strata in which they are found, into other strata?

A Yes, we're not sure what was drilled out and what wasn't drilled out. But there is a possibility of escape.

Q Is there any fresh water in this area?

A Yes.

Q Would you please refer to what has been marked as Exhibit 1 and explain it to the Commission?

A It's a letter from the State Engineer's office showing the depth of the water level in this area. It ranges from 120 to 170 feet, down to 170 feet.

Q Please refer to what has been marked as Exhibits 2 through 5A and explain what each shows?

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A Exhibit 2 shows the well head with water leaking into the cellar. It is causing contamination at this time and a steady stream is flowing into the surface ground water.

Number 3 is a well head that shows it's not capped and the fluid standing at the top, and in very poor condition.

Number 4 just shows a picture of the pit that's been there for some time. It is fenced. And it shows the well head which isn't covered. And there is a possibility of livestock getting into it.

Number 5 is a different picture showing the water in the cellar.

Number 6 also.

%a is a newer picture showing a steady stream of water going into the cellar.

Q Do these photographs accurately depict conditions as they currently exist?

A Yes.

Q Have you tested the water leaking into the cellar?

A Yes.

Q Would you please refer to Exhibit 6 and

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explain its contents?

A We ran the chloride content of the water you see in the cellar and it came out 178,210 parts per million chloride. Which shows a high degree of salt saturation and probably is passing by the salt section.

Q Was this exhibit prepared by Commission personnel under your supervision?

A Yes.

Q What conclusion do you draw from this exhibit?

A Fresh water is undergoing contamination and that the well is in poor condition and needs to be plugged to prevent any further damage.

Q Please refer to Exhibit 7 and describe it?

A It shows the well schematic of the well and shows 4 1/2 casing had been shut at 2,300 feet, which is somewhere in the salt and 50 sacks to plug it on top of it. Then it shows the 13 3/8 casing at 345 feet, leaving all this area open for water flow. And this is probably where it's getting its high saturation of chlorides in the sample obtained.

Q Is it your opinion that this well poses a threat of contamination of fresh water or is actually being

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contaminated?

A Yes.

Q Is it your opinion that this well poses a danger to livestock or other property?

A Yes, in the present condition it's possible that livestock could be lost in it.

Q Would you please refer to Exhibit 8 and explain what it contains?

A It's a memorandum from the State Land Office showing when the lease expires and it is still good as far as the Graces--it doesn't expire until 1983, a term of ten years.

Q Can the operator of a well make any further use of it if the lease has been cancelled?

A No.

Q Does Corinne Grace have a bond?

A Yes.

Q Please refer to Exhibit 9 and describe that to the Commission?

A It's a \$50,000 blanket plugging bond issued to Corinne Grace through Travelers Indemnity Company of Connecticut and for such use if necessary to prevent--having someone plugging wells that need to be plugged.

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MS. TESCHENDORF: At this time I would like
ot offer Exhibits 1 through 9 into evidence.

MR. RAMEY: They will be admitted.

(WHEREUPON, Exhibits 1 through 9
admitted into evidence.)

MS. TESCHENDORF: That's all the questions
I have on this particular well. I don't know if the
Commission would like to ask questions after each well or
wait until the end of this witness' testimony.

MR. RAMEY: Let me ask a couple of questions.
Mr. Sexton, your Exhibit 6, TPAA State, should it be AH
State?

MR. SEXTON: Yes. It should be AH State.

MR. RAMEY: Now this well was drilled by
another operator?

MR. SEXTON: Yes.

MR. RAMEY: And subsequently you received
an intent, but you've never received any other paper work
to indicate what the operator did to the well?

MR. SEXTON: Right.

MR. RAMEY: So you have no idea what the
down hole conditions are except that the hole is full of
water and it's dripping water into the cellar?

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MR. SEXTON: Yes.

MR. RAMEY: Have you had any correspondence with Mr. Grace on this well?

MR. SEXTON: Yes, there's been numerous correspondence over the years.

MS. TESCHENDORF: We're going to get to that a little bit later.

Q (By Ms. Teschendorf) Would you please refer to the records for the Ranger Lake No. 1 and summarize the well's history?

A This well was drilled in 1966 by Corinne Grace to Ranger Lake with a TD of 10,407. From the completion, February, 1967, nothing was received on the well until 1973, at which time a test allowable was asked for.

In June 17 and 28th, 1973, the well tested 12,861 barrels of water and 79 barrels of oil. And it hasn't been operated since then.

Q Is there any possibility that hydrocarbons can escape from the strata in which they are found, into other strata?

A Yes. It doesn't appear that there would be much hydrocarbon but there's always that possibility.

Q Would you please refer back to Exhibit 1 and

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tell me whether there's any fresh water in this area?

A Yes. This is a letter from the State Engineer's office and it does show that there is fresh water in the area and it goes down to a depth of 170 to 80 feet.

Q Would you please refer to what has been marked as Exhibit 10, 11 and 12 and explain what each shows?

A 10 shows a picture of a cellar and you can see the salt crust still on one side there. There's a slight seep coming out of the casing which allows some contamination of the area to be going on all the time.

11 shows it a little bit better where your connections are wet and shows a seep out of the well head.

12 shows the condition of the well head and the cellar which has boards off of it and is a hazard to livestock of the area.

Q Is it your opinion that the well poses a threat of contamination of fresh water?

A Yes. I think because the leak, not knowing the casing is in good shape, it definitely is causing contamination of fresh water.

Q Could it be a danger to livestock or other property?

A Yes, I think the open cellar could be.

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Q Referring to Exhibit 8 again, what is the status of this lease?

A It is a valid lease. It was issued February 18, 1974 and is extended. It is still currently their lease and it is a valid lease.

Q Would you now refer to Exhibits 13 through 17 and explain what each shows?

A 13 shows the tank battery and the associated equipment.

14 shows the old pit area, which although there's nothing in it, it is not necessarily good operations, it probably should be covered up.

15 is a another picture of the pit showing the OBS and not being fenced.

16 shows the tank battery which is not too much different than the normal oil field battery.

17 shows equipment. And in general these last three or four just show the equipment on location.

Q Do all these photographs, Exhibits 10 through 17 accurately depict conditions as they currently exist?

A Yes.

Q In your opinion has surface damage occurred

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in the area?

A Yes. There's been surface damage to the area that should be, probably restored. It doesn't appear as if they're going to use the equipment and they could restore it, it could be beneficial use.

MS. TESCHENDORF: At this time I offer Exhibits 10 through 17 into evidence. And that's all I have on this well.

MR. RAMEY: They will be admitted.

(Whereupon, Exhibit 10 through 17
admitted into evidence.)

MR. RAMEY: Mr. Sexton, what year was it that they did the test?

A MR. SEXTON: I believe that was in '73.

MR. RAMEY: '73?

MR. SEXTON: Yes, It was submitted on a C103.

MR. RAMEY: Since that time has there been any activity that you know of at the well?

MR. SEXTON: No.

MR. RAMEY: Would you consider the test of 12,861 barrels of water and 79 barrels of oil indicating that the well might be an economic venture?

MR. SEXTON: No, I don't believe it would be

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an economic venture.

MR. RAMEY: Do you know of any other productive horizons in the area that this well might be plugged back to?

MR. SEXTON: No.

MR. RAMEY: So your zone at 10,000 feet probably is the only productive zone that you know of?

MR. SEXTON: They tested the San Andres right beside it, but it was also, apparently from their producing records, uneconomical, so I don't think this would be any more economical in this well, than the offset wells.

Q (By Ms. Teschendorf) Would you please refer to the records for the Ranger Lake No. 3 and summarize the well history?

A Ranger Lake Well No. 3 was drilled by Corinne Grace in 1973 and completed as a San Andres well. In July of '73 a C103 was submitted and the well produced 40 barrels of oil and 63 barrels of water in eight days.

August 2, 1973 a C103 showing the well was shut in, was submitted.

November 8, the C103 showing the well pumped 25 barrels of oil per day and 28 barrels of water per day

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was submitted, but the production didn't uphold that this was a good test, that there was no production on it, C115.

In June, '75 a C104 was approved for a test allowable for oil produced in '67 and '73. So to me, it produced two short periods. Once in '73 and once in '67. It's still in the tanks and it's not enough to be commercial.

MR. RAMEY: You say '73 and '67?

A Right. They tested it right after it was drilled and then never sold any oil. And then again in '73, and '75 we approved it.

MR. RAMEY: I thought you said it was drilled in '73?

A No, '67.

Q (By Ms. Teschendorf) Is there any possibility that hydrocarbons can escape from the strata in which they are found, into other strata?

A Yes.

Q Is there fresh water in this area?

A Yes.

Q And that again is obtained from looking at Exhibit 1, is it not?

A Right.

Q Would you please refer to what is marked as

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18 and 19 and explain what each shows?

A 18 shows a picture of the well with rods still in the well and it does show considerable junk on the location.

Exhibit 19 shows the condition of the cellar and well head. The boards are such that livestock could get in it and it is definitely not a good location.

Q Could this well pose a threat of contamination of fresh water?

A Yes.

Q Could it pose danger to livestock or other property?

A Yes. It's not fenced and the boards don't protect it from the livestock in the area.

Q This well is on the same lease as Ranger Lake No. 1, isn't it?

A Yes.

MS. TESCHENDORF: I would like to offer Exhibits 18 and 19.

MR. RAMEY: They will be admitted.

(WHEREUPON, Exhibits 18 and 19
admitted into evidence.)

Q (By Ms. Teschendorf) A great deal of

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correspondence has been exchanged concerning these three wells that we've been talking about. Could you summarize the course of that correspondence?

A Yes. In June, '72 the Oil Conservation Commission requested that these wells be plugged and abandoned due to non-production.

August 4th, '72, due to no reply of the previous letter the OCC requested the C103, showing plans for the well.

September 11, '72 the OCC requested an update of C115. May, 1, '73, OCC is setting show cause hearings.

In June 7, '73, a notice of hearing sent by the Oil Conservation Commission. June 28th, '73, orders R-4567 and R-4568 entered, ordering wells plugged or place back on production by September 30, 1973.

On 8-30-73, Grace asked for a 60 day extension on the Texas Pacific well. September 5, '73 the Oil Conservation Commission gave an extension until 10-1-73.

10-1-73 Grace asked for an extension until December 1, '73 on the Rarger Lake well. Oil Conservation Commission gave the requested extension.

On December 26, '73 the Oil Conservation

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Commission found the Ranger Lake wells non-productive and uneconomical and requested their plugging.

12-27-73 the Oil Conservation Commission made formal demands on Corinne Grace to plug the Ranger Lake wells.

On 1-22-74 Grace confirmed an extension until February 20 of 1974 to take care of the Ranger Lake well.

On 2-14-74 Grace requested a further 30 day extension. 2-22-74 the Oil Conservation Commission found the Ranger Lake Well No. 1 a hazard to livestock and requested cleaning up and filing a C103.

3-1-74 Grace reported Ranger Lake No. 3 pumping.

On 10-23-75 the Oil Conservation Commission rescinded permit to drill on the Texas Pacific well for failure to commence operation.

February 16, '76 the Oil Conservation Commission requested filing of forms on the Texas Pacific well. 2-25-77 the Oil Conservation Commission requested plugging of the Texas Pacific well that was leaking.

On 5-9-78 the Oil Conservation Commission again requested that all three wells be plugged.

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Q Okay. Exhibit 19A is all that correspondence that you have just summarized, is it not?

A Yes.

Q Is time a major factor in the development of casing leaks and failures?

A Yes, I think as long as the well is sitting there, the longer it sits the more likely you are to have casing deterioration. And the only way a well should be left is if there is going to be a future use for it. And it does not appear to be any future use for these wells. It definitely is a pressure up area in the wells that will cause water to float to the surface, so it's greater than normal circumstance for contamination to occur.

Q And the Commission has been trying to get these wells plugged or back on production for some six years now, has it not?

A Yes. You can see from the correspondence that on periodic dates that they were advised to be put back on production or plugged. And I think one hearing has already been approved for plugging and extensions were given, which nothing came out of. And we have the same situation today.

Q In your opinion are any of these three wells

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capable of producing at this time?

A No.

MS. TESCHENDORF: Do you have any questions on any of these three wells?

MR. RAMEY: Mr. Sexton, you say water in this area will come to the surface?

MR. SEXTON: Yes. It's leaking out at two of the wells, now.

MR. RAMEY: These seeps that are coming out of the casing, do you have any idea between what streams those are occurring?

MR. SEXTON: I think they're coming out the intermediate on one, on the Texas Pacific AH State, there's a leak in the 5/8. We just don't know the down hole conditions to determine exactly where it is. But it is coming out of the in stream at the surface, which we're not sure where it's coming from. But due to the salt saturation we feel like it's going by the salt section and coming back into it.

Q (By Ms. Teschendorf) Would you now refer to the records for the Punch No. 1 and summarize its history?

A This well is a San Andres well drilled by Corinne Grace. C101 and C102 forms were approved in

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February of 1974. The well was spudded in February 16, 1974.

On June 27th C103 was approved showing 140 feet of 13 3/8 casing had been set to shut off the water. But no record of this being cemented was submitted.

Also the C103 that was approved proposed to run 350 feet of 9 5/8 casing and cement it to the surface.

On 12-16-74 a C103 was received saying they planned to move a rig on location and continue drilling.

On 5-27-75 they ran 5 1/2 casing and cemented with 1,000 sacks. This apparently did not circulate so we've got the surface casing not cemented and the fresh water not protected. As our records show the surface casing was not set at a later date as was proposed in their C103, C101.

On 1-22-76 a C103 was received that they were going to perforate the well. To date, as far as our records show, it's just standing there and the casing hadn't been perforated that we know of.

Q Is there any possibility that hydrocarbons can escape from the strata in which they are found, into other strata?

A Yes.

Q Is there any fresh water in this area?

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A Yes. The letter from the State Engineer shows there is fresh water in the area.

Q Please refer to Exhibits 20 through 27 and describe what each shows?

A 20 shows the well head. As the report shows, it's just sitting there apparently not perforated, fluid standing in the well about four foot from the surface.

Exhibit 21 shows practically the same thing. They just have a bucket over the well head.

22 is a picture of the reserve pit showing some junk on location.

Exhibit 23 shows the reserve pit with tracks of animals walking into it.

Picture 24 or Exhibit 24 shows dead sheep in the pit. And since these pictures were taken, additional sheep have been lost.

Picture 25 shows the additional picture of livestock that has been lost in the reserve pit.

Picture 26 shows livestock animal tracks where they had walked into the pit.

27 is another picture of the reserve pit showing additional animals have been lost in it.

Q Do these photographs accurately depict

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conditions as they existed when you inspected the well in April?

A Yes.

Q What has occurred since then?

A Well, since that time the ranchers have gone in and covered the pit to prevent additional animal livestock loss into the pit. And he has taken care of this but it still needs additional work before it can--to restore the ground to its proper shape.

Q What does Exhibit 27A show?

A 27A shows the pit as it now is versus--in the pictures show it as it was in April.

Q Then in your opinion the danger to livestock is higher on this well?

A It has been. I don't think now it's not particularly high but it was not taken care of by the operator. Mr. Jones did it on his own expense.

Q Could this well pose a threat of contamination to fresh water?

A Yes, I think as it sit there, along with time there is a chance that contamination of fresh water could occur. Also the fresh water is not protected by casing.

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Q Referring back to Exhibit 8, what is the status of this lease?

A It has a term of ten years, which was issued October 1, 1973. So it still has considerable time left.

Q Who is the lease holder?

A To M. P. Grace.

Q To your knowledge when was the last work performed on this particular well?

A It was when the 5 1/2 inch casing was set in 5-27-75.

Q When did you last write Mrs. Grace concerning this well?

A 5-9-78.

MS. TESCHENDORF: I will offer Exhibits 20 through 27A into evidence at this time.

MR. RAMBY: They will be admitted. Mr. Sexton, you say there's no surface pipe in this well?

MR. SEXTON: There's 140 feet which was non-cemented. It was run as a--to shut off water with a cable tool right but no record was ever submitted showing that 350 feet, as proposed and sent in with the C103 was submitted, was ever set and cemented.

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MR. RAMBY: They have a 5 1/2 cemented into the well?

MR. SEXTON: Yes.

MR. RAMBY: How much cement was used on it?

MR. SEXTON: 1,000 sacks.

MR. RAMBY: Is that sufficient to circulate?

MR. SEXTON: I don't believe it is probably in this case, we don't have any temperature surveys or anything. But unless they were extremely careful going by the salt section I expect it came up somewhere in the salt.

MR. RAMBY: The ground waters in this area could be in communication with free zones or with brackish waters that are deeper?

MR. SEXTON: Yes.

MR. RAMBY: It could also be in communication with the salt section?

MR. SEXTON: Yes.

MR. RAMBY: Did you ever try to contact the Grace's about the condition of this pit that has all the sheep carcass in it?

MR. SEXTON: We had written to have them plug it but I'm sure they had been directly written until

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May 9 of this year that the sheep carcass were in there. And at that time we said it was a danger and hazard to livestock.

MR. RAMBY: Has the rancher in the area, when did he first contact you on this?

MR. SEXTON: We checked it out. I don't remember if it was--I think he contacted one of our field people. And we were back up there in April. I'm not sure when the loss of sheep did occur.

MR. RAMBY: The pit is not fenced?

MR. SEXTON: No. It is not fenced.

MR. RAMBY: This is a violation of one of our rules?

MR. SEXTON: Yes. It needs to be in a condition that livestock won't get in it.

MR. RAMBY: Have you ever considered bringing court action against Mrs. Grace to maintain the pit?

MR. SEXTON: Yes. But it is now covered and I think, to me, we need to get the wells plugged. It was a bad situation.

MR. RAMBY: Do you think we could be court action against Mrs. Grace?

MR. SEXTON: Yes, I think this is one of the

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responsibilities of the company that is operating this to protect livestock in the area. This definitely was not done.

MR. RAMLEY: Do you think it would be possible, if we brought court action against Mrs. Grace, do you think it would be possible to serve her to have her appear in court?

MR. SEXTON: I really don't know.

MR. RAMLEY: Perhaps your counsel could expound on this.

MS. TESCHENDORF: I've never tried to serve her. But I've talked to people who have and it seems to be a rather difficult process. They're hard to find.

MR. RAMLEY: So in essence the Commission has no punitive force against the Grace's except perhaps to shut in wells. And if the wells are already shut in why there's nothing the Commission can do about it?

MS. TESCHENDORF: The Grace's have no legal representatives in the State for purposes of service. It seems you have to find them in New York or California or Arizona or wherever they happen to be.

Q (By Ms. Teschendorf) Please refer to the records for the Ranger SWD Well No. 1 and summarize its

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history?

A The well was originally drilled by Tom Thager in 1959, dry hole at 10,391 feet. Then in 1969 Hansen reentered this well and drilled it to a TD of 12,940 feet. Then it was plugged and abandoned at this time as a dry hole.

 In July of '73 Corinee Grace reentered this well and completed it in the Yates, 2802 and 2907 for a salt water disposal well. But as yet we have no record of it ever being used for a disposal well. That's the condition of it today, temporary abandonment.

Q Is there any possibility that hydrocarbons can escape from the strata which they are found, into other strata?

A Yes.

Q Is there any fresh water in this area?

A Yes. The State Engineer also furnished the depth of water in this area as 150 to 210 feet.

Q Would you please refer to what has been marked as Exhibit 23 and 29 and explain what each shows?

A Exhibit 18 shows the condition of the well head and the well cellar, showing the fence down around the well head and the timber covering it, which is open to

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livestock in the area, although there are timbers across portions of it. It shows the well head is not capped to hole pressure.

Exhibit 29 is just a closer picture of the same. Showing the well head without any protection for pressure.

Q Could this well pose a threat of contamination to fresh water?

A Yes. Casing deteriorate it could have a possibility of contamination of fresh water.

Q Have you made a study of the SWD wells within a half mile radius of this well?

A We have studied the wells within a half mile area and at this time in some of the wells it's a possibility that the Yates, which they propose to put water in isn't covered in some of the well bores within a half mile of the area.

Q Going back to Exhibit 8, what is the status of this particular lease?

A It was issued on September 15, 1970 for a term of ten years, to expire in 1980. So they still have a valid lease on it, on this well.

Q In your opinion is this well capable of

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producing?

A No.

Q When was the last time you wrote to Mrs. Grace concerning this well?

A 5-9-78.

MS. TELSCHINDORF: I would like to offer Exhibits 28 and 29. And that's all I have on this well.

MR. RAMFY: They will be admitted.

(VHLPHUTON, Exhibits 28 and 29
admitted into the evidence.)

MR. RAMFY: Mr. Sexton, in your latest series of letters to Mrs. Grace, have you received any answer?

MR. SEXTON: No. I did talk to their agent, the well that had livestock in it and I think this was Monday. He said it had been taken care of to the extent that additional sheep won't be lost. This is the only response we've gotten.

MR. RAMFY: Did you tell her that she owes the rancher some money for some dirt work?

MR. SEXTON: Well, I inferred that.

MR. RAMFY: Is it normal for ranchers to go out and do repair work, pits and such?

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MR. SLXTON: No. In fact, it's somewhat embarrassing that it happens. I don't feel like it's one of our responsibilities to see that it doesn't happen. These things to happen once in a while. From the correspondence on these wells it's just a lack of good operations that it ever occurred in this well.

MR. RATTY: Anything further.

MS. TUSCHENDORF: Not on this well.

Q (by Ms. Tuschendorf) Please refer to the records for the Governor McDonald Well No. 1 and summarize the history.

A Corinne Grace submitted a C102 and 101 on June '74 to drill a San Andres well. C103 was submitted in June 21, 1974 showing the well was spudded June 15 and that well was drilled to 150 feet.

Periodically reports had been submitted since this time up until March, 19, 1976 showing that they were cleaning the well out. As far as our records show the TD is still 150 feet and there is some string in the well but we have no record of this at this time.

Q Is there any possibility that hydrocarbons can escape from the strata in which they are found, into other strata?

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A No.

Q Referring back to Exhibit 1, is there any fresh water in this area?

A Yes, there's fresh water to approximately 100 feet in this area.

Q Please refer to what has been marked as Exhibits 30 and 31 and describe what each shows?

A Exhibit 30 is a picture of the drilling pit they were using and the casing and miscellaneous timbers and some drilling line on location. It does show a string of casing in the hole.

Q How is that particular well capped?

A It's got a rock on top of it.

Exhibit 31 shows the location from a different view, showing the amount of area taken by the location. It also shows, again, shows the well head which--or the well has a piece of casing sticking up two or three feet with a rock on it.

Q Could this well pose a threat of contamination of fresh water?

A Not if our records are right. It hasn't been drilled below fresh water, so I really don't suppose there could be any contamination of the fresh water, since

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it's never been below it.

Q Could the well pose any danger to livestock or other properties?

A Yes. I think, there's fairly large casing there and I'm sure it's always a possibility that something could be lost down it, if kids were playing around it or something.

Q Referring back to Exhibit 8, what is the status of this lease?

A This lease expired December 28, 1976. So at this time they do not have a lease on the McDonald.

Q However, this decision by the Land Office has been appealed to the Supreme Court, has it not?

A Yes.

Q In your opinion is this well capable of producing?

A No.

Q When was the last time you wrote to Mrs. Grace concerning this well?

A 5-9-78.

MS. TESCHENDORF: I will offer Exhibits 30 and 31.

MR. RAMEY: They will be admitted.

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(WHEELUPON, Exhibits 30 and 31

admitted into evidence.)

MS. TESCHENDORF: That's all I have of this witness.

MR. RANLY: Any questions of the witness? You may be excused.

W. A. GRESSIT

the witness herein, having been previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MS. TESCHENDORF:

Q Would you state your name, by whom employed and in what capacity?

A W. A. Gressit, Supervisor of the Oil Conservation Division, District Office located in Artesia.

Q Have you previously testified before the Commission and are your credentials a matter of record?

A Yes.

Q Do your duties as District Supervisor include making recommendations to the Commission as to when wells should be plugged and abandoned?

A Yes.

Q Are you familiar with the subject matter

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of Case 6234?

A Yes, I am.

MS. TESCHENDORF: Is the witness considered qualified?

MR. SMITH: The witness is considered qualified.

Q (by Ms. Teschendorf) Have you reviewed all reports filed with the Commission concerning the wells in Eddy County?

A Yes.

Q Would you please refer to the records for the Sulphate Aunt well No. 1 and summarize the history?

A Application for permit to drill was approved on November 11, 1974 under the name of Corinne Grace.

On November 25, 1974 we received form C103 reporting that the well had been spudded on November 16 . February 6, 1976 I wrote a letter requesting report on setting cement and surface casing. Had no response to that letter so on March 30th I wrote another letter. At that time we received form C103 stating that--it's marked Progress Report, stated that they had ran some 16 inch casing but did not cement it. They thought they might encounter more water so they wanted to drill a head and make

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sure that they got through all of the water and they were planning on moving a rotary rig in and set 13 3/8.

Then on July 6 of '76 we received a report that is marked, Progress Report, stated that they were drilling. And that is the last report filed.

MR. RANNEY: What was the date on that, Mr. Gressitt?

A July 6, '76. I might add they were submitting reports to the State Land Office and I have copies showing a daily progress report. And they show that the well--the deepest depth reported is drilled to a depth of 1,333 feet.

Q (By Ms. Teschendorf) Would you please refer to what is marked as Exhibit 32 and explain what it shows?

A Exhibit 32 is a sketch of--just showing the well bore as our records indicate. There's some 16 inch casing was observed at the surface on inspection, but no report as to how much was set.

Q Have you made a study of the wells surrounding the well in question in Eddy County?

A Yes.

Q Would you please refer to what has been marked as Exhibits 33 and explain that?

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A Exhibit 33 is the township plat showing Townships 24 and 25 South, Range 27 east, has all of the Grace wells listed, locations listed there on the depths. And also the cable tool holes drilled in the area that had fresh water reported. And they have been marked and also colored in blue. And attached to it is a list of those wells that are marked.

Q And the attachment shows where the fresh water is found in each of those wells?

A Right. Now there's several places where the water was not identified, other than water. Some of them says salt water. And where our records indicated the type water, it's so indicated on this sheet.

Q Would you now refer to what has been marked Exhibit 34 and explain that?

A That's a copy of Carlsbad quadrangle 118, which is put out by the Highway Department, it's a map of this portion of Eddy County and it has Townships 24 and 25 south, Range 27 east, outlined in red, with the four Grace wells circled in red and the locations. And the windmills are circled in blue. And Delaware River is in blue.

Q Is the area encompassed by these wells in

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Eddy County, prior to the Carlsbad underground water basin?

A Yes, they are.

Q Are there any salt water zones in this area and if so, what depth?

A Yes. The salt water ranges in depth from, as identified as salt water from 390 down to 1170 feet. There are other waters that apparently are not good, up as high as 250 feet.

Q Is it your opinion that this well, this particular, the Sulphate Aunt, poses a threat of contamination to fresh water?

A Yes.

Q Referring back to Exhibit 32, which is the well schematic of the Sulphate Aunt, would you please explain how that contamination could occur?

A There's no casing cemented into it. The salt water could migrate upward or the fresh water could be lost down into the salt water.

Q Is there any possibility that hydrocarbons could escape from the strata in which they are found, into to other strata?

A I don't believe so.

Q Please refer to what has been marked as

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35 and 36 and explain what each shows?

A 35 is a picture of the well showing 16 inch casing about a foot above ground level with a plate welded on top. And there's a tank on skids, which is a water tank sitting on the dike.

36 is just another picture of the well head, I mean of the well with the plate on top and showing a portion of the pit that's unfilled.

Q Could this well pose any danger to livestock or other properties?

A No, this one has a fence around the entire area.

Q Referring to Exhibit 8, the letter from the Land Office, what is the status of this lease?

A According to this, this lease has expired and it has not been appealed.

Q In your opinion, can the operator of the well make any further use of it if the lease has been cancelled?

A No.

Q In your opinion is this well capable of producing?

A No.

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MS. TESCHENDORF: I would like to offer Exhibits 32 through 36 into evidence at this time.

MR. RAMBY: They will be admitted.

(WHEREUPON, Exhibits 32 through 36 admitted into evidence.)

MR. RAMBY: Mr. Gressit, what is the general depth of the fresh water in this area?

MR. GRESSIT: It ranges from about 45 feet to around 200.

Q (By Ms. Tescherdorf) It appears from Exhibit 33 that in some places it goes down to 300, does it not?

A Is it marked fresh on the map?

Q Yes.

A Okay. I'm sorry, about 300 feet.

MR. RAMBY: And then salt water occurs then from 390 to 1170 and probably deeper?

A Right.

MR. RAMBY: Is there a salt section in this area?

A Yes, sir.

MR. RAMBY: Did this well penetrate the salt section?

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A No, sir. This one didn't get to the salt section.

MR. RAMEY: According to your records the fresh water and salt water could be in communication with this well bore?

A Yes, sir.

Q (By Ms. Teschendorf) Please refer to the records of the Sulphate Uncle No. 1 and summarize the history?

A Application for permit to drill was submitted by Corinne Grace on November 8, 1974. It was approved on November 11, 1974.

On November 25th we received form C103 reporting the well was spudded, November 16, 1974.

And the next report received they plan to run 13 3/8 inch casing. June 23, '75 we received a report, form C103 stating that 639 feet of 13 3/8 inch casing had been set and cemented to the surface.

Then on February 6th of '76 we wrote requesting a report on work subsequent to the last report. We got not response to that.

Then in July of 1976 received a progress report and it stated drilling with no depths reported. And

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according to the report that they had submitted to the State Land Office, the last depth of the well was 2,023 feet. That was February 9 of 1976.

Q In your opinion could this well pose a threat of contamination of fresh waters?

A No. I don't believe it could. It has surface pipe circulated to surface.

Q Is there any possibility that hydrocarbons can escape from the strata in which they are found into other strata?

A Possibly if they were encountered they could.

Q Would you please refer to what has been marked as Exhibit 38 and 39 and explain what each shows?

A 38 is a picture of the well and part of the pit. It also shows a considerable amount of junk on the location and there are several sills across the cellar. They submitted a report stating that cement circulated to surface and it's about seven feet down to the bottom of the cellar. And that cellar is partially opened and is a hazard. The well itself has--there's a plate welded on top of the casing.

39 is just another picture from a different

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angle showing the well, showing the pit and there are livestock tracks in the pit.

Q In your opinion then this well poses a danger to livestock and other properties?

A Yes, it does.

Q Referring again to Exhibit 8, what is the status of this lease?

A This lease expired.

Q In your opinion is the well capable of producing?

A No.

MR. TESCHENDORFF: At this time I will offer Exhibit 37 through 39.

MR. RAMMY: They will be admitted.

(WHITMONT, Exhibits 37 through 39 admitted into evidence.)

MR. RAMMY: The lease is expired on this?

A Yes.

MR. RAMMY: Therefore, the operator cannot legally do any work on the well?

A That's correct.

MR. RAMMY: It should be the operator's responsibility to plug the well?

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A Yes.

Q (By Ms. Teschendorf) Would you please refer to the records on the Sulphate Brother No. 1 and summarize the history?

A Sulphate Brother No. 1, application for permit to drill was submitted by Corinne Grace on October 16, 1974. It was approved on October 17, 1974.

On October 22 of '74 we received the form C103 reporting spud date of October 19, 1974.

On February 6, '76 we wrote requesting form C103 reporting the cementing of surface casing. On March 30th--we had no response to that letter so on March 30th we wrote requesting that report again.

On April 2, '76 we received a 103 stating that surface casing has not been set on this well as yet. We were afraid we would hit water and have to set two strings to the surface. They plan on getting a rotary in soon and drill the well to scheduled depth.

Then on July 6, '76 we received a report stating cleaning out, running more pipe, will go ahead with the drilling. And that is the last report submitted.

Q Would you refer to Exhibit 40 and describe what it shows?

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A Exhibit 40 is a schematic of the well showing depth of the hole was 790 feet and 16 inch casing was observed at the surface, however, no report in our file indicating how much.

Q In your opinion could this well pose a threat of contamination to fresh water?

A Yes.

Q Could you explain how that could occur?

A Without casing in it the fresh waters could migrate downward and be lost in the salt water, or salt water could migrate up.

Q Is there any possibility that hydrocarbons can escape from the strata in which they are found into other strata?

A Not in this well, no.

Q Would you please refer to what has been marked as Exhibit 41 and 42 and explain what each shows?

A 41 is a picture of the Sulphate Brother Well, showing 16 inch casing cased at the surface and several pieces of timber laying around.

And 42 is another picture of the well showing, at a little different angle, showing part of the pit and the dirt that's piled up.

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Q In your opinion could this well pose any danger to livestock?

A Yes. There's a possibility that a small calf could fall in the well.

Q Referring again to Exhibit 8, what is the status of this lease?

A This lease expired February 3, 1978.

Q In your opinion is this well capable of producing?

A No, it is not.

MS. TESCHENDORF: At this time I will offer Exhibits 40 through 42.

MR. RAMEY: They will be admitted.

(WHEREUPON, Exhibits 40 through 42 admitted into evidence.)

MR. RAMEY: Is there also danger that a small child might fall into this well?

A Yes, sir. Not too many children around there.

MR. RAMEY: Mr. Gressit, what is the normal casing requirement for this area of surface piep, intermediate and such?

A These were approved for approximately 450 feet of surface pipe and 6150 feet of intermediate.

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MR. RAMBY: Normally when an operator drills a well he will drill to the depth that he is going to set surface pipe and set surface pipe?

A Yes, sir, that's correct.

MR. RAMBY: He would have to drill to 700 feet and then set surface pipe 350?

A That's right.

MR. RAMBY: Do you have a question, Mr. Arnold?

MR. ARNOLD: How large is that surface casing?

A I think it's 16 inch.

MR. RAMBY: You have no record that it was cemented?

A No record that it was cemented, no. That one also, there's a hole down the side where those boards are laying there, a hole down the side that a small calf could fall down.

MR. RAMBY: Or jackrabbits or anything else?

A Yes.

MR. RAMBY: You may proceed, Ms. Teschendorf.

Q (By Ms. Teschendorf) Please refer to the records of the Sulphate Cousin No. 1 and summarize its history.

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A Sulphate Cousin, application for permit to drill was submitted by Corinne Grace on October 16, 1974. It was approved on October 17, 1974.

On October 23rd of 1974 we received form C103 reporting the well was spudded on October 19, 1974.

On February 6, of 1976 we wrote requesting reports of setting cementing surface casing. Had no response to that letter so on March 30th I wrote again and they submitted the form C103 on April 7, 1976. It said that they hadn't set casing yet and they were planning on moving the rotary in to complete the well.

On July 6th of 1976 we received form C103 progress report, said casing out, running more pipe, will go ahead with drilling.

Q Would you refer to Exhibit 43 and explain that?

A Exhibit 43 is a diagram of the well bore showing that the last reported depth of the hole was 700 feet deep and 16 inch casing was observed at the surface. However, no record in our file of how much was set.

Q In your opinion could this well pose a threat of contamination to fresh water?

A Yes, it could.

Q Is there any possibility that hydrocarbons

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can escape from the strata in which they are found, into other strata?

A This one didn't encounter any.

Q Would you please refer to what has been marked as Exhibits 44 and 45 and explain what each shows?

A Exhibit 44 is a picture showing the casing and the hole around the casing and some wooden crates that were trying to cover the top of the casing. That's big enough for people, cows, anything else that gets close to it to fall into that.

45 is just another picture from a different angle. Just shows three or four mud sacks, the hole and the dirt that was piled up.

Q What is the status of this lease?

A This lease expired February 3, 1978.

Q In your opinion is this well capable of producing?

A No. It is not.

Q When was the last time you wrote Mrs. Grace concerning these wells?

A On May 2, 1972.

Q Have you had any response?

A No response at all.

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Q Do you have anything further you want to add to your testimony?

A I think not.

MS. TESCHENDORF: That's all I have of this witness.

MR. FAMEY: Any questions of the witness? I would like to ask this of Mr. Gressit and Mr. Sexton both, if the Commission sees fit to enter an order to plug these wells, do you have any plugging programs you would like to recommend now or would you rather wait and recommend this on a well to well basis when the actual plugging occurs?

MR. GRESSIT: I would prefer to wait until that time to recommend a plugging program. It's hard to tell just exactly how deep these wells are and how much casing is in them. And I think we will need to determine how much 16 inch is in the wells before we prescribed a plugging program.

MR. FAMEY: If the 16 inch isn't cemented then it probably should be pulled if possible.

MR. GRESSIT: That will be my recommendation, yes.

MR. SEXTON: I think I would go along with

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that and wait until later.

MR. RAMEY: Are there any further questions?

The witness may be excused. Any statements?

The Commission will take the case under
advisement.

(WHEREUPON, hearing was concluded.)

* * * * *

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REPORTER'S CERTIFICATE

I, BETTY J. LANPHERE, CSR-RPR with offices in Santa Fe, New Mexico, do hereby certify that the foregoing transcript is a complete and accurate record of said proceedings as the same were recorded by me stenographically and reduced to typewritten transcript by me or under my supervision.

DATED at Santa Fe, New Mexico, this thirty-first day of July, 1978.

Betty J. Lanphere, Court Reporter

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