STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

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

CASE NOS. 10,866 18,867

APPLICATION OF OXY USA, INC.

M. S.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

November 18, 1993

DEC 2 0

Santa Fe, New Mexico

ORIGINAL

This matter came on for hearing before the Oil Conservation Division on Thursday, November 18, 1993, at Morgan Hall, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

November 18, 1993
Examiner Hearing
CASE NOS. 10,866, 10,867

* * *

E X H I B I T S

	Identified	Admitted
Exhibit 1	6	19
Exhibit 2	7	19
Exhibit 3	15	19
Exhibit 4	19	19
Exhibit 5	13	19

* * *

A P P E A R A N C E S

FOR THE DIVISION:

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* * *

WHEREUPON, the following proceedings were had at 8:47 a.m.:

EXAMINER STOGNER: Call next case, Number 10,866.

MR. STOVALL: Application of OXY USA, Inc., for expansion of the waterflood project in the East Eumont Unit, Lea County, New Mexico.

EXAMINER STOGNER: Call for appearances.

MR. BRUCE: Mr. Examiner, my name is Jim Bruce. I'm representing the Applicant and I have two witnesses to be sworn.

I'd ask that this case be consolidated with the next case, 10,867.

EXAMINER STOGNER: Are there any objections or other appearances in Case 10,866 or 10,867?

At this time I'll call Case Number 10,867.

MR. STOVALL: Application of OXY USA, Inc., for Enhanced Oil Recovery Project Qualification for the recovered oil tax rate for the East Eumont Unit, Lea County, New Mexico.

EXAMINER STOGNER: Seeing no additional appearances, Mr. Bruce?

SCOTT E. GENGLER,

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

DIRECT EXAMINATION

BY MR. BRUCE:

Q. Would you please state your name and city of residence for the record?

A. My name is Scott Gengler, spelled, G-e-n-g-l-e-r, and I live in Midland, Texas.

Q. Who do you work for and in what capacity?

A. I work for OXY USA as a petroleum engineer.

Q. Have you previously testified before the Division as a petroleum engineer?

A. Yes, I have.

Q. And were your credentials accepted as a matter of record?

A. Yes, I have.

Q. And are you familiar with the engineering matters involved in these two cases?

A. Yes, I am.

MR. BRUCE: Mr. Examiner, I would tender Mr. Gengler as an expert petroleum engineer.

EXAMINER STOGNER: Mr. Gengler is so qualified.

Q. (By Mr. Bruce) Briefly, what is it OXY seeks in these cases?

A. OXY operates the East Eumont Unit in Lea County, New Mexico, and we seek to expand the injection authority to the north end of the East Eumont Unit and to qualify the north end of the unit for the recovered oil tax rate.

Q. When was the East Eumont Queen Unit formed?

A. The unit was formed in 1965.

Q. And the unitization order is R-2894; is that correct?

A. That's correct.

Q. And we'll submit that later in your testimony; is that correct?

A. That's correct.

Q. Would you please identify Exhibit 1 for the Examiner?

A. Exhibit Number 1 is our C-108 Application for the north end of the East Eumont Unit.

Q. Was this prepared by you?

A. Yes, it was.

Q. Now, referring to Exhibit -- or, excuse me, page 2 of the exhibit, which is an outline of the unit, could you just briefly describe the geology of the unit?

A. The Eumont field is an anticline formation, and the East Eumont Unit was created on the oil rim of this anticline. It was designed to waterflood that oil rim on the eastern side of the anticline. To the east you've

fallen off dip and basically have all water, and to the west you have the gas cap where this formation is gas productive.

Q. And that's the reason for this elongated shape of the unit?

A. Yes, it is.

Q. Now, referring to Exhibit 2, what is the status, the current status of the East Eumont Unit?

A. The entire unit had ultimate primary production of approximately 3.27 million barrels of oil, ultimate secondary production of just a little over 3 million barrels of oil, and it has total production of 6.3 million.

Total production as of 10-1-93 has been 6.3 million, and under current conditions the remaining production of recoverable reserves is approximately zero.

Currently, production from the unit is two barrels of oil per day and one barrel of water per day from two wells.

Q. Referring back to page 2 of Exhibit 1, the land plat, are either of the two active producers in that north segment of the unit the colored area?

A. No, they're not.

Q. Okay. And has that north segment of the unit ever been flooded?

A. No, it has not.

Q. What are OXY's plans for the north segment of the unit?

A. OXY plans to convert wells to injection to initiate an 80-acre fivespot waterflood project. Also included is drilling of two producers and one injector for the completion of these patterns.

Q. Okay. Now, approximately what percent of the working interest does OXY own in the unit?

A. OXY owns approximately 97 percent of the unit.

Q. When was this purchased?

A. It was purchased in June of 1993.

Q. Okay. Who did you purchase this from?

A. Sirgo Operating.

Q. So these plans of yours are all of rather recent vintage; is that correct?

A. That is correct.

Q. Now, looking at that Exhibit 1, page 2, there are a number of inverted green triangles. Were those wells approved for injection in 1965?

A. Yes, they were.

Q. But again, no injection had ever taken place in those wells?

A. No injection was ever commenced.

Q. And they were never converted?

A. No, they were not.

Q. Okay. And the red triangle is the new injector you seek authority for?

A. That is correct.

Q. In your opinion, is the north segment of the unit a new area of activity for enhanced recovery?

A. Yes, it is.

Q. Now, going back to your Exhibit 1, would you go through it for the Examiner, starting with page 4, and discuss its contents?

A. In pages 4 through 24A is the injection well data sheets as required for the C-108, and each one of the wells that we request authority to convert to injection.

EXAMINER STOGNER: Hang on a second, Mr. Bruce.

(Off the record)

EXAMINER STOGNER: Mr. Bruce, --

MR. STOVALL: Mr. Stogner, I think we need to have a discussion off the record for a few minutes.

EXAMINER STOGNER: Okay, off the record.

MR. STOVALL: Off the record.

(Off the record)

EXAMINER STOGNER: Go back on the record.

Mr. Stovall?

MR. STOVALL: During an off-the-record discussion, we've reviewed the situations created by the fact that there presently exists an order which governs

this waterflood project with respect to what's described on the exhibits as the southern portion of the project.

That order is effective, and well water is being injected in that southern portion, and I think we need to -- you know, I guess that's -- Anything below the south half of Sections 15 and 16 in 19 South, 37 East; is that right, Mr. Gengler?

THE WITNESS: Yes.

MR. STOVALL: With respect to the area that is under consideration today, there has been some procedural confusion. I think there's some question whether that 1965 order is valid with respect to that northern portion, both because of errors that are contained and because of the fact that it was never acted on. And a 30-year-old order, question whether or not you could inject under that anyway. The rules have changed, and probably field conditions have changed.

In view of that, OXY has in fact submitted a C-108 requesting new injection authority for the specific wells in this expansion project area. I think the Division is going to have to amend the previous order and -- What's that order number? Mr. Gengler, do you have that?

THE WITNESS: R-2901.

MR. STOVALL: R-2901 -- to withdraw any authority to inject in the area which we are talking about today.

And any authority to inject in that area through these wells will be as a result of this hearing and order.

However, It was not advertised in that way, so I recommend we continue to take the testimony from OXY, but the case will need to be re-advertised to correctly reflect what is being done at this hearing, and it was not correctly advertised in Case 10,866.

EXAMINER STOGNER: With that, make sure I understand what they want, let's go on with the testimony, and then I'll try to get the facts later on for the readvertisements.

MR. BRUCE: Okay.

EXAMINER STOGNER: Mr. Bruce?

Q. (By Mr. Bruce) Mr. Gengler, we had just referred to pages 4 through 24A of Exhibit 1, the injection well data sheets. Could you take page 4, for instance, and just briefly go through what OXY's plans are for the typical injection well?

A. Our plans are to take a typical injection well, test the casing, make sure that it's in good shape to have an injection going into it. We're planning to acidize the perforations, run an injection packer and injection tubing, set it above the perfs and equip it for injection.

Q. And you will be using lined tubing; is that correct?

A. That is correct.

Q. Okay. These data sheets also contain information on cement. Were these calculations made according to standard methodology?

A. Yes, they were.

Q. And based on your experience in this field?

A. Yes, they were.

Q. Okay. Is page 24A -- Is that the only new well that will be drilled in this part this project?

A. New injection well.

Q. New injection well.

Would you move on, then, to pages 25 through 31 of the C-108 and describe those pages for the Examiner?

A. Page 25 is a plat of the proposed injection wells in a half-mile area of review around these injection wells.

Pages 26 through 31 would contain a summary of all the wells located within this area of review.

Q. In your review of the data on the offset wells, were there any problem wells?

A. No, there were not.

Q. Okay. And then let's move on to pages 32 through 37 of the C-108. And before we have you do that, let's -- Are these the data on the plugged and abandoned wells in the area?

A. Yes, it is.

Q. Now, let's turn to page 33 first. You have a sheet there for the Cone Ohio State Number 1 well. Subsequent to preparing this, what did you find out about that well?

A. This listed all the information that was found in the file in Hobbs. Basically, that was just a permit to drill, and the information contained on that, that was all that was located in the Hobbs file.

When we got up here to Santa Fe, we checked the records in Santa Fe and came up with a little more information.

Q. And is that submitted as Exhibit 5?

A. Yes, it is.

Q. What does that information show?

A. Basically, a copy of the notice of intention to drill, and on the second page there was a handwritten copy that said the TD on it was 80 feet, that the well was never drilled down to the proposed depth.

We included the original Permit to Drill information for completeness, since that's all we had. This information was verified through scout ticket information that the total depth was 80 feet and plugged and abandoned at that depth.

Q. So really this data on page 33 can be ignored; is that correct?

A. That is correct.

Q. Okay. As to the other P-and-A well data, do you have any comments on that?

A. We believe that the remaining wells have all been plugged efficiently to prevent injection fluids from migrating from the injection zone up to any freshwater strata.

Q. Would you discuss your injection well -- your proposed injection operations?

A. This is located on page 38 of Exhibit 1. Our average daily injection rate is estimated at 300 barrels of water per day with a maximum of 500 barrels of water per day. The proposed system is a closed system, and we expect an average injection pressure of 1200 p.s.i., which is based on the south end of the flood.

Q. Initially, you will comply with the 0.2-p.s.i.-per-foot limitation, will you not?

A. Yes,

Q. What is the source of your injection water?

A. Our source will be produced water from the unit and fresh water from the fresh water well that supplies the south end.

Q. Do you have an estimate on what the initial makeup of the water will be between produced water and fresh water?

A. Just an estimate of approximately 80, 85 percent fresh water, and 15 to 20 percent produced water.

Q. Do you anticipate any compatibility problems between the injection fluids and the formation water?

A. No, I do not. The fact that it was used in other portions of the unit in the same formation, I do not believe that there will be any problems.

Q. Are there any freshwater wells in this area?

A. Just the one located on the unit.

Q. And that's in the southeast quarter of the southwest quarter of Section 10?

A. That's correct.

Q. What are OXY's plans for that well? First, is it producing water at this time?

A. Currently it's temporarily abandoned. OXY is in the process of trying to obtain the rights to that well from the current owner, who sold water to the previous operator for the waterflood. We're in negotiations at this time on that.

Q. Would you please move on to Exhibit 3 and identify that for the Examiner?

A. Exhibit 3 is our Application for Enhanced Oil Recovery Project Qualification for the recovered oil tax rate for the East Eumont Unit, north end.

Q. And does page 3 contain a legal description of

the project area, the proposed project area?

A. Yes, it does.

Q. Is the primary production from the north segment of the unit depleted?

A. Yes, it is.

Q. Again, there's no production at this time from this segment of the unit?

A. That's correct. There's been no production since 1990 on this end of the unit.

Q. In your opinion, is it feasible to commence an enhanced recovery operation to maximize the recovery of oil from the north segment of the unit?

A. Yes, it is feasible.

Q. Moving on, is page 5 a list of the current status of all wells in the north segment of the unit?

A. That is correct.

MR. BRUCE: Mr. Examiner, pages 6 and 7 of that Application are simply a copy of the unitization order from 1965.

Q. (By Mr. Bruce) What does page 8 represent, Mr. Gengler?

A. Page 8 is a production curve of oil, gas and water for the entire East Eumont Unit.

Q. And currently there is marginal production from the unit; is that correct?

A. That's correct. It's two barrels of oil per day, one barrel of water per day.

Q. When does OXY propose commencing injection?

A. As soon as we can get an order approving our project.

Q. And attached as page 10 is the original injection order?

A. That is correct.

MR. BRUCE: Mr. Examiner, there are some errors on there. Since we will be amending the Application and readvertising it, we won't go through these at that time. There are various mistakes regarding the location of injection wells.

MR. STOVALL: Mr. Bruce, with that regard, I guess this is as good a time as any we do that, take a look and identify which of the wells the authority to inject should be rescinded for in this order, because I think -- Again, I think, given the age of the order and the fact that nothing has been done out there, I think it's -- concerns about that, and --

MR. BRUCE: For the 16th, we will specifically list the wells from that order, which should be excised from that order.

Q. (By Mr. Bruce) Would you then move on to pages 11 and 12 of the Application, Mr. Gengler, and summarize

their contents?

A. Page 11 is a proposed status of all wells in the north segment of the waterflood project and their proposed status of either a producer or injector within this project.

Page 12 is an estimate of cost for this project, which includes the drilling and equipping of the two producers, the drilling and equipping of one injector, conversion of 21 producers to injection, and the reactivation of 21 producers. In addition, the upgrade of battery and injection facilities, for a total project cost estimate of $3.765 million.

Q. What is your estimated additional recovery of oil from the north segment of the pool? I mean, excuse me, north segment of the unit?

A. We estimate approximately 775,000 barrels of oil will be recovered by the enhanced recovery project.

Q. What do you base this figure on?

A. We base it on the projects to the south and their performance, primary-to-secondary ratios.

The primary production in the central portion of the unit averaged approximately 19,000 barrels of oil per well. In the north segment, it was approximately 21,000 barrels per well. The central segment recovered a secondary-to-primary ratio of 1.2 to 1, and that is the

basis for our projection in the north end.

Q. Is Exhibit 4 an affidavit regarding notice given of the C-108 to the various parties?

A. Yes, it is.

MR. BRUCE: Mr. Examiner and Mr. Stovall, if you have any questions on this, Mr. Foppiano is the one who gave notice, and he's here to answer any questions.

Q. (By Mr. Bruce) Mr. Gengler, is the granting of this Application -- or these two Applications -- in the interests of conservation and the prevention of waste?

A. Yes, it is.

Q. And were Exhibits 1 through 5 prepared by you or compiled from company or public records?

A. Yes, it is.

MR. BRUCE: Mr. Examiner, at this time I move the admission of Exhibits 1 through 5.

EXAMINER STOGNER: Exhibits 1 through 5 will be admitted into evidence.

MR. STOVALL: Mr. Bruce, I recommend that what you do is go ahead and send out a notice to these people -- it doesn't look like an onerous list --

MR. BRUCE: No.

MR. STOVALL: -- to notify them of the rescission of the previous order as it pertains to these wells and new approval for injection pursuant to the -- I don't think you

need to send the 108 unless there are any changes pursuant to the 108 sent previously.

MR. BRUCE: There are some changes, so -- They're minor, but there were, you know, various corrections made.

EXAMINATION

BY EXAMINER STOGNER:

Q. Okay, let's refer to page 25 to begin with. You had testified there's only one water well that you know of in the area of review?

A. That is correct.

Q. And where is that well?

A. It's located in Section 10, in the southeast, southwest. That is the well that currently -- or has previously supplied water to the central segment of the waterflood project in the unit.

Q. Do you know of any other water wells in the area that are no longer active?

A. I do not know of any.

Q. Any windmills?

A. Not that I know of.

Q. Have you been out to this area?

A. Numerous times.

Q. Do you remember, if you're going west of Hobbs, out to the Monument Highway, you turn left at that point, do you remember the two houses on either side of the

Carlsbad Highway?

A. Yes, I do remember those.

Q. If I remember right, that used to be, in my youth, called the Twin Windmill area or the Twin Windmill Ranches; is that correct?

A. I don't know.

Q. Are those windmills still there?

A. Not that I have -- remember.

Q. If you would check in on that, I was thinking there are at least two water wells there at that intersection, that being Sections 33 -- This is in the north part of the map -- the corner of sections of 32, 33, 5 and 4 at the highway intersection.

A. Okay.

EXAMINER STOGNER: Also, and we have discussed this several times between myself and the other hearing examiner and Mr. Stovall, the map on 25, we find this to be very cumbersome to review, and since we are going to continue, Mr. Bruce, I'd like to request an additional map be prepared of the area of review, one not so cumbersome and one of larger scale, showing all wells referred to in the -- so therefore they can be --

MR. BRUCE: We'll put the operators on there too.

EXAMINER STOGNER: Operator name. Identifier, essentially, so we can go back. Also, if there's any wells

that didn't penetrate the area they still, I think, should be on there, with the TD clearly marked, that they didn't go that far.

And as we're bringing it up too, the water wells, make it easier to review and for anybody else from any agency from the federal government that may come in and review these records, if they're out, and make it easier on them also.

I'd like to see something about three times the present scale at least.

Any other information, Mr. Stovall?

EXAMINATION

BY MR. STOVALL:

Q. Well, yeah, just one other thing with respect to water wells, Mr. Gengler. Did you or anybody at OXY check with the State Engineer's Office to see if there were any water wells of any type permitted down in this area, within the area?

A. No.

MR. STOVALL: I would suggest that the State Engineer is an essential source to check for water -- potential water wells within an area. Not all of them will be there, but certainly it will be not good to overlook any that were.

EXAMINER STOGNER: For that matter, off the end

of the runway, in the south and west, I remember a pond, a windmill, on the approach into that particular runway, so you might want to look down there too. That might be a well that you have.

A lot of information reviewed, some readvertisements to be made. I don't really have any other questions at this point.

MR. BRUCE: Okay.

EXAMINER STOGNER: Mr. Stovall?

MR. STOVALL: No, I don't have any either.

EXAMINER STOGNER: Okay. With that, both Cases 10,866 and 10,867 will be continued and/or readvertised to the Examiner's Hearing scheduled for December 16th. I'll be here, or I plan to be here at that time. I will come down and listen to any additional testimony or may have some questions at that time.

Mr. Bruce --

MR. STOVALL: Mr. --

EXAMINER STOGNER: I'm sorry.

MR. STOVALL: Go ahead and --

EXAMINER STOGNER: I was just going to ask Mr. Bruce if he had anything further.

MR. BRUCE: No, sir.

MR. STOVALL: You will get us something that we can get into the --

MR. BRUCE: We'll have that over by tomorrow.

EXAMINER STOGNER: The what?

MR. STOVALL: The ads.

EXAMINER STOGNER: The ads. Okay, good.

With that, let's take a 20-minute recess at this time.

(Thereupon, these proceedings were concluded at 9:30 a.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case Nos. 10866 and 10867 heard by me on 18 Nov 1993.

Examiner
Oil Conservation Division

CERTIFICATE OF REPORTER

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

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

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

WITNESS MY HAND AND SEAL December 1, 1993.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1994

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

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

APPLICATION OF OXY USA, INC.

CASE NOS. 10,866
10,867

JAN 14 1994

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

ORIGINAL

December 16, 1993

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, December 16, 1993, at Morgan Hall, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

December 16, 1993
Examiner Hearing
CASE NOS. 10,866, 10,867

* * *

E X H I B I T S

	Identified	Admitted
Exhibit 1A	5	6
Exhibit 4A	5	6
Exhibit 5	5	6

* * *

A P P E A R A N C E S

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* * *

WHEREUPON, the following proceedings were had at 9:15 a.m.:

EXAMINER STOGNER: At this time I'll introduce myself. I'm Michael E. Stogner, Hearing Examiner for the next two cases.

At this time I'll call Cases Numbers 10,866 and 10,867.

MR. STOVALL: 10,866 is the Application of OXY USA, Inc., to amend Division Order No. R-2901 and to either institute a new waterflood project or for waterflood expansion, Lea County, New Mexico.

EXAMINER STOGNER: At this time I'll call for appearances.

MR. STOVALL: Well --

EXAMINER STOGNER: I'm sorry.

MR. STOVALL: Call the other one?

EXAMINER STOGNER: I'm sorry.

MR. STOVALL: Go ahead and do that one since you called both.

EXAMINER STOGNER: Okay.

MR. STOVALL: Application of OXY USA, Inc., for Enhanced Oil Recovery Project Qualification for the recovered oil tax rate for the East Eumont Unit, Lea County, New Mexico.

MR. BRUCE: Mr. Examiner, Jim Bruce from the

Hinkle law firm in Santa Fe, representing the Applicant.

I'd like to just make a brief statement here.

This was heard on November 18th, and a couple of issues arose.

This involves the East Eumont Queen unit, which was approved about 30 years ago. The northern segment of the unit, although waterflood was approved for that segment of that unit, it was never flooded. OXY originally filed an administrative application seeking an additional injection well for the north segment of the unit.

At the last hearing it became apparent there were some problems with the advertisement. Because of the time lapse since the original approval, there was probably a need for a whole new approval of injection wells for the north segment of the unit.

We did present our C-108 and other exhibits at that time on November 18th, but the case was re-advertised in order to properly designate what we were seeking, which is in essence a whole new approval for 22 injection wells for the north segment of the unit.

During the hearing also, the Examiner requested a map that was a little more clear as to who the offset operators were, the water wells in the area, and -- together with pertinent wells in the area of review.

And I believe Mr. Stovall also -- Since this was

originally set as an administrative application, there was no hearing date fixed in any of the notices given by OXY, and as a result OXY re-notified the offset operators, and that's what we're here today for.

Yesterday, I brought over to the Division certain exhibits. They were unmarked, and I don't have all the copies I wish. But upon review, OXY did locate three additional wells in the area of review. That's the information. I marked it Exhibit 1A, since it would be attached to the form C-108, which was admitted as Exhibit 1.

Exhibit 4A is simply Mr. Foppiano's affidavit of notice in which he did give notice of the specific hearing date for this Application.

And then I also presented to the Examiner yesterday -- I don't have any -- I thought I had additional copies. I'll have to -- I have requested them, and I would mark them as Exhibit 5. It's a land plat which more clearly shows the wells involved and the offset operators.

I would move the admission of those exhibits.

And after consultation with -- Yesterday, Mr. Stogner indicated that at this point anyway, no witness was needed today. However, if he desires any additional information or if he would like to review this data and get in touch with me and he needs a witness, we could certainly

make one available at the January 6th hearing.

EXAMINER STOGNER: On the additional area review map, is that Exhibit 5 or 5A?

MR. BRUCE: That's Exhibit 5, Mr. Examiner, and I'll submit a couple extra copies in a day or so.

EXAMINER STOGNER: At this time I'll admit Exhibits 1A, 4A and 5 in this matter.

For the record, the information, the map was provided me yesterday. I did review it. Additional information that I have requested is shown. In particular, eight, not two or three, water wells were also shown on there.

Subsequent to our conversation, Mr. Bruce, I'm going to find it necessary to request at least two samples of water --

MR. BRUCE: Okay.

EXAMINER STOGNER: -- from any two of these wells.

I apologize for not requesting that of you yesterday. But since we're on the record, if you will have that provided and on that record show which wells and the locations of the two wells in which OXY chooses --

MR. BRUCE: Sure.

EXAMINER STOGNER: -- to take samples from.

Mr. Stovall, do you have anything?

MR. STOVALL: Yeah. Well, Mr. Bruce, let's make sure we're clear on this, is that originally OXY was kind of thinking they might have had a 1965 approval, but we're treating that as having lapsed?

MR. BRUCE: Correct.

MR. STOVALL: I mean, if that were more under the current rules it would not be in effect today, and the Division is going to -- I'm going to recommend to the Examiner that order be canceled, because it should not --

MR. BRUCE: And upon review of the rules, I believe that, you know, the current rules provide that if injection operations aren't carried out for a year or so, that the order lapses, and I believe operations have been dormant out there for several years.

MR. STOVALL: And this is, then, a new Application for a new waterflood, is what it amounts to?

MR. BRUCE: Correct.

MR. STOVALL: And I don't think I need to take OXY through the rendition of what you do once -- assuming approval, as far as getting the certificate and all that; is that correct?

MR. BRUCE: Yeah, we're aware of that.

EXAMINER STOGNER: Do you have any idea how long it may take you to have the water analysis done?

MR. BRUCE: I believe we can have it by the

January 6th hearing.

EXAMINER STOGNER: Are you suggesting we continue this matter until January 6th?

MR. BRUCE: Yeah, why don't we do that, just in case --

EXAMINER STOGNER: Okay.

MR. BRUCE: -- a need comes up for, say, Mr. Foppiano to appear.

MR. STOVALL: Nothing can be done before then anyway, so I think it's better to keep it on the docket.

MR. BRUCE: Right.

EXAMINER STOGNER: Okay. And with that, I'll take the additional exhibits, made them a part of the record, and with that, Cases 10,866 and 10,867 will both be continued to the Examiner's hearing scheduled for January 6th. That's 1984.

MR. STOVALL: 1994?

EXAMINER STOGNER: 1994.

MR. STOVALL: I thought you said 1984.

EXAMINER STOGNER: Did I say 1984? Well, I meant 1994. Remembering the good old days, I guess. Take that for whatever it may mean.

(Thereupon, these proceedings were concluded at 9:24 a.m.)

* * *

CERTIFICATE OF REPORTER

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

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

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

WITNESS MY HAND AND SEAL December 31, 1993.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1994

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case Nos. 10866 and 10867 heard by me on 16 December 1993.

, Examiner
Oil Conservation Division

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:	)	CASE NOS. 10,866 10,867
APPLICATIONS OF OXY USA, INC.	)	

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

January 6, 1994

Santa Fe, New Mexico

JAN 28 1994

This matter came on for hearing before the Oil Conservation Division on Thursday, January 6, 1994, at Morgan Hall, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

January 6, 1994
Examiner Hearing
CASE NOS. 10,866, 10,867

* * *

E X H I B I T S

	Identified	Admitted
Exhibit 6A	4	
Exhibit 6B	4	

* * *

A P P E A R A N C E S

FOR THE DIVISION:

ROBERT G. STOVALL
Attorney at Law
Legal Counsel to the Division
State Land Office Building
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

HINKLE, COX, EATON, COFFIELD & HENSLEY
218 Montezuma
P.O. Box 2068
Santa Fe, New Mexico 87504-2068
By: JAMES G. BRUCE

* * *

WHEREUPON, the following proceedings were had at 9:59 a.m.:

EXAMINER STOGNER: At this time I'll call next two cases, Case 10,866 and Case 10,867.

MR. STOVALL: 10,866 is the Application of OXY USA, Inc., to amend Division Order Number R-2901 and to either institute a new waterflood project or for waterflood expansion, Lea County, New Mexico.

And 10,867 is Application of OXY USA, Inc., for Enhanced Oil Recovery Project Qualification for the recovered oil tax rate for the East Eumont Unit, Lea County, New Mexico.

Both of these cases have been previously heard. The record was left open, if I'm not mistaken, for both some notice reasons and to acquire some additional information.

EXAMINER STOGNER: At this time I'll call for any appearances.

MR. BRUCE: Mr. Examiner, Jim Bruce from the Hinkle law firm representing the Applicant.

Yeah, the case was first heard in Mid-November. It was re-advertised to correct some deficiencies in the

Application and for re-notification purposes.

Some exhibits were submitted on December 16th to correct the notice deficiency and to present a land plat that the Examiner had requested. The C-108 had omitted water analyses from freshwater wells in the area.

And at this time we would just like to submit Exhibit 6A and 6B, which are freshwater analyses from two wells within the area of review.

And also submitted to the Examiner are a couple of additional land plats, which were submitted at the last -- on December 16th to the Examiner.

And these freshwater analyses do indicate the location of the wells, and I think you can find them by reference to the land plat.

EXAMINER STOGNER: Thank you, Mr. Bruce.

If there's nothing further -- I will state, Mr. Bruce, that I'm also familiar with the last case, and I know this water well, this windmill, and I don't know of any others out there, so I'm not just picking on OXY.

With that --

MR. BRUCE: There turned out to be a lot more than they had originally testified to.

MR. STOVALL: You guys are going to have to become glider pilots.

EXAMINER STOGNER: With that, I will take Case

10,866 and Case 10,867 taken under advisement.

And with that, hearing adjourned.

(Thereupon, these proceedings were concluded at 10:01 a.m.)

* * *

CERTIFICATE OF REPORTER

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

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

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

WITNESS MY HAND AND SEAL January 18, 1994.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1994

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case Nos. 10866 and 10867 heard by me on 6 January 1994.

Examiner
Oil Conservation Division