

**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 PLAINS PETROLEUM COMPANY CASE NO. 11368
COMPANY FOR APPROVAL OF A PRESSURE MAINTENANCE
PROJECT AND QUALIFY SAID PROJECT FOR
THE RECOVERED OIL TAX RATE,
LEA COUNTY, NEW MEXICO.**

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Plains Petroleum Company as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

**Plains Petroleum Company
415 West Wall Ste 1000
Midland, Texas 79701
Attn: Jay Vargo
(303) 969-3115**

ATTORNEY

**W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285**

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STATEMENT OF CASE

APPLICANT

Plains Petroleum Company ("Plains") seeks Division approval to institute its Teague Simpson (McKee) Cooperative Pressure Maintenance Project for the McKee sand member of the Teague (Simpson) Pool within a 320 acre project area being the SW/4 of Section 35 and the SE/4 of Section 34, T23S, R37E, NMPM, Lea County, New Mexico.

Plains further seeks to qualify said project for the recovered oil tax rate pursuant to the New Mexico Enhanced Oil Recovery Act.

Plains controls 100% of the working interest ownership in the project area and is the current operator of all wells within that area. As operator, Plains believes that an irregular pressure maintenance injection plan which initially involves three producers and two producers converted to injection wells will successfully recover an estimated additional 417,660 barrels of oil from the Teague (Simpson) Pool.

As of July 1, 1995, the cumulative primary oil recovery from the wells in the Project Area has been 114,260 barrels of oil.

The wells in the Project Area are currently producing at a rate of 215 BOPD and 18 BWPD from 5 active producers. Approximately 307,700 barrels of recoverable primary oil reserves remain under the current mode of operations.

Plains seeks to recover additional oil from the Project Area by means of a significant change in the process used for the displacement of crude oil by establishment of pressure maintenance by water injection and initiation of 40-acre irregular injection pattern for the Project Area.

The estimated amount of recoverable oil attributable to a Positive Production Response from the Expanded Use of enhanced oil recovery technology for this EOR Project is 417,660 barrels of additional oil.

Capital cost of additional facilities is estimated to be \$214,000.00 with a total Project Cost estimated to be \$3,930,000.00.

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Estimated total net value (after recovery of project investments, operating costs, taxes and expenses) of the additional production that will be recovered as a result of this Project is an additional 417,660 barrels of oil with an undiscounted net present value of \$5,893,000 dollars.

Anticipated date of commencement of injection would be as soon as practicable after OCD approval, if granted.

The type of fluid to be injected and the anticipated volumes water injected at forecasted rates presented on Division Form C-108.

Applicant requests a special project allowable of 275 barrels of oil per day (the current depth bracket oil allowable) times the number of project wells to be produced from any combination of project wells.

PROPOSED EVIDENCE

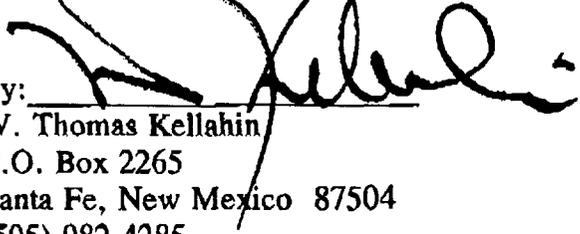
APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Tracy Galloway (geologist)	25 min.	est. 4
Jay Vargo (reservoir engineer)	40 Min.	C-108 & add. 6 ex.

PROCEDURAL MATTERS

Applicant seeks to present its evidence on this docket but amend its original application and to readvertise case for the September 21, 1995 docket.

KELLAHIN AND KELLAHIN

By: 
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