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 PENROC OIL CORPORATION FOR APPROVAL OF A COOPERATIVE LEASEHOLD WATERFLOOD PROJECT AND TO QUALIFY SAID PROJECT FOR THE RECOVERED OIL TAX RATE PURSUANT TO THE ENHANCED OIL RECOVERY ACT, LEA COUNTY, NEW MEXICO

CASE NO. 11,543



REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

May 30th, 1996

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, May 30th, 1996, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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# I N D E X

May 30th, 1996
Examiner Hearing
CASE NO. 11,543



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## E X H I B I T S

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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By: W. THOMAS KELLAHIN

* * *

WHEREUPON, the following proceedings were had at 9:45 a.m.:

EXAMINER STOGNER: Hearing will come to order. Call Case Number 11,543.

MR. CARROLL: Application of Penroc Oil Corporation for approval of a cooperative leasehold waterflood project and to qualify said project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico.

EXAMINER STOGNER: Call for appearances.

MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of the Santa Fe law firm of Kellahin and Kellahin, appearing on behalf of the Applicant, and I have one witness to be sworn.

EXAMINER STOGNER: No other appearances?

Will the witness please stand to be sworn?

(Thereupon, the witness was sworn.)

MOHAMMED YAMIN MERCHANT,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Merchant, for the record would you please state your name and occupation?

A. My name is Mohammed Yamin Merchant. I'm

President of Penroc Oil Corporation, petroleum engineer by trade.

Q. On prior occasions have you qualified before the Division as an expert in petroleum engineering?

A. Yes, sir, I have.

Q. And pursuant to your profession, as well as your responsibilities as president of this company, have you made a study of the opportunity to take a portion of your project areas in this part of Lea County, New Mexico, and subject them to water injection, into the San Andres formation, with the possibility of increasing oil production from that reservoir?

A. Yes, sir, I have.

MR. KELLAHIN: We tender Mr. Merchant as an expert witness.

EXAMINER STOGNER: Mr. Merchant is so qualified.

Q. (By Mr. Kellahin) Let me have you take what we've marked as Exhibit Number 1, Mr. Merchant, and let's spend a few minutes orienting the Examiner as to your properties, and then we'll specifically look at the project area.

Let's start with the properties. They are generally identified in the yellow shading; are they not?

A. Yes, they're all identified which are Penroc-owned and operated in yellow.

Q. All right. The wells in this area are all wells being produced out of what formation, sir?

A. They're all produced -- In the Penroc-operated leases, they're all produced out of the San Andres.

Q. Have you currently enjoyed some success with taking injection wells in this area and putting water in this formation and showing a positive injection response by the offsetting oil wells?

A. Yes, we have. Back up there in the southwest quarter of Section 14, the well in the middle, Well Number 5, was converted to injection by OXY prior to Penroc takeover, and we have curves to prove that, back that particular statement, and that we have had response and arrest in the decline of production, and in fact a substantial increase.

Q. Let's identify for the Examiner the two injection wells that you're seeking to have approved by the Division as part of this case, and let's look at the injection well that's in the southeast quarter of Section 22. It's in Location I of that section. Do you see that?

A. Yeah, we have two -- We are asking for conversion to injection in two wells. The first one, as you said, is located in the northeast of the southeast of Section 22, marked as Well Number 2.

Q. All right. Let's look at the second well. Where

is that?

A. The second well is located in the southwest quarter of the southeast quarter in Section 23, marked with an arrow, Well Number 4.

Q. Those are the two wells we're seeking approval for today?

A. Yes, sir, we are.

Q. In order to have a response from producing oil wells, you have blocked out a project area that you anticipate to show some response by injection in those two wells?

A. That is correct. Both these leases, the State "AD" and the Harris lease, they are currently very marginal, averaging three barrels a day in one case and five to six barrels in the other case, and we plan to inject water in both Well Number 2 and Well Number 4 to help the production.

Q. Let's make sure the Examiner understands what you mean when you identify these leases. Let's start with the southeast quarter of 22, plus the southeast-northeast. That block of acreage is in what you characterize to be a portion of the State "AD" lease; is that not true?

A. That is correct.

Q. In addition, you propose to add a portion of what is identified as the State "II-23" lease?

A. The State "II-23" is the east offset lease to the "AD" lease, and that would become part, naturally part of the injection.

Q. The part that we're proposing to include in the project area for the EOR approval would be the east half of the southwest quarter plus the southwest of the northwest quarter?

A. That is correct.

Q. Those three 40-acre tracts are part of what you characterize as the State "II-23" lease?

A. That is correct.

Q. The rest of the project area that you're seeking approval is for what you have called the State Harris lease?

A. Harris State lease.

Q. Harris State lease, which would be the east half of the southwest quarter and the west half of the southeast quarter?

A. That 160 acres.

Q. Taken together, then, you're seeking approval, for a 480-acre tract --

A. That is correct.

Q. -- that consists of three separate State of New Mexico leases?

A. They're all State of New Mexico leases, and they

all have common interest.

Q. And it's 100-percent operated by Penroc?

A. 100-percent Penroc-operated and 87.5 net.

Q. All right. Instead of putting these together as a unit, for a unit waterflood project, have you obtained approval from the Land Office to consolidate these on a leasehold cooperative basis for injection and secondary recovery?

A. Yes, I have discussed the matter as late as Tuesday of this week with Pete Martinez of State Land Office, and he said they do not have any objection, as long as there is current production on the leases, and we do have current production on the leases.

Q. All right, so you meet that requirement?

A. Yes, sir.

Q. Let's turn to a description of the geology so the Examiner can see the relationship of these injection wells within the geology of the reservoir. And to do that, let's turn to what we've marked as Exhibit Number 2.

A. Exhibit 2 is a structure map, which came out of the Roswell Geological Society book from 1966, showing all the wells and the top of the San Andres on every well drilled and completed or plugged in the Mescalero-San Andres formation.

Q. All right, let's start with the second injector

you described. It's the Number 4 well on the Harris State lease, and it's in Unit Letter O of Section 23. Why is that well useful as a potential injection well in order to obtain a positive injection response?

A. Well Number 4 is -- As you can tell looking at the structure map, it is on the edge of the structure. It has already cum'd -- and I'm going to jump to Exhibit 3 -- it has already cum'd 164,000 barrels of oil since inception. And currently all it will make is water, with a trace of oil. All water otherwise.

And we feel like by injecting water on the lowest well in this structure, as well as the wells which have cum'd 164,000 barrels of oil we can help the offsetting producers, by recovering additional oil.

Q. Describe for us why you have selected the State "AD" Number 2 well in Unit Letter I of Section 22 as the second injection well for the project.

A. We have a similar situation there as on the Harris State Well Number 2, is strictly a two- to five-barrels-a-day water well. It has also cum'd -- It's cum'd 76,000 barrels of oil. It is on the western edge of the field, as it is evident from the structure map and shown on Exhibit 2, and it should help the north and the south offsets as well as the east offsets.

Q. Let me have you go ahead, Mr. Merchant, and have

you identify Exhibit Number 4 and Exhibit 5 at this time.

A. Exhibit 4 and 5 are the -- Again, that's based on the structure map which shows the gas and the water production on each one of the wells, and you can see on the top of the structure, the cums are much, much better.

Where the cums are better on the eastern edge, it is being helped by the injection well, Well Number 5, which is located in Section 23 in the north -- it would be -- Excuse me for a second here. It would be in the Unit Letter I of Section 23.

Q. Within the project area, the 480 acres, you currently have eight producing wells?

A. Yes, sir.

Q. And those eight producing wells produce on an average daily basis what volume of oil?

A. All together, they average about 12, 13 barrels a day.

Q. And how much water are they producing?

A. Anywhere from 10 to 15.

Q. As part of your project, have you identified a source of water that you'll use for injection, then, back into the San Andres?

A. Yes, we have a well located in Section 22. It's marked as Well Number 11, and it's in Unit Letter N. It is a Penroc well. It is currently temporarily abandoned.

Q. I'm sorry, I think you misspoke, Merch.

A. I'm sorry.

Q. I think it's in O?

A. O, yeah, I'm sorry. It is in Unit Letter O, Well Number 11. And originally it was a Devonian well drilled by Cities Service, and currently it's TA'd in the Pennsylvanian formation depleted.

We have plans to drill that bridge plug out and go back to the Devonian and recover additional oil, hopefully, from the Devonian, but at the same time get the water as makeup water for injection wells.

Q. Within the project area, then, as the Examiner sees the black well dots, if you count those up, those would be the eight producing wells that you propose to continue to produce?

A. That is correct.

Q. Let's look at the interval for which you seek to have approval for injection. If you'll turn to what we've marked as Exhibit Number 6, let's look at the cross-section and have you show us the interval.

A. We can look probably at Exhibit 6 and 7 together.

Q. All right, let's take a minute, then, and unfold them both.

A. Okay.

Q. All right, sir, go ahead.

A. Okay, Exhibit 6 and Exhibit 7 -- Exhibit 6 is a cross-section of the injection well -- proposed injection well, "AD" Number 2 and offsets, and Exhibit 7 is the proposed injection well, Harris State Number 4, and the offsets. And you will see the top of the San Andres where it's marked as Pi zone, and then you've got the P1, P2 and P3. And basically, all wells are open in P1 and P2 zones, and that's where the injection wells would be injecting in, in the same zone.

Q. If the Examiner chooses to have a type well and a specific footage then, to approve the entire San Andres formation as an injection interval, give us the well and give us the footages.

A. The footage will be from about 3990 down to 4300, 4500 feet.

Q. Let's pick a well so that he can look at it.

A. Okay, let's take the one -- the Harris Number 2, for example, and -- It varies anywhere from 3950 down to 4500.

Q. Well, that's why it's helpful to have a specific well.

A. Okay.

Q. Let's do that.

A. Let's just go to the "AD" Number 2.

Q. State "AD" Number 2 well is shown on Exhibit

Number 6, and if you display that so the log is running vertical, it's the well in the top portion of the display in the center?

A. That is correct.

Q. All right, give us the top and the base for the injection interval.

A. The top will be from about 39- -- that's the top of the Pi zone, 3950. And the bottom would be 4300 feet.

Q. All right.

A. Of course, they're selectively open, so you don't have perforations spread out from top to bottom.

Q. Do you anticipate adding additional perforations in your two injection wells, or are you going to utilize current perforations?

A. I'm going to utilize current perforations. We may have to add additional perforations, for example, in the Harris State Number 3. It is not open where the perforations are in the injection well, Harris State Number 4.

Q. The 3 would be a producer?

A. Yes, sir.

Q. All right. So in terms of the injection wells, your current perforations are adequate?

A. In the injection wells, the current perforations properly opened. In the producers, in some they are and in

some they're not.

Q. All right. So for the producing wells you're going to add some additional perforation?

A. That is correct.

Q. Have you analyzed, Mr. Merchant, what is the range of -- or estimated volume of additional secondary oil that you might recover if this project is successful?

A. Yes, we have. We can move over to Exhibit 8.

Q. Okay, let's do that. Let's look at Exhibit 8. Before we look at the detail, summarize for me generally the range of potential incremental secondary oil that you might achieve out of the project area.

A. Pessimistically speaking -- You shouldn't, but I am. Pessimistically speaking, for every primary barrel recovered, if you figure we'll recover 50 percent of every primary barrel, we should recover roughly 400,000-plus barrels of oil from this project.

Q. Okay. Do you have an estimate of the additional capital costs that you'll have to expend in order to do this project?

A. Yes, sir, our estimated cost is $80,000, plus or minus, which I can go into detail the work that would include.

Q. I was just interested in --

A. -- total cost.

Q. -- the total cost.

A. Okay.

Q. Let's look at Exhibit 8, now, and have you go through the pages with me and summarize for the Examiner what he's seeing, starting with the first page.

A. Okay, the first page is a case based $15.50-a-barrel oil and $1.50 gas, and based on some of the -- a couple other injection wells we have seen in the north part of the field, how this reservoir will perform. And we have made an engineering run and see what kind of economics there is to this project. And as you can see, based on the number of wells and the total production, we should be recovering 411,000 barrels of oil, of additional oil.

Q. You've also run this assessment using a $12.50 price?

A. Right.

Q. And a different MCF price?

A. The second case is $12.50 a barrel. This is 18-gravity oil, 17- to 18-gravity oil. So when your posted price for New Mexico sour is $17, your price for the oil in this particular field is $15 to $15.50 a barrel. So if tomorrow price drops down $3 a barrel, I have run cases both ways, at $15.50 and then at $12.50.

Q. The second page, then, is the $12.50 case, and that shows you just short of 400,000?

A. That is correct.

The next page is a forecast -- is based on what the production is currently from these two leases and what the water injection will do to increase the production within six months.

Q. Now, the wells shown on this plot are taken from the State "AD" and the Harris lease?

A. The wells shown on this plot are strictly the "AD" and the Harris State lease. It does not include the "II-23" lease.

Q. For illustration purposes, you can see that these wells are on an established decline?

A. That is correct.

Q. All right. Let's turn to the next page, which in the upper right-hand corner it's captioned "State AD". What are you plotting here, Mr. Merchant?

A. It's hard to read, but it's got oil, gas and water production, and basically it's showing that we are averaging about 30, 35, maybe 40 barrels a month out of the State "AD" lease currently.

Q. All right. And the next page, you've summarized your oil production out of the Harris State properties, and it's shown on that plat?

A. And that particular curve shows between 300 to 350 barrels a month, which is about 11 barrels a day of oil

production. The curve in green is the oil production, the curve in blue is the water production.

Q. Okay. If we turn to the next page, the top corner is captioned "State BN". This is the analysis of the wells by analogy up there in the southwest of Section 14, where you in fact have production, established injection and showed a response?

A. Yeah, that well was drilled by OXY. It was approved by the Commission back in 1991, and you can see the lease was on a decline. And once it went on injection, within four to five months it started responding. And it continued to do that all the way up through 1995, and it's pretty well stabilized the last 12, 14 months.

Q. And it's your hope and expectation that if you are successful in the project area, you ought to see some similar response?

A. That is exactly right.

Q. Let's turn now to the next page, which says "Penroc Mescalero". This, in fact, is a plot of all production within the yellow area shown on Exhibit 1? These are all your wells?

A. These are all the wells, and if you look at the green curve, which is the oil production, it is on a pretty steep decline. And you come down here, 3-1-91, when OXY converted the well to injection, Well Number 5 in the

southwest quarter of Section 14, the overall production stabilized. That's where the stabilization is coming from. Not that it is helping all the wells, but that one lease went from 10, 12 barrels a day to 35 barrels a day.

MR. KELLAHIN: With your permission, Mr. Examiner, after the hearing I would like to have Mr. Merchant submit in the record for your consideration a rate-versus-time plot of the eight wells within the project area. We have overlooked doing that this morning, and you do not have that in the exhibit pile, and we apologize for our oversight --

EXAMINER STOGNER: Would you just propose to make that a portion of Exhibit 8?

MR. KELLAHIN: Yes, sir, it would be an addendum to Exhibit 8, and that would give you the baseline curve for which later we could peg to see if we have any positive injection response.

Q. (By Mr. Kellahin) Do you have an estimate of the range of water injection you're going to put into these wells?

A. We expect to put in an average of 300 barrels a day per well, which would be a total of 600.

Q. Are you familiar with the fact the Division has surface-pressure limitations on injection wells?

A. That is correct, and we don't expect for the

first six to eight months or a year, we do not expect any pressures whatsoever to be on a vacuum, and after that, it would probably be around 500, 600 pounds. And that's based on what we are doing on the injection well in the southwest quarter in Section 14, the State BN Number 5.

Q. Let's turn to the next topic, and that is the requirements for approval of the injection well. The next exhibit is simply the C-108 stapled together as Exhibit Number 9. Let's talk about the half-mile-radius circles, if you will, which are the area of review, Mr. Merchant. Within that half-mile radius of investigation, did you find any existing wellbores that constitute problem wellbores?

A. To my knowledge, there are none. There are a couple of plugged wells, both in the half-mile radius in the Harris State Section 4, which is properly plugged, and there are sketches with all the details of how they were plugged by previous operators, and a similar situation exists in Section 22, where Well Number 8 was a dryhole San Andres well and was plugged properly.

Q. All right. The C-108 was prepared by you personally, was it not?

A. Yes, sir.

Q. All this information is information that you have reviewed?

A. That is correct.

Q. Within the area of review, have you provided the Division Examiner with information on all the plugged and abandoned wells in terms of wellbore schematics?

A. They are all part of this Exhibit 9.

Q. As part of your study, do you see any opportunity to have injection fluids move out of the San Andres reservoir and contaminate freshwater sources or impair oil production out of other reservoirs?

A. All of these wells offsetting -- within the area of interest, have proper cement jobs behind the production string and have proper surface casing set, so we don't expect a problem, we don't have a problem in the area. Going back to the southwest quarter of Section 14, again, we've been injecting there for five years, and we haven't seen no problems in that area at all.

Q. Did you submit as part of your package of compliance with the C-108 requirements various water analyses and water reports?

A. Yes, sir, they were done by Champion Technologies, and they're part of the exhibit, on all the producing wells -- on the injection water, as well as the freshwater well, which exists in the north -- extreme north corner of Section 14.

Q. Please identify for the record, then, Exhibit Number 10.

A. Exhibit 10 is a letter to the Commissioner of Public Lands informing them of our intent for a cooperative waterflood.

Q. And as you've described, you've contacted Mr. Pete Martinez, and we received his indication that the Commissioner has no objection to our leasehold cooperative project and has raised no objection as to the use of these injection wells?

A. That is correct. He has been contacted, by the way, more than once. A month ago, I mentioned it to him. He said no problem. And then again, like I said, Tuesday when I talked to him that was his comment, As long as you have production we don't have a problem.

Q. Okay. And finally Exhibit Number 11, then, is notification to the surface owner and the other offsetting operators within the half-mile area of any injection well?

A. That is right, and I may say that I was contacted only -- only party who contacted me on this thing was Yates Petroleum, and they were just curious what I was up to.

Q. Okay. Did you receive any objection from anyone?

A. There was no objection. They thought it was a good project and indicated that they would like to join us, but I don't know how. They don't own any interest in it.

MR. KELLAHIN: That concludes my examination of Mr. Merchant, Mr. Examiner.

We move the introduction of his Exhibits 1 through 11.

EXAMINER STOGNER: Exhibits 1 through 11 will be admitted into evidence.

EXAMINATION

BY EXAMINER STOGNER:

Q. Mr. Merchant, as far as the project in Section 14, the southwest quarter, you said that was an old OXY project originally?

A. Yes.

Q. And that was instituted as a waterflood project, a one-well --

A. Yes.

Q. -- waterflood project?

A. That is correct.

Q. When was that initiated?

A. 1991. March of 1991.

Q. There again, the producing wells were similarly completed and the existing perfs were also utilized for that project?

A. That is correct.

Q. Now, you said you were going to inject within the two wells a total of 600 barrels of water per day -- that's 300 per -- and you were going to remain at, if I remember right, the proposed .2 p.s.i. per foot of injection?

A. That is correct. And that again is based on what the well in Section -- southwest quarter of Section 14 is doing, the pressures and the volumes.

Q. Do you know what present pressure that well is, or that injection?

A. Oh, yeah, we inject roughly 350 barrels a day. We've got a Halliburton meter on the pump, on the well and the pump. And from time to time we have the injection pump running. When it kicks on, it will have 400 to 500 pounds on it. When it goes down on low water levels, it's on a vacuum.

Q. So you really haven't seen any pressure buildup?

A. We need to put more water in the ground, because this is a fractured reservoir, and it's going to take a lot of water to fill it up.

And if you look at the cums on the cum curve, there is a substantial withdrawal of oil. You know, we're talking just that southwest quarter, just those four wells alone, we're talking a million -- a little over half a million barrels of oil. Actually 750,000 barrels of oil, just oil alone.

Q. And what will be the source water for the injection water?

A. The source water will be this well in Unit Letter O, in Section 22, Well Number 11, which was drilled by

Cities Service as a Devonian well, later on was plugged back with a cast-iron bridge plug to the Pennsylvanian, and it was TA'd. Back in the Seventies it was averaging two barrels a day, zero barrels of water. It was pretty well depleted.

Our intent is to go drill the bridge plug out, squeeze the Pennsylvanian and go back to the Devonian, because the Devonian, as you know, is a water drive reservoir. It will make all the water we want.

Q. That will be from the -- what formation?

A. Devonian.

Q. Devonian.

A. Which is approximately 10,000 feet. And the two waters over there are compatible.

Q. And that's shown in your water-analysis report?

A. The Devonian water is not shown in the water-analysis report. That's just the general knowledge in the Lea County area where we're using Devonian water for San Andres and Queen waterfloods. But we can get that.

Q. Yes, I'd like to have that supplemented also --

MR. KELLAHIN: Yes, sir.

Q. (By Examiner Stogner) -- if you would, Mr. Merchant.

A. We can get that from the temporary operated Devonian wells in Section 27.

Q. Yeah, if you would supplement that report along with the rate-versus-time curve for the Exhibit 8, and let's just make that part of Exhibit 9.

MR. KELLAHIN: All right, sir.

Q. (By Examiner Stogner) What's the source water for the Number 5 injection well in 14?

A. Right now that's the produced water from all the leases.

Q. And that's essentially reinjected San Andres Water?

A. San Andres water, yes.

Q. Will there be any reinjected San Andres water in this particular project that you're seeking today, later on or --

A. Later on it could be, yes. Right now, no.

Q. And what has been the extent of your conversations and proposals with the State Land Office on this?

A. Just basically those two comments with Pete Martinez about a month ago. I mentioned it to him that this is what we're fixing to do. He said, Great.

And I called him up day before yesterday and told him I'm coming up here, and do they have a problem with it? And the comment again was, As long as you have production on the lease where you're going to inject, we don't have a

problem with it.

Q. Okay. Is there going to be any kind of formal agreement required by them?

A. He did not indicate any.

Q. As far as you know, is the interest or the beneficiary the same on these three leases?

A. They're all the State of New Mexico, yes.

Q. As far as the separate beneficiary, you're not aware of --

A. Not aware of any, no. I do plan to go see him this afternoon, just out of courtesy, nothing in particular.

EXAMINER STOGNER: Other than the two information -- or, I'm sorry, the two sets of information that we have talked about, Mr. Kellahin, I have no other questions of this witness.

This witness may be excused, unless you have anything further.

MR. KELLAHIN: No, sir, that's it.

EXAMINER STOGNER: Does anybody else have anything further?

MR. KELLAHIN: No, sir.

EXAMINER STOGNER: Along with that two bits of information, could you give me a rough draft order?

MR. KELLAHIN: Yes, sir, be happy to.

EXAMINER STOGNER: And again, let me make sure that I understand what the boundaries are in Section 22. That would take in the southeast quarter of the northeast quarter and the southeast quarter?

MR. KELLAHIN: Yes, sir.

EXAMINER STOGNER: In Section 23 it would be the southwest quarter of the northwest quarter --

MR. KELLAHIN: Yes.

EXAMINER STOGNER: -- all of the southwest quarter, and then the west half of the southeast quarter?

MR. KELLAHIN: That's right.

EXAMINER STOGNER: All right. And the three leases are identified appropriately.

Q. (By Examiner Stogner) What is the proposed name of this project? Well, I guess you're still on the stand. I --

A. Well, we can give it any kind of name. No, we'll call it the Harris "AD" Co-op Waterflood.

Q. Harris "AD" Cooperative Waterflood.

A. Or we may want to use the word "State" in there somehow, since they're all state leases.

EXAMINER STOGNER: Okay.

MR. KELLAHIN: Okay.

EXAMINER STOGNER: Mr. Kellahin, I'll leave that up to you, to propose the name in the rough draft order.

MR. KELLAHIN: Very good. We'll take care of it.

EXAMINER STOGNER: Nothing further, then Case Number 11,543 will be taken under advisement pending the additional information.

And other than that, then, the hearing is adjourned.

MR. KELLAHIN: Thank you.

(Thereupon, these proceedings were concluded at 10:22 a.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the examiner hearing of Case No. 11543, heard by me on 30 May 1996.

, 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 June 2nd, 1996.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998

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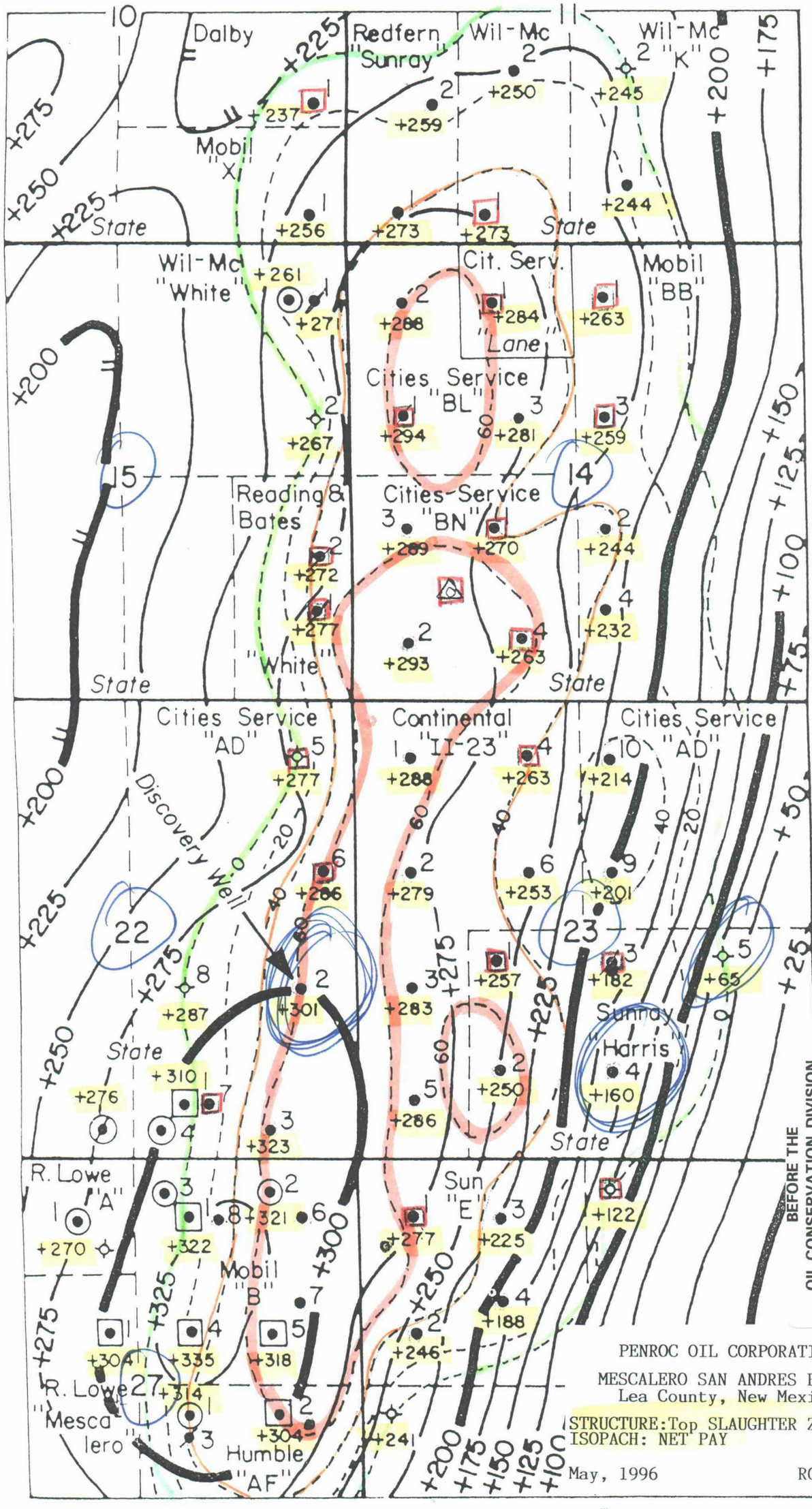


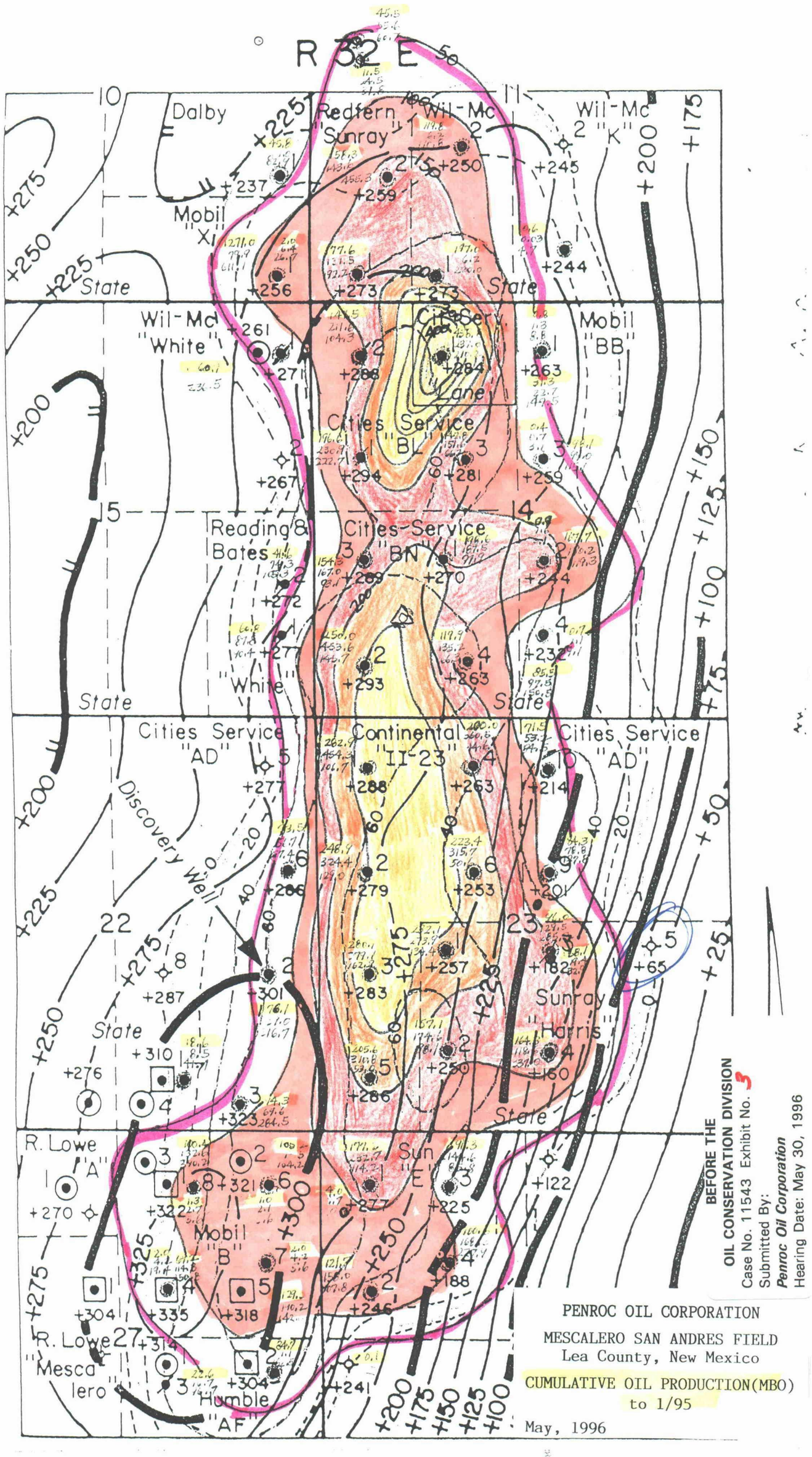

PENROC OIL CORPORATION

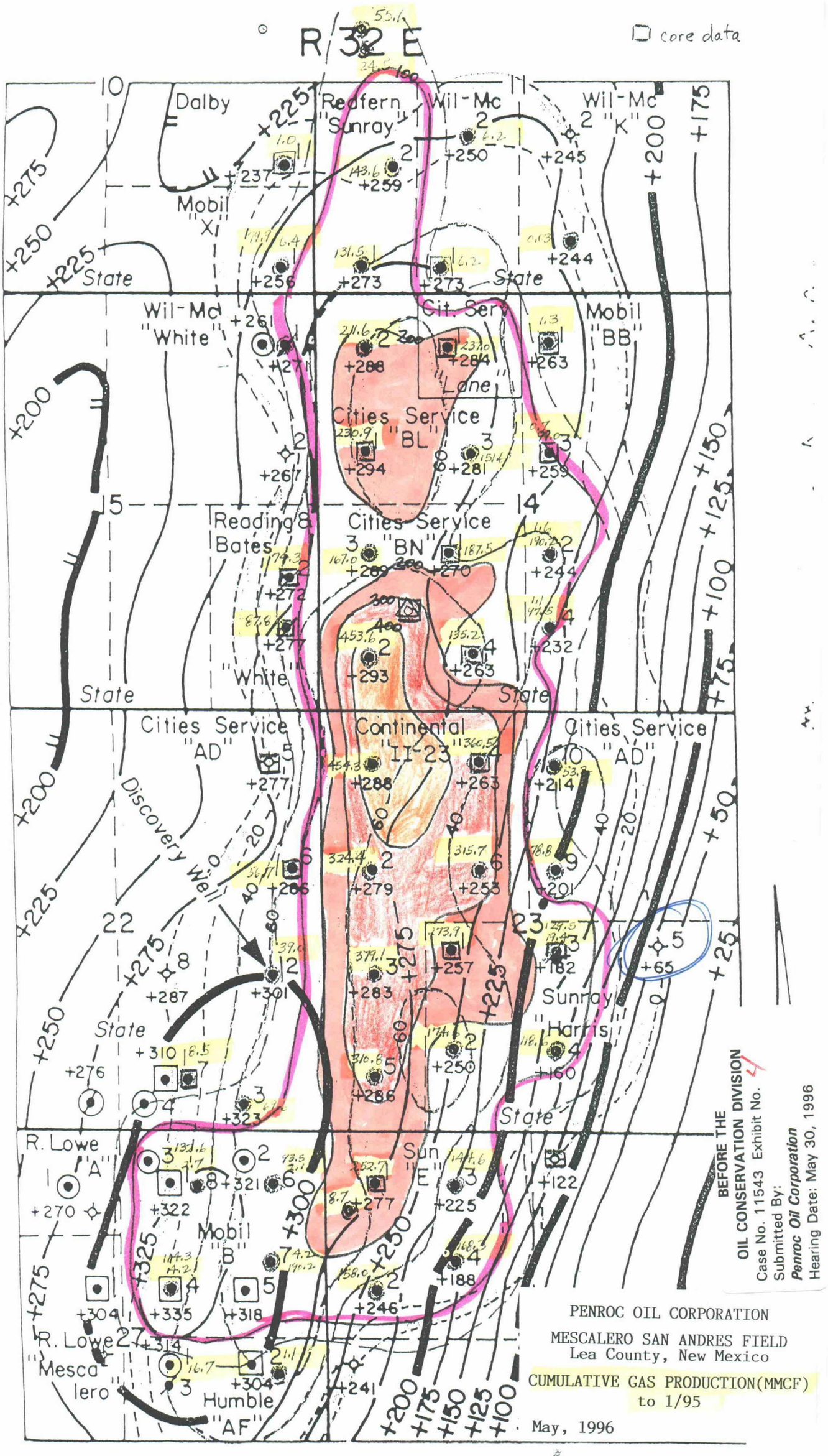
MESCALERO SAN ANDRES FIELD
Lea County, New Mexico

STRUCTURE: Top SLAUGHTER ZONE(P1)
ISOPACH: NET PAY

May, 1996 RGS 1966

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 11543 Exhibit No. 2
Submitted By:
Penroc Oil Corporation
Hearing Date: May 30, 1996


R 32 E
T 10 S
Dalby
Redfern
Sunray
Wil-Mc
"K"
Mobil
"X"
State
Wil-Mc
"White"
Cities Service
"BB"
Lane
Cities Service
"BL"
Reading &
Bates
Cities Service
"BN"
"White"
Cities Service
"AD"
Continental
"II-23"
Discovery Well
Sunray
Harris
R. Lowe
"A"
Mobil
"B"
Sun
"E"
R. Lowe
Mesca
lero
Humble
"AF"
PENROC OIL CORPORATION
MESCALERO SAN ANDRES FIELD
Lea County, New Mexico
CUMULATIVE OIL PRODUCTION(MBO)
to 1/95
May, 1996
BEFORE THE
OIL CONSERVATION DIVISION
Case No. 11543 Exhibit No. 3
Submitted By:
Penroc Oil Corporation
Hearing Date: May 30, 1996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core data
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State
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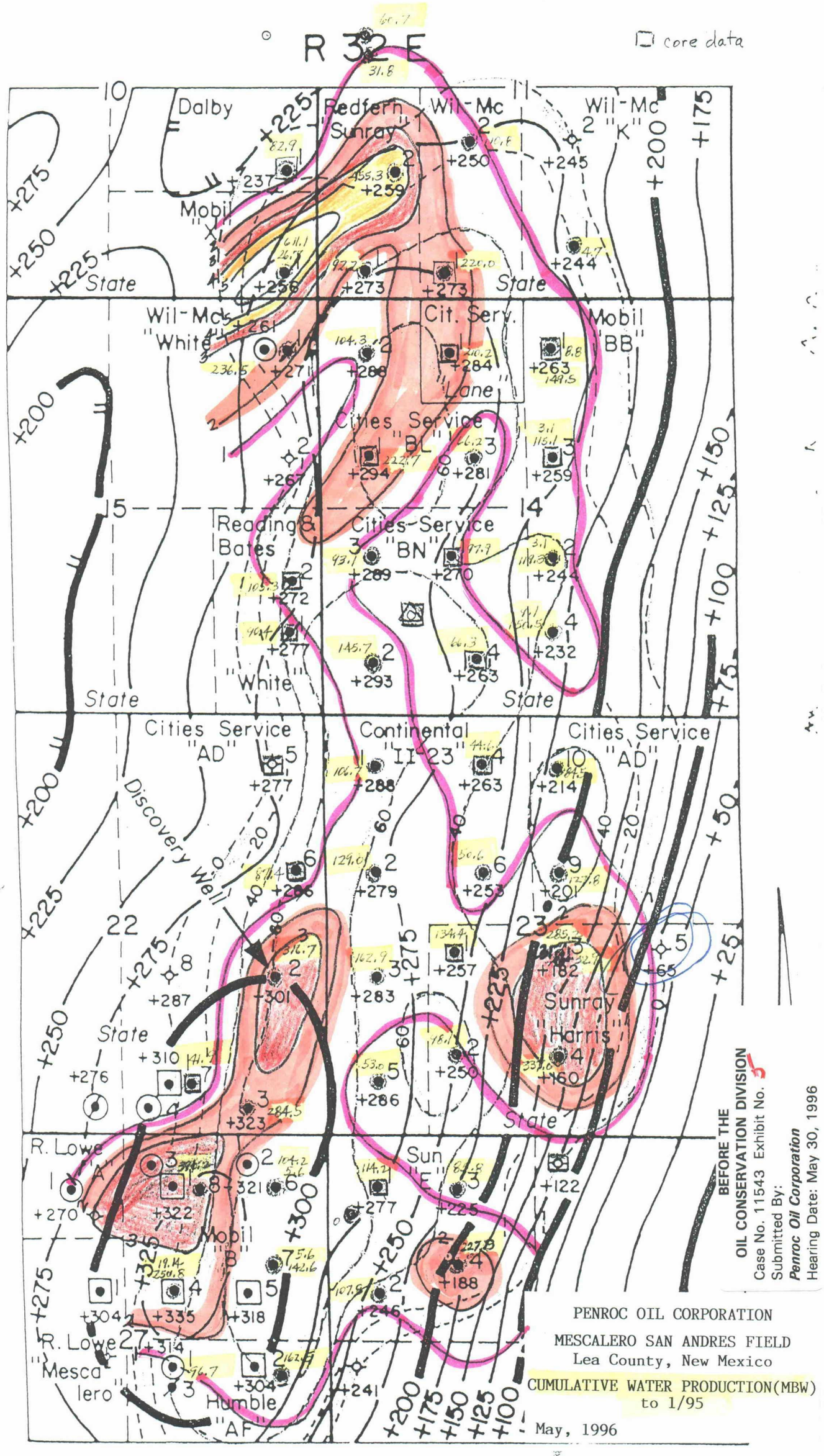
Mobil "BB"
Lone
Cities Service "BL"
Reading & Bates
Cities Service "BN"
"White"
Cities Service "AD"
Continental "II" 23
Discovery Well
Sunray "Harris"
R. Lowe "A"
Mobil "B"
Sun "E"
R. Lowe "Mescalero"
Humble "AF"
PENROC OIL CORPORATION
MESCALERO SAN ANDRES FIELD
Lea County, New Mexico
CUMULATIVE GAS PRODUCTION(MMCF)
to 1/95
May, 1996
BEFORE THE
OIL CONSERVATION DIVISION
Case No. 11543 Exhibit No. 4
Submitted By:
Penroc Oil Corporation
Hearing Date: May 30, 1996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Redfern Sunray
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Mobil
State
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Lane
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Cities Service "BL"
Reading & Bates
Cities-Service "BN"
White
Cities Service "AD"
Continental "II"
Discovery Well
Sunray Harris
R. Lowe "A"
Sun "E"
Mobil "B"
R. Lowe
Mescalero
Humble "AF"
PENROC OIL CORPORATION
MESCALERO SAN ANDRES FIELD
Lea County, New Mexico
CUMULATIVE WATER PRODUCTION(MBW)
to 1/95
May, 1996
BEFORE THE
OIL CONSERVATION DIVISION
Case No. 11543 Exhibit No. 5
Submitted By:
Penroc Oil Corporation
Hearing Date: May 30, 1996