

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico

8 May 1985

EXAMINER HEARING

IN THE MATTER OF:

Application of V-F Petroleum, Inc., CASE
for salt water disposal, Lea County, 8591
New Mexico.

BEFORE: Gilbert P. Quintana, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Jeff Taylor
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MR. QUINTANA: Call next Case
8591.

MR. TAYLOR: The application of
V-F Petroleum, Incorporated, for salt water disposal, Lea
County, New Mexico.

MS. AUBREY: Karen Aubrey, Kel-
lahin and Kellahin, representing the applicant.

MR. QUINTANA: Are there other
appearances in Case 8591?

Do you have one witness?

MS. AUBREY: Mr. Examiner, I
have two witnesses this morning.

MR. QUINTANA: Would you please
stand and be sworn in at this time?

(Witnesses sworn.)

MR. AUBREY: Mr. Examiner, I'd
like to make a brief opening statement.

MR. QUINTANA: You may proceed.

MS. AUBREY: As you're aware,
there's been an objection filed to the use of this well for
salt water disposal by the surface owner.

Apparently the surface owner

1 has not appeared today to testify as to the allegations con-
2 tained in his written objection.

3 I would like to point out to
4 the Examiner that Mr. Motsch' written objection is not under
5 oath and should not be considered by the Examiner as sworn
6 testimony.

7 However, in light of the objec-
8 tion by the surface owner, we intend to present some testi-
9 mony from V-F Petroleum's Land Administrator as to the sta-
10 tus of the mineral lease on the property and the surface
11 ownership as far as V-F Petroleum can ascertain.

12

13 DONNA WHILES,

14 being called as a witness and being duly sworn upon her
15 oath, testified as follows, to-wit:

16

17 DIRECT EXAMINATION

18 BY MS. AUBREY:

19 Q Would you state your name, please?

20 A My name is Donna Whiles, W-H-I-L-E-S.

21 Q And by whom are you employed?

22 A V-F Petroleum.

23 Q What is your position with V-F Petroleum?

24 A Land Administrator.

25 Q Mrs. Whiles, how long have you been

1 working in the area of petroleum land titles?

2 A About six years.

3 Q Who were you previously employed by?

4 A C & K Petroleum.

5 Q Have you testified previously before the
6 Commission?

7 A No, I have not.

8 Q Can you describe for the Examiner what
9 your job as land administrator entails?

10 A I do a great amount of research into land
11 titles and I work Division orders and I analyze leases.

12 Q Are you responsible for calculating var-
13 ious interests?

14 A Yes, I do work on interests, also.

15 Q Do you have any employees under you in
16 the Land Department of V-F Petroleum?

17 A Not exactly. We're very small and there
18 is a secretary who does of the lease analyst work under me
19 but she also does other things.

20 Q So, essentially, you are the Land Depart-
21 ment for V-F?

22 A Yes.

23 Q And, Mrs. Whiles, are you familiar with
24 the application filed by V-F Petroleum today?

25 A Yes, I am.

1 Q And the area involved in that applica-
2 tion?

3 A Yes.

4 Q Have you researched the state of the
5 title to the minerals and to the surface in the the area
6 we're talking about today?

7 A Yes, I have.

8 MS. AUBREY: Mr. Examiner, I
9 tender Mrs. Whiles as an expert in petroleum land.

10 MR. QUINTANA: Mrs. Whiles, for
11 how long have you -- approximately how many years did you
12 say you've been involved in land, as a landman?

13 A Six years in land.

14 MR. QUINTANA: She's considered
15 as a qualified witness.

16 You may proceed.

17 MS. AUBREY: Thank you.

18 Q Mrs. Whiles, can you describe for the
19 Examiner the status of the minerals in the area we're dis-
20 cussing today?

21 A V-F Petroleum has seven leases on the
22 minerals. We were assigned the minerals in '81. The leases
23 were taken in June of '81, and we are the current owner.

24 Q Let me refer you to what we're marked as
25 Exhibits Two and Four.

- 1 A Uh-huh.
- 2 Q Did you prepare Exhibit Number Two?
- 3 A Yes, I did.
- 4 Q And does that recite the chronology of V-
- 5 F's acquisition of the lease on the minerals?
- 6 A Yes, it does.
- 7 Q Let me have you look at Exhibit Number
- 8 Four, now, and can you tell the Examiner what that is?
- 9 A This is a copy of one of the leases on
- 10 this land. It is the same form of all the leases.
- 11 Q Does the mineral lease on this land con-
- 12 vey to V-F Petroleum the right to use the leased area for
- 13 disposal of salt water?
- 14 A Yes, it is stated in the lease.
- 15 Q Let me have you look at Exhibit Number
- 16 One now, which is the C-108.
- 17 A Uh-huh.
- 18 Q At the back of that exhibit as attach-
- 19 ments are copies of notices which were provided to the off-
- 20 setting operators and the surface owners.
- 21 Did you provide that notice yourself?
- 22 A Yes, I did.
- 23 Q And did you receive -- was that notice
- 24 provided by certified mail?
- 25 A Yes, it was.

1 Q Did you receive copies of return receipts
2 from all offset operators, leasehold owners, and the surface
3 owner, showing that they received the notice of the applica-
4 tion of V-F Petroleum?

5 A Yes, we did. We got them all back.

6 Q When was that notice sent?

7 A January 24th of 1985.

8 Q And except for the opposition which has
9 been filed by the surface owner, did you receive any opposi-
10 tion from anyone else that you notified?

11 A No, we did not.

12 Q Let me ask you now about the title exam-
13 ination that's been performed for V-F Petroleum and your un-
14 derstanding of the ownership of the surface as of the time
15 you acquired the lease.

16 A We acquired the leasehold, the leases are
17 dated June 14th of '81.

18 On June 16th we had our title opinion
19 prepared, which indicated that the southwest quarter of Sec-
20 tion 9 was owned by J. L. Kidd, Junior. We showed no evi-
21 dence at that time of Motsch being surface owner.

22 Q Have you been able to discover any mat-
23 ters of record which would indicate to you that Mr. Motsch
24 has an ownership interest of the surface of record?

25 A He has claimed to us that he owns the

1 surface. I have not seen any instrument of record to that
2 effect.

3 Q Mrs. Whiles, is Exhibit Number Four and
4 exhibit which is kept in the records of V-F Petroleum?

5 A Yes.

6 Q Under your supervision?

7 A Yes.

8 MS. AUBREY: Mr. Examiner, I
9 offer Exhibits Numbers Two and Four and I have no more ques-
10 tions of the witness.

11 MR. QUINTANA: Exhibits Two and
12 Four will be accepted as evidence.

13
14 CROSS EXAMINATION

15 BY MR. TAYLOR:

16 Q In your title opinion you show that Mr.
17 Kidd, or J. L. Kidd owns the surface.

18 A Yes.

19 Q Of this quarter section?

20 A Yes.

21 Q Who is shown as the subsurface owner?

22 A The seven parties from whom we took
23 leases.

24 Q What was that?

25 A The parties from whom we took leases were

1 shown to be the mineral owners.

2 Q So that would be Graham, Pryor, -- how
3 many leases to you have for that quarter section?

4 A We actually have seven leases.

5 Q Seven for that one quarter section.

6 A The leases cover two quarter sections but
7 the southwest of 9 is included.

8 Q And do you dispute the fact that Mr.
9 Motsch owns the surface of this quarter section? You're al-
10 leging that he does not own it?

11 A I am just saying that I have not seen any
12 instruments of record that indicate he is surface owner.

13 Q Did you send him notice of this?

14 A Yes, we did.

15 MS. AUBREY: I believe there's
16 a return receipt attached to --

17 Q Why did you send him notice if you didn't
18 think he owned it?

19 A When we drilled our well, the V-F Graham,
20 we dealt with Mr. Motsch, so we knew that he was planning to
21 be surface owner in this area and included him in the
22 notices.

23 Q Okay. Let's see, you've got another wit-
24 ness? What are they going to testify?

25 A The engineering and the economics, geo-

1 logy.

2 Q Are they going to testify about where the
3 water is coming from and stuff?

4 A Yes.

5 Q Okay.

6 MR. TAYLOR: No more questions.

7 MR. QUINTANA: Mr. Motsch, are
8 you represented by an attorney?

9 MR. MOTSCH: No.

10 MR. QUINTANA: You're just here
11 on your own?

12 MR. TAYLOR: Do you have any
13 questions that you want to ask Mrs. Whiles?

14 MR. MOTSCH: No, I'm just --
15 I'm not really objecting to the fact that they want to put a
16 well there.

17 Well, I'm not really objecting
18 to the fact of wanting to make a salt water disposal well on
19 there because it's already -- the old well's still there.

20 It's just -- I just want to
21 know what my rights are. Who owns the casing or who owns
22 the well or where they're going to get all this extra water
23 from that they're talking about dumping into it.

24 MR. TAYLOR: And your next wit-
25 ness is going to testify to that?

1 A Yes, sir, they are.

2 MR. TAYLOR: Okay.

3 MR. QUINTANA: I have no fur-
4 ther questions of the witness. She may be excused.

5

6 VICTOR F. VASICEK,
7 being called as a witness and being duly sworn upon his
8 oath, testified as follows, to-wit:

9

10 DIRECT EXAMINATION

11 BY MS. AUBREY:

12 Q Would you state your name, please?

13 A Victor F. Vasicek. V-A-S-I-C-E-K.

14 Q Mr. Vasicek, by whom are you employed?

15 A I'm a petroleum engineering consultant
16 and I serve as an advisor to V-F Petroleum.

17 Q Have you previously testified before the
18 Commission or one of its examiners and had your qualifica-
19 tions as a petroleum engineer made a matter of record?

20 A Yes, I have.

21 MS. AUBREY: Mr. Examiner, is
22 the witness considered qualified?

23 MR. QUINTANA: Excuse me, I'm
24 sorry, I was -- could you -- could you repeat it again?

25 Q Mr. Vasicek, in what field do you hold a

1 professional degree?

2 A Petroleum -- a BS in petroleum engineer-
3 ing.

4 Q And have you previously testified before
5 this Commission or one of its examiners and had your quali-
6 fications made a matter of record?

7 A Yes, I have.

8 MR. QUINTANA: He is considered
9 qualified.

10 You may proceed.

11 MS. AUBREY: Thank you.

12 Q Are you familiar with the application of
13 V-F Petroleum for salt water disposal in Mayme Graham No. 1?

14 A Yes, I am.

15 Q Mr. Vasicek, are you familiar with the
16 area in which, the surface area in which the well is lo-
17 cated?

18 A Yes, I am.

19 Q And are you familiar with the state of
20 the mineral title to this area?

21 A Yes, I am.

22 Q Let me have you look at what we're marked
23 as Exhibit Number One, which is the C-108 prepared and sub-
24 mitted to the Commission by V-F Petroleum.

25 Can you first of all, sir, look at the

1 plat which is attached to Exhibit Number One and identify
2 for the Examiner the half mile area of review and the two
3 mile circle.

4 MR. QUINTANA: Excuse me just a
5 moment.

6 Do you have an extra copy so we
7 may let Mr. Motsch take a look at these?

8 MS. AUBREY: Certainly, sir.

9 Mr. Motsch, here is a copy of
10 the exhibits.

11 A Well, the small circle includes all the
12 wells within a half mile radius of the well and there are
13 six wells that have been plugged and abandoned in that -- in
14 that area.

15 Q And how many producing wells are there in
16 that area?

17 A One. Actually, well, actually two. the
18 Moran Well is also just barely inside of it.

19 Q And can you locate the Moran Well,
20 please?

21 A It is located just slightly northwest --
22 northeast of the V-F Petroleum Graham No. 1. It's in the
23 southwest of -- of the northwest.

24 Q And that is presently a producing well?

25 A Yes.

1 Q The other producing well is which well?

2 A It's the V-F Petroleum Well located in
3 the northwest of the south -- southwest of Section 9.

4 Q From what formation are these two wells
5 producing?

6 A From the Devonian formation.

7 Q And is that the same formation into which
8 V-F proposed to dispose of salt water in the Graham Humble
9 No. 1?

10 A Yes.

11 Q Can you describe the present status of
12 the Humble Graham No. 1 Well?

13 A It's been plugged and abandoned with the
14 5-1/2 casing shot off at, let's see, 876 feet.

15 The 8-5/8ths casing, which was set at
16 4900, is shot off at 614.

17 The surface casing in the well is cemen-
18 ted, is still there, at 309 feet.

19 Q That information is shown on the well
20 data sheet which is attached to your Exhibit Number One?

21 A Yes.

22 Q Can you describe for the Examiner how V-F
23 Petroleum proposes to recomplete the well for salt water
24 disposal?

25 A We plan to drill the surface plug and

1 drill and the plugs out clear on down to total depth of
2 13,600, and after that time we will squeeze the perforations
3 that are still open in the Permo-Penn that were attempted by
4 D. W. Sinclair. They tried a completion in the Pennsylvanian
5 and we're going to squeeze -- squeeze that formation,
6 and then after everything is cleaned out, we're going to
7 bowl over with 5-1/2 casing on the 5-1/2 stub, which is located
8 876 feet, and after we bowl over it, then we'll pull
9 up or open up some ports, whichever way we decide to do it,
10 but we're going to cement that -- recement that 5-1/2 casing
11 with 330 sacks, so cement will be circulated from 800 --
12 from that 876-foot level to the surface.

13 Then we'll go back in and drill out the
14 cement, clean out the TD, run a Baker Model -- Baker LocSet
15 packer on 2-3/8ths plastic-lined tubing. The packer will be
16 set above the perforations approximately 100 feet, and we
17 will inject Devonian salt water into this Devonian zone.

18 Q What is the source of the salt water
19 which you propose to inject into this well?

20 A It's from the V-F Petroleum Graham No. 1,
21 Devonian formation.

22 Q And is that well located on the same
23 lease as the Humble Graham No. 1?

24 A Yes.

25 Q Can you testify that the injection water,

1 the Devonian water you propose to inject, will be compatible
2 with the injection zone?

3 A Yes, it's the very same water. It has
4 the very same chemical analysis.

5 Q What volume of water do you propose to
6 inject?

7 A In the final analysis we may go as high
8 as 1000 barrels, but for this -- purpose of this application
9 we're submitting it's around 500 barrels.

10 We are currently producing 220 barrels a
11 day of water but we intend to put a -- eventually we intend
12 to install a high lift pump, a hydraulic pump, that could
13 pump as high as, well, we don't know how much, but it might
14 be excess of 500 barrels a day.

15 Q And that would be on the V-F --

16 A That would be on the V-F Graham No. 1.

17 Q And that would increase your water pro-
18 duction?

19 A Yes.

20 Q And the need to inject -- to inject addi-
21 tional fluid into this well.

22 A That's right.

23 Q Will your maximum injection pressure be
24 within the Oil Conservation Commission guidelines?

25 A Yes, it will.

1 Q Will this be an open or closed injection
2 system?

3 A It will be a closed system.

4 Q Was the Humble Graham No. 1 originally
5 completed as an oil well?

6 A Yes.

7 Q Do you know from what formations it ori-
8 ginally produced?

9 A Yes, from the Devonian.

10 Q Let me have you turn to the next section
11 of Exhibit One, the schematic drawings of the plugged and
12 abandoned wells in the area of review, and beginning with
13 the Carbon (sic) Company No. 1, can you briefly describe for
14 the Examiner what your schematic shows?

15 A It shows that that well was drilled to
16 13,547 feet and they had 8-5/8ths set at 4750. It was
17 cemented with 300 sacks -- well, maybe I ought to start with
18 -- well, it had 8-5/8ths at 4750; 300 sacks, and with the
19 estimated top of cement at 3500 feet.

20 The surface casing in that well is 13-
21 3/8ths through 1312 -- at 312 feet, cemented with 400 sacks,
22 circulated to surface.

23 Q Did you obtain this information from the
24 District Office records?

25 A Yes.

1 Q Do you have an opinion as to whether or
2 not this well is adequately plugged and abandoned?

3 A Yes. It has cement plugs at 10,405 and
4 10,655 and we -- this well was -- it never did penetrate the
5 Devonian. This well did not go -- it ran low and did not
6 penetrate the Devonian.

7 So that's the reason you have those plugs
8 there.

9 Q Let me refer you to the next schematic
10 now, the Sun Oil Company J. D. Graham No. 1.

11 A Okay, it was also drilled to 13,604 with
12 13-3/8ths set at 377 feet; cemented with 400 sacks;
13 circulated to surface.

14 8-5/8ths was set at 4749; cemented with
15 2300 sacks. We have no record of this but it probably
16 circulated, but if not, cement had to be within 500 feet of
17 the surface, and on the oil string that was cemented with
18 450 sacks. Top of cement would have been around 12,000
19 feet, which is estimated, and in all likelihood from the
20 records they -- there's no record of it, but they set a two-
21 stage tool and on the second stage the top of cement was at
22 8603, estimated.

23 Q In your opinion is this well adequately
24 plugged and abandoned?

25 A Yes.

1 Q Let's look now at the Shell Oil Company
2 State "GD" No. 1.

3 A Okay. It -- it is drilled to approxi-
4 mately 13,470.

5 13-3/8ths set at 354 feet; cemented with
6 350 sacks; and top -- and circulated to the surface, cement
7 circulated to surface.

8 8-5/8ths at 4748; cemented with 2200
9 sacks and that's enough cement to circulate and I estimate
10 if it didn't circulate it's probably within 500 feet of the
11 surface.

12 On the 5-1/2, it was cemented with 200
13 sacks on the first stage; top of the cement at 12 -- 12,600,
14 and it's probably a second stage and I don't have no exact
15 record of this, but it's at 8580, because they did perforate
16 the Pennsylvanian in that well, too, so it had to have ce-
17 ment on there.

18 It was properly plugged.

19 Q Now the Gann Wright No. 1?

20 A It was drilled to 13,763 with surface set
21 at 1303; cement, 450 sacks; circulated to surface.

22 With 9-5/8ths set at 4750; cemented with
23 3200 sacks; cement circulated.

24 On oil string, the 7-inch casing was set
25 -- was set at 11,503 and cemented with 1183 feet.

1 Q Do you mean sacks?

2 A 1183 sacks, right.

3 Top of the cement is estimated at 4800
4 feet.

5 Q And do you have an estimate for the top
6 of cement on the 9-5/8ths?

7 A 500 feet or could have circulated, should
8 have circulated.

9 That well is properly plugged.

10 Q Now the Shell Oil Company State "GA" No.
11 6?

12 A Okay. They drilled to approximately
13 13,606.

14 13-3/8ths at 352 feet; circulated cement,
15 400 sacks, circulated to surface.

16 8-5/8ths was set at 4749; cemented with
17 1700 sacks; estimated top of cement is around 2000 feet.

18 The oil string was cemented with 200
19 sacks on a stage to 12,600, or top of cement should have
20 been at 12,600, and second stage was 9006.

21 And that well is properly plugged.

22 Q And the last plugged and abandoned well,
23 Mr. Vasicek, State "GA" No. 7?

24 A All right. It was drilled to approxi-
25 mately 13,570.

1 13-/38ths at 353 feet; cemented with 400
2 sacks; circulated to surface.

3 8-5/8ths at 4749; cemented with 1650
4 sacks; estimated top of cement at 2000 feet from surface.

5 5-1/2 was cemented with 250 feet -- 250
6 sacks; estimated top of cement is 12,300; and a second stage
7 estimated top of 9000.

8 Q Now you've prepared a tabulation of the
9 wells within the area of review, which includes the two pro-
10 ducing wells in the area, is that correct?

11 A Yes.

12 Q And that's attached to your Exhibit Num-
13 ber One.

14 A Yes.

15 Q Let me ask you some questions now about
16 fresh water sources in the area.

17 Do you know the depth of the Ogallala
18 aquifer in the area?

19 A It probably goes to a depth around 250
20 feet. It's close to 200 feet thick.

21 Most of the irrigation wells -- I mean
22 most of the water wells in the area are from 125 to about
23 160 feet.

24 Q Have you been able to discover any hydro-
25 logical connection between the injection zone and any sour-

1 ces of underground drinking water?

2 A No.

3 Q Is there any evidence of open faults?

4 A No.

5 Q You've attached to your Exhibit Number
6 One a type log, is that correct, of the injection --
7 proposed injection well?

8 A Attached log? Yeah.

9 Q And you've attached a chemical analysis
10 of the fresh water within one mile, is that correct?

11 A Yes, we have, uh-huh. We have two
12 samples.

13 Q Do you know the location of the two
14 samples which are reflected on the water analysis?

15 A They're on this lease.

16 Q Let me refer you now to what we've marked
17 Exhibit Number Three, which is a letter from the State
18 Engineer's Office. Can you describe that for the Examiner?

19 A It's a list -- it's a list of all the
20 water wells that are active within, let's see, what is it, a
21 mile, within a mile radius of the well.

22 Q And are any of those deeper than 200
23 feet?

24 A No, they're all shallow.

25 There's one here 210 feet.

1 Q When you recomplete this well for salt
2 water disposal, do you intend to install a pressure gauge on
3 the annulus?

4 A Yes.

5 Q And how will you monitor the well for
6 leakage?

7 A We will monitor it daily.

8 Q Will it be necessary to acidize or frac
9 the formation in order to accept the disposed water?

10 A We don't anticipate that will require any
11 stimulation. It should take the -- it should take the water
12 on a vacuum.

13 Q In your opinion, will granting this ap-
14 plication protect correlative rights, prevent waste, and
15 promote conservation?

16 A Yes, it will.

17 Q Was Exhibit Number One, which is the C-
18 108, prepared by you or under your supervision and direc-
19 tion?

20	A	Yes.
----	---	------

21 Q And was Exhibit Number Three, which is a
22 letter from the State Engineer's Office, received by V-F
23 Petroleum and kept in its records?

24	A	Yes.
----	---	------

25 MS. AUBREY: Mr. Examiner, I

1 offer Exhibits Numbers One and Three.

2 MR. QUINTANA: Exhibits One and
3 Three will be entered as evidence.

4 Q Let me ask you now some questions about
5 the economic consequences of the granting of the salt water
6 disposal application to V-F Petroleum in terms of your pro-
7 ducing wells.

8 Have you made an analysis of the, for in-
9 stance, the cost now to the V-F Petroleum for disposing of
10 the produced water from the V-F Graham No. 1?

11 A Yes.

12 Q And what is that?

13 A Our current cost of salt water disposal
14 is \$7,000 per month. At present -- under present conditions
15 the economic limit is somewhere in the neighborhood of 17
16 barrels a day.

17 Q How many barrels are you presently pro-
18 ducing?

19 A Approximately 28 barrels a day of oil and
20 220 barrels of water.

21 Q That's 220 barrels of water per day?

22 A Yes.

23 Q Are you presently paying to have that
24 trucked, is that correct?

25 A Yes.

1 Q Do you have an opinion as to how much of
2 the profit from the V-F Graham No. 1 goes to paying for
3 transportation of this salt water?

4 A Approximately \$6000 a month under current
5 conditions.

6 Q Now you have testified earlier that you
7 may expect those conditions to change.

8 A Yes.

9 Q Can you describe that, please?

10 A We have a beam pump on the well at pre-
11 sent and its capacity is such that we don't want to -- we
12 can't produce the well much more than what we're producing
13 it.

14 We intend to put a, eventually, a high
15 lift of some sort, possibly a Kobe or -- I mean a hydraulic
16 lift, which will enable us to produce at higher rates, and
17 at that time, of course, the economics will change.

18 If we can increase the water by as -- in-
19 crease the fluid recovered by three times or -- we assume
20 that possibly the oil will increase also by that -- by that
21 amount, and the economics on that is -- if we have to truck
22 the water under those conditions, the economic limit of that
23 well will be approximately 45 barrels a day.

24 Q Below which it would not be economic to
25 produce --

1 A I won't be --

2 Q -- the well.

3 A -- economic below 45 barrels a day.

4 If we have a salt water disposal, econo-
5 mic limit will be approximately 15 barrels a day, under salt
6 water disposal conditions that we (not understood.)

7 Q In your opinion will granting the appli-
8 cation for salt water disposal prolong the economic life of
9 the V-F Graham No. 1 Well, which is currently producing oil?

10 A Yes, there's no question about it.

11 Q Do you have an estimate as to the cost of
12 converting the Humble Graham No. 1 salt water -- Humble Gra-
13 ham No. 1 Well to salt water disposal?

14 A Yes. Under the conditions that I out-
15 lined previously, it would cost approximately \$135,000.

16 Q And how much were the drilling and com-
17 pletion costs to V-F Petroleum for the V-F Graham No. 1?

18 A Approximately \$1,400,000.

19 Q In your opinion will the disposal of the
20 salt water, which you've described, into the Humble Graham
21 No. 1 create any risk to fresh water sources?

22 A Not in my opinion.

23 MS. AUBREY: That concludes my
24 examination.

25 MR. QUINTANA: Mr. Motsch, do

1 you have any questions of the witness as to disposal of
2 water into the proposed well?

3 Do you have any questions that
4 you'd like to ask him?

5 MR. MOTSCH: Yeah.

6
7 QUESTIONS BY MR. MOTSCH:

8 Q Are you -- what are you going to do, just
9 put a pipeline across to the well from the -- from the bat-
10 tery, from the tank battery that you've got there now?

11 A Yes.

12 Q And -- and what's going to be over there
13 at the well? Are you going to have an electric pump or --
14 or is it free fall, or what?

15 A Well, it -- it will probably free fall.

16 Q Then all you're going to have running
17 over there is a -- is a pipeline, right?

18 A Yes.

19 Q And nothing else is going to be -- of
20 course you probably can't answer that till you know what
21 you're going to get into.

22 A Well, you really can't, but we don't an-
23 ticipate any surface installation around --

24 Q I see.

25 A -- the injection well.

1 Q Well, I wouldn't think you'd have to if
2 you run a line over there to it.

3 A It may -- it may be to our best inter-
4 ests, however, to have -- to have the water tank situated
5 near the injection well. We may want to do that.

6 Q Oh, I see.

7 A Put the water tank there, the plastic
8 water tank.

9 MR. MOTSCH: Well, I don't --
10 as I say, I didn't come up here to object to them doing
11 that. I just would like to know what my rights are on it,
12 casing, and one thing and another.

13 I'm not fighting them on it.
14 It don't matter to me.

15 MR. QUINTANA: Mr. Motsch,
16 we'll have you -- as soon as a few questions are asked, then
17 we'll come back to you.

18

19 CROSS EXAMINATION

20 BY MR. QUINTANA:

21 Q Is it Mr. Vasicek?

22 A Yes.

23 Q Mr. Vasicek, you estimate 280 -- 220
24 barrels of water comes from the V-F Graham No. 1?

25 A Yes, sir.

1 Q And you anticipate an increase in pro-
2 duced fluids because of a more efficient lift system?

3 A Yes.

4 Q Will any produced water be coming from
5 other places than on lease?

6 A Not at this -- we have no -- we have no
7 plans for that at this time.

8 Q Okay, in other words, any increase would
9 come directly down that pipeline --

10 A Yes.

11 Q -- directly into the well.

12 These fresh water samples there were
13 taken here, do you know how close they are to the proposed
14 well?

15 A Well, that one at a windmill -- how close
16 is that windmill, Mr. Motsch?

17 MR. MOTSCH: About 100 feet.

18 A About 100 feet away, and that other well
19 --

20 MR. MOTSCH: It's up at the
21 house. It's approximately half a mile, I imagine.

22 A Something like that, yeah, close to your
23 house.

24 MR. MOTSCH: Yeah.

25 Q In your professional opinion, you do not

1 believe that injection into the proposed salt water disposal
2 well will affect any fresh water in the area.

3 A No, sir, I don't -- I don't see how it
4 could.

5 MR. QUINTANA: I have no
6 further questions of the witness.

7 Are there other questions of
8 the witness by anyone else?

9 If not, he may be excused.

10 I'd like to at this time recall
11 Mrs. Whiles.

12

13 DONNA WHILES,

14 being recalled and being still sworn upon her oath, testi-
15 fied as follows, to-wit:

16

17 REDIRECT EXAMINATION

18 BY MR. TAYLOR:

19 Q Mrs. Whiles, we've got an exhibit here,
20 Two, which is a sequence of events and it relates it seems
21 apparently only to 1981. Is that correct?

22 A That is correct.

23 Q First of all, why have you given us a se-
24 quence of the events of 1981?

25 A When we drilled the V-F Graham, this is

1 the sequence by which we became aware of Mr. Motsch.

2 MR. QUINTANA: Do you have an-
3 other copy so we may show it to Mr. Motsch?

4 MS. AUBREY: There should be a
5 copy attached to the exhibits which we've given Mr. Motsch.

6 MR. QUINTANA: Okay, Mr.
7 Motsch, it's a copy -- an exhibit which looks like this.

8 MR. MOTSCH: I have --

9 MR. QUINTANA: It's a sequence
10 of events.

11 MS. AUBREY: Should be the very
12 last exhibit.

13 MR. MOTSCH: Oh.

14 Q Okay, you show the second thing down in
15 the title opinion shows the surface on the southwest quarter
16 of Section 9 to be owned by J. L. Kidd.

17 Then down the third from the bottom on 9-
18 30-31, it shows you entered into a surface and damages
19 agreement with Mr. Motsch.

20 Could you tell us what portion of land
21 that surface damage agreement covered?

22 A That is also in the southwest quarter of
23 9.

24 Q And why did you enter into that if your
25 title opinion shows Mr. Kidd, or J. L. Kidd, to be the owner

1 of that -- that land?

2 A Because of the conversations and the con-
3 versations with attorneys that are listed on this sheet, Mr.
4 Motsch came forward after we began on this well, indicating
5 that he was the owner of the surface.

6 Our title work did not show that to be
7 of record at that time, but we dealt with Mr. Motsch as sur-
8 face owner on that first well.

9 Q Did you acknowledge Mr. Motsch to be sur-
10 face owner of that, of the south half, or at least the
11 southwest quarter of Section 9?

12 MS. AUBREY: Well, Mr. Taylor,
13 I'm not sure that she can answer that question. She hasn't
14 -- she's testified she hasn't been able to find anything of
15 record.

16 Q Then why, why did you enter into this
17 agreement if you don't have anything of record that indi-
18 cates he is the surface owner?

19 A At that time we believed it was certainly
20 a possibility that he owns the surface and we --

21 Q What led you to think that he was pos-
22 sibly the surface owner?

23 A The conversations with Mr. Motsch and
24 with attorneys.

25 Q Did they ever show you anything that made

1 you think that he might be the owner, might be the owner of
2 the surface?

3 A Not that I had seen.

4 Q And what did they say that made you think
5 he might be the owner of the surface?

6 A He claimed it. I -- I was not present in
7 '81 with V-F. This is going back through our records and
8 this is reconstructing what we did.

9 To date, we, in our firm, do not have the
10 deed showing that he owned the surface.

11 Q For purposes of doing business V-F ac-
12 knowledged him to be the surface owner, though?

13 A Yes, that is correct.

14 Q What does the -- essentially could you
15 summarize what the surface damage agreement relates to, use
16 of surface, pipelines, or what?

17 A It's quite extensive. Yes, it relates to
18 payment for water, damages, well location, where it will be,
19 the caliche is for the roads.

20 It's very extensive. It has 21 items in
21 it.

22 Mr. Motsch, through his attorney, made
23 certain demands, you know, that he wished to be covered in
24 the agreement, and the agreement was drawn up and eventually
25 on September 30th it was signed.

1 Q Would that agreement, so far as you know,
2 purport to give you any right to dispose of water from off-
3 lease onto the southwest quarter of Section 9?

4 A If I understand your question, this
5 agreement does not.

6 Q It does not. It does not allow for
7 right-of-way?

8 A I don't believe it addresses off-lease
9 water.

10 Q Okay.

11 MR. QUINTANA: I have no fur-
12 ther questions of the witness.

13 Do you have questions of the
14 witness, Mr. Motsch?

15 MR. MOTSCH: No.

16 MR. QUINTANA: You may be ex-
17 cused.

18 Mr. Motsch, would you please
19 take the stand up there and state your concerns for us, at
20 the front there so they can hear you better on the recorder?

21 MR. MOTSCH: All right.

22 MR. QUINTANA: For the record,
23 Mr. Motsch, could you state your full name?

24 MR. MOTSCH: John James Motsch.

25 MS. AUBREY: Excuse me, Mr.

1 Examiner, perhaps before Mr. Motsch testifies, he should be
2 sworn.

3 MR. TAYLOR: Sure. Mr. Motsch,
4 would you stand and raise your right hand, please?

5

6 (Mr. Motsch sworn.)

7

8 MR. MOTSCH: John James -- oh,
9 John James Motsch.

10 MR. QUINTANA: And would you
11 state your place of residence?

12 MR. MOTSCH: Well, I've got two
13 residences, one in Indiana and one in New Mexico, but I live
14 on Rt. 1, Box 71, Lovington, New Mexico.

15 MR. QUINTANA: Mr. Motsch, I'm
16 a little confused as to your concerns.

17 Mrs. Whiles testified that an
18 agreement had been signed between yourself and V-F Petroleum
19 Corporation.

20 Could you explain to the Divi-
21 sion what -- what concerns you have even though you've
22 signed this agreement?

23 MR. MOTSCH: Now what agreement
24 are you talking about? You mean when they drilled the well
25 originally?

1 What's that got to do with the
2 salt water disposal?

3 MR. TAYLOR: We don't know. We
4 haven't seen the agreement.

5 In fact, could you provide us
6 with a copy of that agreement?

7 MS. WHILES: Certainly.

8 MR. TAYLOR: So we could check
9 it out?

10 MS. AUBREY: I believe it re-
11 lates solely to the drilling of the V-F Graham No. 1.

12 MR. TAYLOR: Okay.

13 MR. MOTSCH: That's -- at that
14 time they had made -- they made no mention of wanting to
15 make a salt water disposal well on the place.

16 MR. TAYLOR: That related es-
17 sentially to the drilling of --

18 MR. MOTSCH: Of the Graham No.
19 1, or whatever they call it.

20 MR. TAYLOR: And you're the
21 surface owner of what, the south half of Section 9?

22 MR. MOTSCH: Yes, sir. I am a
23 son of Larry -- Lawrence W. Motsch. He's in on this, too.

24 MR. TAYLOR: Okay, and your --
25 is your main problem with this that they have not made an

1 agreement with you?

2 MR. MOTSCH: No, not yet. I've
3 talked to Mr. (not understood) in Midland here -- March, I
4 think it was, I called down there to see what they was
5 wanting to do, and where all this water was coming from that
6 they were talking about dumping in there.

7 And who owns the casing and who
8 owns that well? Is that for this place to decide?

9 MR. TAYLOR: I don't know if we
10 could decide that or not. We've got some other cases that
11 involve the same questions. We'd have to look at --

12 MR. MOTSCH: Well, why does it
13 -- if it's abandoned on the State land it goes back to the
14 State.

15 If they abandon the well on a
16 private piece of land, why don't it come back to the land-
17 owner?

18 MR. TAYLOR: You're not the
19 mineral owner here, are you, yourself? You're just --

20 MR. MOTSCH: No, I'm not the
21 mineral owner?

22 MR. TAYLOR: -- surface owner-
23 ship?

24 MR. MOTSCH: No, I'm not.

25 MR. TAYLOR: Okay. I don't --

1 I don't know who would own the casing but I think you could
2 say that it's probably all right to state that they could
3 not dispose of water from off-lease without the permission of
4 the surface owner.

5 MR. MOTSCH: Well, yeah, that's
6 right.

7 MR. TAYLOR: So I suppose that
8 either our order or some direction to them will tell them
9 that if we approve this it will only allow for disposal of
10 water produced from the lease in which they've got the dis-
11 posal well and they will have to reach an agreement with you
12 if they want to either have the right-of-way to bring -- to
13 drive onto there with other water or if they want to dispose
14 of other water from off-lease.

15 MR. MOTSCH: Yeah.

16 MR. TAYLOR: Okay. I don't --
17 I don't see that we have any other thing.

18 We will take your concerns into
19 consideration when we write the order and we'll have to look
20 and see if it's going to be allowed, but if it is allowed,
21 it will only be allowed for water on the lease unless we are
22 provided with an agreement whereby you all have reached an
23 understanding as to disposal of off-lease waters.

24 MR. MOTSCH: Well, it seems V-F
25 Petroleum didn't have that lease when we bought that land.

1 We bought the land in '80 and
2 V-F Petroleum didn't have the lease on it and Special Ser-
3 vices had it then.

4 Is there any question from
5 there who owned the well at that time?

6 MR. TAYLOR: I don't know.
7 There may well be, but we'll just have to look at it and see
8 if other people are involved.

9 MR. MOTSCH: So that's all.
10 That's what I'm interested in, and if there's -- if there's
11 water coming from other wells, why, I want to know that,
12 too.

13 MR. QUINTANA: Well, at this
14 time I think it's been stated in the record that there will
15 not be water coming from other wells, just from that same
16 well that is currently in the lease.

17 MR. MOTSCH: Yeah. Those
18 things change, you know.

19 MR. QUINTANA: That is true.

20 MR. MOTSCH: Lots of red tape.

21 MR. TAYLOR: Mr. Motsch, would
22 it be possible for you to send us a copy of your evidence of
23 title for this section?

24 MR. MOTSCH: Sure.

25 MR. TAYLOR: Just before we en-

1 ter any order?

2 MR. MOTSCH: Well, you want a
3 photostat of the lease?

4 MR. TAYLOR: Sure, just a copy.

5 MR. MOTSCH: I'll even send you
6 a tax receipt.

7 MR. TAYLOR: Okay, anything
8 like that.

9 MR. MOTSCH: Okay.

10 MR. TAYLOR: That's all I have.

11 MR. MOTSCH: Send it to this
12 office here?

13 MR. TAYLOR: Yeah, we'll give
14 you an envelope to send it in.

15 MS. AUBREY: Mr. Examiner, I
16 have one final thing.

17 We have prepared a memorandum,
18 I'm giving Mr. Motsch a copy, on the ownership issue. I'd
19 like to make it clear to the Examiner, though, that it's V-F
20 Petroleum's position that the Examiner here or the Commis-
21 sion does not have jurisdiction to determine ownership of
22 the surface and minerals or the casing.

23 That is a matter which rests
24 solely with the District Court; however, we have provided
25 some case law to you in the memorandum in support of V-F

1 Petroleum's right to use the wellbore for disposal of salt
2 water.

3 MR. QUINTANA: Is there any-
4 thing further in this case?

5 If not, Mr. Motsch, do you have
6 anything further?

7 MR. MOTSCH: No, I don't have
8 anything further.

9 MR. QUINTANA: You may be ex-
10 cused.

11 Case 8591 will be taken under
12 advisement.

13

14 (Hearing concluded.)

15

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY
CERTIFY that the foregoing Transcript of Hearing before the
Oil Conservation Division was reported by me; that the said
transcript is a full, true, and correct record of the
hearing, prepared by me to the best of my ability.

I do hereby certify that the foregoing is
a complete and true transcript of the proceedings in
the Examiner hearing of Case No. 8596
heard by me on May 8 19 85
Wilbert P. Quintana, Examiner
Oil Conservation Division