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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

ORIGINAL

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

CASE NO. 14139

APPLICATION OF CHEVRON USA, INC., FOR
QUALIFICATION OF THE VACUUM
GRAYBURG-SAN ANDRES UNIT TERTIARY
RECOVERY PROJECT FOR THE RECOVERED OIL
TAX RATE PURSUANT TO THE ENHANCED OIL
RECOVERY ACT, LEA COUNTY, NEW MEXICO

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REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: CAROL LEACH, Legal Examiner
WILLIAM V. JONES, Technical Examiner
TERRY WARNELL, Technical Examiner

June 12, 2008

Santa Fe, New Mexico

This matter came for hearing before the New Mexico Oil
Conservation Division, CAROL LEACH, Legal Examiner, WILLIAM V.
JONES, Technical Examiner, and TERRY WARNELL, Technical
Examiner, on June 12, 2008, at the New Mexico Energy, Minerals
and Natural Resources Department, 1220 South St. Francis Drive,
Room 102, Santa Fe, New Mexico.

REPORTED BY: JOYCE D. CALVERT, P-03
Paul Baca Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico 87102

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A P P E A R A N C E S

FOR THE APPLICANT,

Ocean Munds-Dry, Esq.
HOLLAND & HART, LLP
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501

PAGE

EXHIBIT 1, Attachments A, B, & C

5

1 MR. JONES: Let's call Case 14139, Application of
2 Chevron USA, Incorporated, for Qualification of the Vacuum
3 Grayburg-San Andres Unit Tertiary Recovery Project for the
4 Recovered Oil Tax Rate Pursuant to the Enhanced Oil Recovery
5 Act, Lea County, New Mexico.

6 Call for appearances.

7 MS. MUNDS-DRY: Good morning, Mr. Examiner. Ocean
8 Munds-Dry with the law firm of Holland & Hart here representing
9 Chevron USA, Inc. this morning.

10 MR. JONES: Any other appearances? Okay.

11 MS. MUNDS-DRY: Thank you, Mr. Examiner. I've
12 presented you with Exhibit No. 1, which is the affidavit of
13 Scott M. Ingram here discussing Chevron's request for the
14 enhanced oil tax rate pursuant to the Enhanced Oil Recovery
15 Act.

16 Mr. Ingram discusses, as is required by Division
17 rules, the history of this application for waterflood. As you
18 previously heard, and are aware, the recent order R-442-C was
19 issued which allowed for the expanded unitized interval and
20 additional wells for injection on CO2.

21 This is simply asking, of course, for the oil --
22 enhanced oil recovery tax rate. And this testimony and these
23 exhibits were previously offered into evidence, as you may
24 recall. We had previously asked for this in the hearing before
25 which was, I believe, in October of '07. But there was not

1 proper notification given at that time.

2 So we ask that part of the case be dismissed but the
3 exhibit -- the letter with the application and the testimony
4 was, in fact, given at that time.

5 So we'd ask you to take administrative notice of that
6 hearing which was -- let's see if I can find the case number
7 for you -- which was Case No. 13961.

8 MR. JONES: Okay. We'll take administrative notice
9 of Case No. 13961.

10 MS. MUNDS-DRY: Mr. Ingram discusses in his affidavit
11 the capital costs and the expected rate of oil that they expect
12 to result from this project. Also you'll see in Attachment A,
13 which I hope was attached to your exhibit, is the original
14 Exhibit No. 15 that was introduced and accepted in Case
15 No. 13961 that gives all the complete lists of information for
16 that application.

17 Attachment B is the notice list. Notice was given
18 under this application to all appropriate and affected parties.
19 Part of that Attachment B is also the letter that was sent to
20 all parties along with the green cards pursuant to Division
21 rules. Also, Attachment C is the Affidavit of Publication
22 notifying all other parties of this application.

23 And the only thing I'd like to point out for you,
24 Mr. Examiner, since this Exhibit No. 15 was admitted into
25 evidence in Case No. 13961, Chevron has, in fact, began

1 construction of the project. At the time this letter was
2 submitted, they had not begun construction yet.

3 And the only other modification is that they expect
4 to conduct injection operations in the third quarter of 2008,
5 and I believe the letter says the second quarter of 2008.
6 Other than that, all the information remains current.

7 With that, we would ask that Exhibit No. 1 and
8 Attachments A, B, and C be admitted into evidence.

9 MR. JONES: Exhibit No. 1, with Attachments A, B, and
10 C are admitted into evidence.

11 MS. MUNDS-DRY: And I have nothing further.

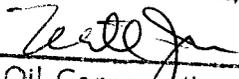
12 MR. JONES: Okay. Well, thank you very much. With
13 that, we'll take Case No. 14139 under advisement.

14 MS. MUNDS-DRY: Thank you, Mr. Examiner.

15 [Hearing concluded.]

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14139,
heard by me on 6/12/08.

Examiner
Oil Conservation Division

REPORTER'S CERTIFICATE

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I, JOYCE D. CALVERT, Provisional Court Reporter for the State of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this proceeding.

Signed this 12th day of June, 2008.



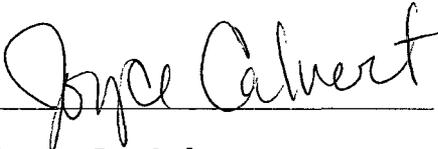
JOYCE D. CALVERT
New Mexico P-03
License Expires: 7/31/08

1 STATE OF NEW MEXICO)
2 COUNTY OF BERNALILLO)

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I, JOYCE D. CALVERT, a New Mexico Provisional Reporter, working under the direction and direct supervision of Paul Baca, New Mexico CCR License Number 112, hereby certify that I reported the attached proceedings; that pages numbered 1-5 inclusive, are a true and correct transcript of my stenographic notes. On the date I reported these proceedings, I was the holder of Provisional License Number P-03.

Dated at Albuquerque, New Mexico, 12th day of June, 2008.



Joyce D. Calvert
Provisional License #P-03
License Expires: 7/31/08



Paul Baca, RPR
Certified Court Reporter #112
License Expires: 12/31/08