

LAW OFFICES

LOSEE & CARSON, P. A.

300 AMERICAN HOME BUILDING

P. O. DRAWER 239

ARTESIA, NEW MEXICO 88211-0239

AREA CODE 505
746-3508

A.J. LOSEE
JOEL M. CARSON
—
ELIZABETH LOSEE
JAMES E. HAAS*
ERNEST L. CARROLL
*LICENSED IN TEXAS ONLY

24 January 1986

MEMORANDUM

TO: Randy Patterson

FROM: A.J. Losee and Ernest L. Carroll

FACTS:

Yates Petroleum Corporation is the owner of a federal oil and gas lease in Roosevelt County, New Mexico, the surface of which is owned by Charles Seed. There is an abandoned well on the lease that was drilled by Yates Petroleum.

QUESTION:

May Yates as owner of the oil and gas lease inject salt water produced from other wells on the subject lease in the abandoned well.

DISCUSSION:

The question posed has been addressed infrequently by the courts of the oil producing states. Several courts have, in answering other questions, apparently assumed by virtue of statements made that an Operator does have the right to dispose of salt water produced from a well on that same lease.

The most recent and most instructive case found on this question is a Texas Court of Appeals case decided in February of 1985. In that case, TDC Engineering, Inc. vs. Dunlap, 84 O & GR 575, (Tex. Civ. App. 1985), the lessee held leases on a large tract of land. The Plaintiff (surface owner) purchased land subject to oil and gas leases which had been executed by the various owners of the mineral fee. A lease executed by owners of the majority mineral interests contained a "Pugh clause" and terminated except as to 40 acres around each producing well. The lease executed by the owner of an undivided one-sixteenth mineral fee interest continued

BEFORE JAMES E. HAAS, JR. CLERK
COUNTY CLERK
YATES
CASE NO. 8884

Memo

R. Patterson

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in effect as to the entire premises, however. Plaintiff sued the Operator of a producing well for damages resulting from injecting salt water on land off the 40 acres held by the producing well. The surface owner claimed that the Operator should either transport its salt water off his property or make an agreement with him and pay him for the right to dispose of the salt water by injection into the well on his property. The court held against the landowner, ruling that the Operator had the right to produce the oil belonging to the one-sixteenth undivided mineral interest owner and to make such reasonable use of the surface estate related to it as is necessary to produce the oil.

In arriving at its decision, the court in TDC Engineering, Inc., supra, recited two long-standing rules which we feel are controlling. They are:

1) ~~That the Operator of an oil and gas lease has the right to use so much of the land, both surface and subsurface, as is reasonably necessary to comply with the terms of the lease contract.~~ Brown v. Lundell, 344 S.W. 2d 863, 14 O & GR 611, (1961).

2. That the right to use so much of the premises as is reasonably necessary does not obligate the oil and gas Operator to use alternative methods unless they may be employed on the lease premises to accomplish the purposes. Sun Oil Company v. Whitaker, 483 S.W. 2d 808, 42 O & GR 256, (1972).

It should be noted that the court in both TDC Engineering, Inc., supra, and Sun Oil Company, supra, dealt with the contention that the Operator had an alternative method of disposal of the salt water by transporting and disposal of the salt water in wells off of the lease premises. Both courts made it abundantly clear that the only alternatives which could be considered were those that could be employed by the Operator on the lease premises itself.

In conclusion it is felt that an Operator has the authority to inject salt water produced from a lease in a well on that same lease. It is further felt that any obligation on the part of the Operator to pay damages would be the same as his obligation to pay damages when drilling an oil or gas well. That being that

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the Operator would be liable only for such damages that are caused by his negligence or were not reasonably necessary for the production of oil and gas from the subject premises.

Mobil Producing Texas & New Mexico Inc.

WAIVER

P.O. BOX 633
MIDLAND, TEXAS 79702

MIDLAND DIVISION

Mobil Producing TX & NM, Inc.
Attention: G. E. Tate
Post Office Box 633
Midland, Texas 79702

Case No. 8884

RE: UNORTHODOX WELL LOCATION
MOBIL PRODUCING TX & NM, INC.
BRIDGES STATE, WELL NO. 509
VACUUM (GRAYBURG-SAN ANDRES) FIELD
LEA COUNTY, NEW MEXICO

Gentlemen:

We, the undersigned, have been furnished a copy of Mobil Producing Texas & New Mexico, Inc.'s application to drill the subject well on an unorthodox location under the provisions of Rule 104.F.I. Please be informed that we, as an offset operator, on the State VA Lease, currently in the process of being assigned to Mobil, have no objection to the drilling of this well as set forth in MPTM's application dated February 11, 1986.

Yours truly,

Company Mobil Producing Texas & New Mexico, Inc.

Representative _____

Signature Gilbert S. Miller

Title _____

Date 3-21-86

Mobil Producing Texas & New Mexico Inc.

WAIVER

P.O. BOX 633
MIDLAND, TEXAS 79702

Mobil Producing TX & NM, Inc.
Attention: G. E. Tate
Post Office Box 633
Midland, Texas 79702

MIDLAND DIVISION

RE: UNORTHODOX WELL LOCATION
MOBIL PRODUCING TX & NM, INC.
BRIDGES STATE, WELL NO. 509
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Yours truly,

Company ACME OIL & GAS CORPORATION

Representative _____

Signature Gilbert E. Miller

Title _____

Date 3-21-86

Called in by Bill Carr 4/14/86
April 30, 1986

Mobil Producing Texas and
New Mexico, Inc.

Salt Water Disposal

Lea County

Vacuum Grayburg-San Andres
Pool

San Andres formation

Bridges State # 511

474/S + 1904/E

23-17S-34E

Perforated Interval

5050' to 5650'



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

TONY ANAYA
GOVERNOR

May 12, 1986

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Mr. William F. Carr
Campbell & Black
Attorneys at Law
Post Office Box 2208
Santa Fe, New Mexico

Re: CASE NO. 8884
ORDER NO. R-8220

Applicant:

Mobil Producing Texas and New Mexico,
Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Sincerely,

R. L. STAMETS
Director

RLS/fd

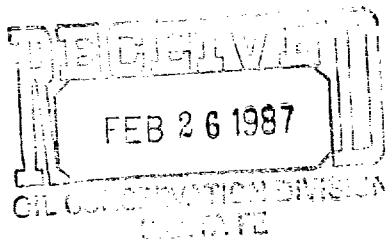
Copy of order also sent to:

Hobbs OCD _____
Artesia OCD x
Aztec OCD x

Other _____

Mobil Producing Texas & New Mexico Inc.

February 23, 1987



P.O. BOX 633
MIDLAND, TEXAS 79702

MIDLAND DIVISION

State of New Mexico
Energy & Minerals Dept.
Oil Conservation Division
P.O.Box 2088
Santa Fe, New Mexico 87501

Attention: Division Director

7.01
PRESSURE INCREASE APPLICATION
MOBIL PRODUCING TX. & N.M. INC.
BRIDGES STATE WELL NO. 511,
SECTION 23, T-17-S, R-34-E,
VACUUM GRAYBURG-SAN ANDRES FIELD
LEA COUNTY, NEW MEXICO

Gentlemen:

Mobil Producing TX. & N.M. Inc. is requesting authority to increase pressure to 1180 psi on the Bridges State Well No. 511. R-8220 (Case No. 8884) granted the use of the well for injection purposes with a pressure limit of 1010 psi. The attached tests determined surface fracture pressure to be 1230 psi. The tests show that an increase of higher pressure will not result in migration of the injected water from the San Andres formation within the Vacuum (Grayburg-San Andres) Pool.

Attached are step rate tests needed for administrative approval of the subject request for a pressure increase from 1010 psi to 1180 psi. If additional information is needed, please call Lorraine Maroney (915) 688-1773.

Yours very truly,

M. E. Sweeney
Environmental & Regulatory Manager

L.L. Maroney

Attachments
cc: NMOCD, Hobbs

A:M705469A.LLM

Division Director

-2-

02/23/87

BCC: A.J.Alcott
Glen Bankson
J.N.Howard
D.R.Seale
Central Files
Regulatory Files

B & D WELL TESTERS

Step Rate Test

Phone (505) 397-3914

Hobbs, New Mexico 88240

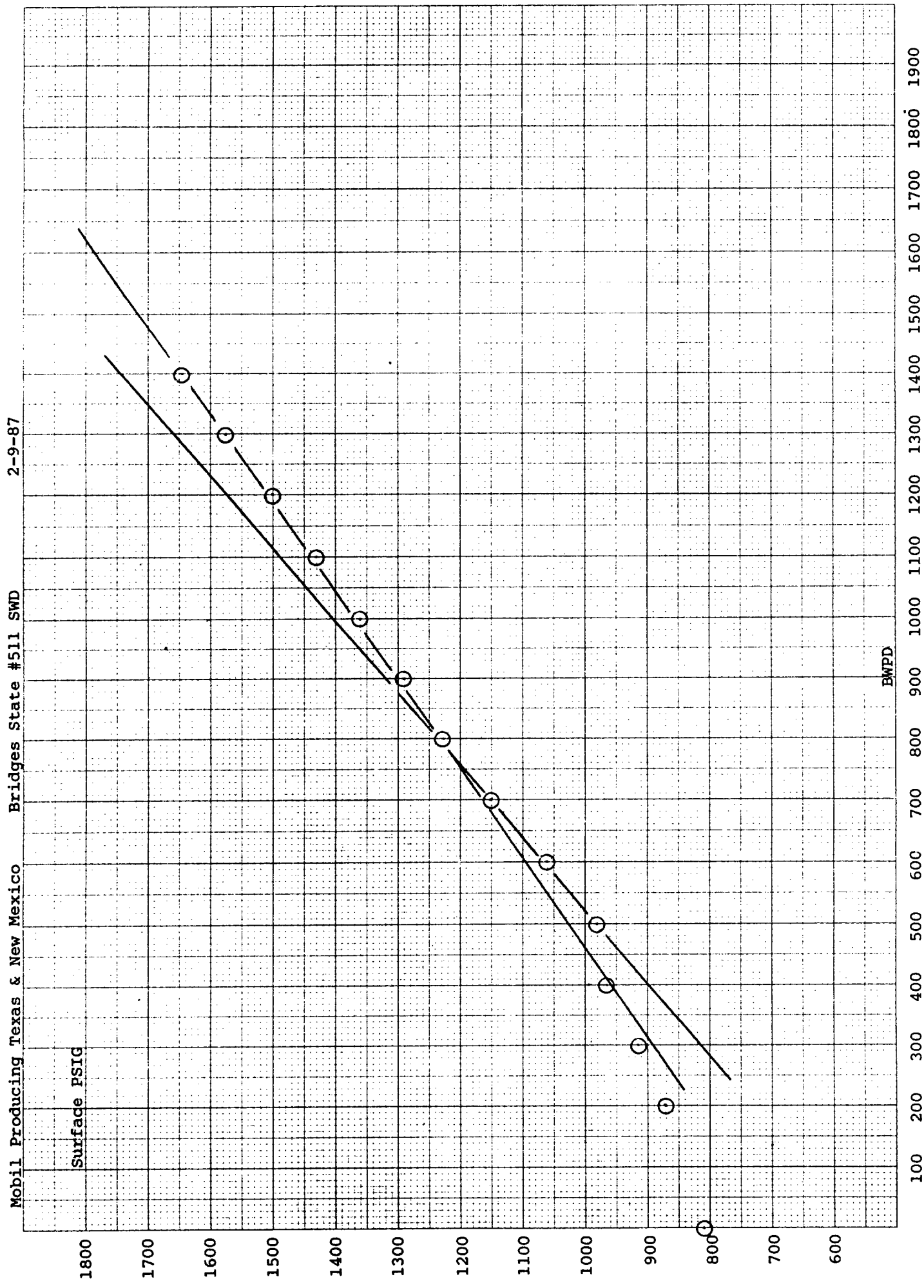
Company Mobil Producing Texas & New Mexico Test Date 2-9-87						Unit
Total Depth 5651' Plug Back TD Elevation						Lease Bridges State
Csg size 7" Wt d Set at Perfs: From 5050' To 5646'						Well #511 SWD
Tbg size 2 7/8 Wt Duoline d Set at Perfs: From To						Sec Twp-Blk Rge
Producing thru Packer set at 4950						County Lea State New Mexico
						Co. Rep David Howell

Time of Reading	Elap Time Hrs.	Well Information					Remarks
		Rate BBLs Per Day	Total BBLs Per Rate	Surface PSIG	Surface PSI Cor for Friction	BHP	
10:10	Shut in			810			5348'-Midway Point
10:15	Start	200		810			
10:20		200		855			
10:25		200		865			
10:30	:15	200	2.0	870			
10:35		300		895			
10:40		300		910			
10:45	:30	300	3.1	915			
10:50		400		945			
10:55		400		960			
11:00	:45	400	4.1	965			
11:05		500		975			
11:10		500		980			
11:15	1:00	500	5.2	980			
11:20		600		1035			
11:25		600		1050			
11:30	1:15	600	6.2	1060			
11:35		700		1110			
11:40		700		1135			
11:45	1:30	700	7.3	1150			
11:50		800		1200			
11:55		800		1210			
12:00	1:45	800	8.3	1225			
12:05		900		1260			
12:10		900		1275			
12:15	2:00	900	9.4	1290			
12:20		1000		1330			RECORDED
12:25		1000		1345			FEB 16 1987
12:30	2:15	1000	10.5	1360			ENV. & REG.
See Page #2							

Phone (505) 397-3914

Hobbs, New Mexico 88240

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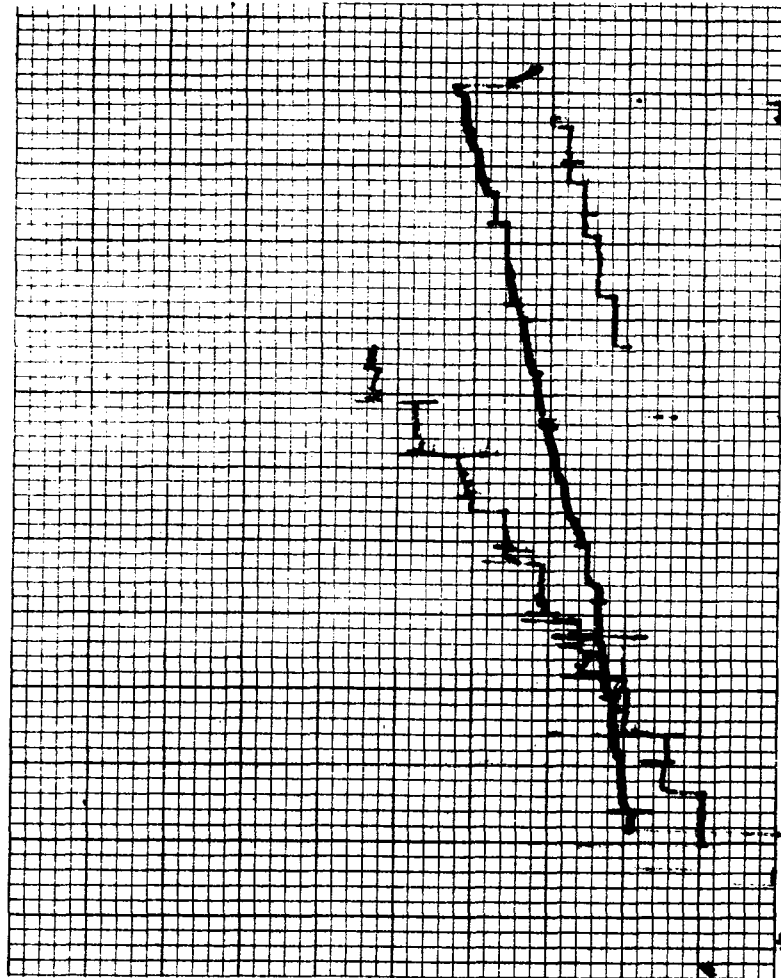


B & D WELL TESTERS, INC.

P.O. Box 5683
HOBBS, NEW MEXICO

505 397-3914

Mobil Producing Texas & New Mexico
Bridges State #511 SWD
2-9-87



NO.

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

March 4, 1987

GARREY CARRUTHERS
GOVERNORPOST OFFICE BOX 2028
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800Mobil Producing Texas &
New Mexico Inc.
P. O. Box 633
Midland, Texas 79702

Attn: M. E. Sweeney

Re: Injection Pressure Increase
Bridges State Well No. 511
Vacuum Grayburg San Andres Field,
Lea County, New Mexico

Dear Sir:

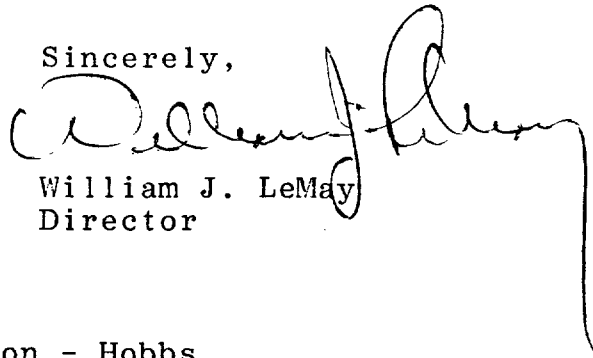
Reference is made to your request of February 23, 1987 to increase the surface injection pressure on your Bridges State Well No. 511. This request is based on a step rate test conducted on the well on February 9, 1987. The results of the test have been reviewed by my staff and we feel an increase in injection pressure on this well is justified at this time.

You are therefore authorized to increase your surface injection pressure on the following well:

<u>Well & Location</u>	<u>Maximum Injection Surface Pressure</u>
Bridges State Well No. 511 474 FSL & 1904 FEL (Unit O) Section 23, T-17S, R-34E	1180 PSIG

The Division Director may rescind this injection pressure increase if it becomes apparent that the injected water is not being confined to the injection zone or it is endangering any fresh water aquifers.

Sincerely,

A handwritten signature in dark ink, appearing to read 'William J. LeMay', with a long, sweeping vertical line extending downwards from the end of the signature.

William J. LeMay
Director

WJL/DRC/et

cc: \ Oil Conservation Division - Hobbs
Case File 8884
D. McDonald
D. Catanach