

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 OCCIDENTAL PERMIAN)
LIMITED PARTNERSHIP ("OXY") TO AMEND)
DIVISION ORDER R-6199 CONCERNING THE)
EXPANSION OF ITS NORTH HOBBS GRAYBURG-)
SAN ANDRES UNIT PRESSURE MAINTENANCE)
PROJECT, AND TO QUALIFY THE PROJECT)
FOR THE RECOVERED OIL TAX RATE PURSUANT)
TO THE ENHANCED OIL RECOVERY ACT,)
LEA COUNTY, NEW MEXICO)

CASE NO. 12,722

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REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

October 18th, 2001

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, October 18th, 2001, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

October 18th, 2001
 Examiner Hearing
 CASE NO. 12,722

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<u>RICHARD E. FOPPIANO</u> (Engineer)	
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* * *

E X H I B I T

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* * *

Additional submission by Applicant, not offered or
 admitted:

	Identified
Locator map	5

* * *

A P P E A R A N C E S

FOR THE DIVISION:

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Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

* * *

ALSO PRESENT:

MICHAEL E. STOGNER
Hearing Examiner
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87501

* * *

1 WHEREUPON, the following proceedings were had at
2 8:15 a.m.:

3 EXAMINER STOGNER: This hearing will come to
4 order, Docket Number 34-01. This is the Examiner Hearing
5 schedule. Please note today's date, Thursday, October the
6 18th. This hearing will come to order.

7 I believe there's something to take care of
8 that's not on the docket today, first. Mr. Catanach, I'll
9 turn it over to you.

10 EXAMINER CATANACH: Yes, at this time, Mr.
11 Examiner, I'm going to hear a portion of a case that was
12 heard originally on September 6th, 2001. It was Case
13 Number 12,722, and the Applicant in that case, Occidental
14 Permian Limited Partnership, has requested that they be
15 allowed to reopen the case and present some additional
16 evidence, and the Division has granted their request.

17 So at this time I will call Case 12,722, which is
18 the Application of Occidental Permian Limited Partnership
19 to amend Division Order Number R-6199 concerning the
20 expansion of its North Hobbs Grayburg-San Andres Unit
21 Pressure Maintenance Project and to qualify the project for
22 the recovered oil tax rate pursuant to the Enhanced Oil
23 Recovery Act, Lea County, New Mexico.

24 Call for appearances in this case.

25 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of

1 the Santa Fe law firm of Kellahin and Kellahin, appearing
2 on behalf of the Applicant, and I have one witness to be
3 sworn.

4 EXAMINER CATANACH: Any additional appearances?
5 Okay, will the witness please stand to be sworn?
6 (Thereupon, the witness was sworn.)

7 MR. KELLAHIN: With your permission, Mr.
8 Catanach, I have marked as Exhibit A to Case 12,722 for
9 today's hearing the supplemental data that OXY would like
10 to submit to the record.

11 In addition, I've made copies of the locator map
12 that are already in the record so that if we need to refer
13 to where these wells are on the project area map we'll have
14 those available to do so.

15 RICHARD E. FOPPIANO,
16 the witness herein, after having been first duly sworn upon
17 his oath, was examined and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. KELLAHIN:

20 Q. For the record, Mr. Foppiano, would you please
21 state your name and occupation?

22 A. My name is Richard Foppiano, and I'm a senior
23 regulatory advisor for Occidental Permian, Limited, in
24 Houston, Texas.

25 Q. Did you testify on behalf of your company in Case

1 12,722 as the engineering expert that compiled, prepared
2 and testified about the Division Form C-108 and all the
3 attachments thereto?

4 A. Yes, I did.

5 Q. Subsequent to the hearing, have you reviewed the
6 matters and items submitted at the hearing on September
7 6th?

8 A. Yes, I have.

9 Q. And based upon that review, do you find a need to
10 request that the Division allow you to supplement the
11 record to add additional information and to correct
12 information that needed to be corrected?

13 A. Yes, I do.

14 Q. In terms of the supplemental data, Mr. Foppiano,
15 have you organized it in accordance with a letter dated
16 October 15th of this year, addressed to the Division?

17 A. I have.

18 Q. And are the supplemental items attached to the
19 letter in the chronologic order indicated by the paragraphs
20 of that letter?

21 A. I hope so.

22 MR. KELLAHIN: We tender Mr. Foppiano as an
23 expert witness.

24 EXAMINER CATANACH: He is so qualified.

25 Q. (By Mr. Kellahin) Mr. Foppiano, let me ask you

1 to turn to Exhibit A, the cover sheet of which is the
2 letter over your signature, and let's simply commence with
3 having you identify and explain the various documents,
4 starting with paragraph number 1.

5 A. Yes, starting with paragraph number 1, item
6 number 1 references a map that's attached in the exhibit,
7 entitled "North Hobbs Unit CO2 Flood Phase 1 Approximate
8 Start Dates", and this is merely a blow-up of an exhibit
9 that was included in the hearing on September 6th, Exhibit
10 Number 26. It shows just a picture of approximately what
11 date injection wells will be utilized in what area of the
12 project.

13 Q. All right, sir. Let's turn to paragraph number 2
14 and have you identify and explain that.

15 A. Paragraph number 2 is a more detailed
16 presentation of the utilization of the 103 injection wells
17 that were the subject of the September 6th hearing, and
18 what it attempts to show is that -- over the next 13 years,
19 how these injection wells will be utilized in this CO₂
20 project. It essentially shows that some wells will be
21 utilized immediately and others not utilized for five or
22 ten years, as the CO₂ flood progresses across Phase 1.

23 Q. All right, sir. Let's turn to paragraph number 3
24 and have you identify and describe the information
25 concerning paragraph number 3.

1 A. Yes, paragraph number 3 shows or describes three
2 of the injection well data sheets that were part of the 103
3 injection well data sheets that were submitted in the
4 C-108, and it was discovered that there were some errors in
5 the heading information referencing the well number or the
6 footage or the unit letter.

7 And these were all proposed wells, and so there
8 was just some minor confusion as to whether or not we had
9 an exact location or not and what the well numbers were for
10 those wells. But these are all -- These three injection
11 well data sheets have been corrected. The corrections have
12 been highlighted in yellow. Nothing else on these exhibits
13 has changed.

14 Q. All right, sir. Let's turn to paragraph 4 and
15 have you identify and describe the information you're
16 supplementing in that paragraph.

17 A. Yes, paragraph 4 shows another exhibit that was
18 in the C-108 that was submitted September 6th, and it's the
19 North Hobbs Unit CO₂ Project Phase 1 Injection Well List.
20 This is a list of all 103 wells.

21 And on the second page there are two entries that
22 are highlighted. In my review I noticed that -- another
23 miscommunication internally in our office. Some people
24 thought these were going to be re-entries, others thought
25 they were going to be new drill wells.

1 It turns out they are going to be new-drill
2 wells, so the only thing that needed to be changed on this
3 exhibit was to show that the current status on these wells
4 is not plugged. In fact, these are new wells to be
5 drilled. And that makes it consistent with the injection
6 well data sheets that were just submitted there in
7 paragraph 3.

8 Q. When we look at the data sheet that describes the
9 location for all these wells, there's a total of 103 wells,
10 are there not?

11 A. Correct.

12 Q. What is the significance of the shaded
13 information in the far right column under "Future Status"?
14 What is that supposed to represent?

15 A. The application was to request injection
16 authority to inject water, CO₂ and produced gas into a
17 certain area of Phase 1 and then the rest of the area to
18 inject CO₂ and water, and so the shading reflects those
19 wells that are located in the area on the map that is
20 called the reinjection area. Those wells we requested
21 authorization to inject water, CO₂ and produced gas in the
22 wells that are shaded on that tabulation.

23 Q. Does this list of wells include injector wells
24 that are currently approved for water injection?

25 A. Yes, it does.

1 Q. So this will have all the wells for the project?

2 A. All the wells for the CO₂ project, yes.

3 Q. All right, sir. Let's turn to paragraph number 5
4 and have you identify and describe what you're doing.

5 A. Paragraph number 5, there is -- one of the
6 injection well data sheets, there was some concern about
7 whether the top of cement was actually known on the
8 production casing, so this is a copy of the bond log that
9 was submitted, just to put it in the record, to show that
10 it was determined off of a cement bond log and just to give
11 evidence of that.

12 Q. Now, we can see the schematic for that well on
13 one of the displays. Is this --

14 A. No, sir, the schematic --

15 Q. All right, the 331 is not the 331A, that's a
16 different well?

17 A. Correct.

18 Q. All right. Are you still of the opinion, Mr.
19 Foppiano, that the Well 331 in Section 30 of 18 South, 38
20 East, is adequately plugged?

21 A. Yes, I think maybe the issue was that we showed a
22 5-1/2-inch casing cemented with 30 sacks of cement, which
23 at first glance seems to be a small amount of cement to
24 cement a 5-1/2-inch string of casing. But you know, it's
25 in a very small hole, 6-1/4-inch hole, and the calculated

1 height on that cement, if we were just going by
2 calculations, is over 600 feet. And in fact, the bond log
3 shows it to be about 600 feet. So the calculated top
4 agrees closely with the top determined by bond log.

5 Q. All right, sir. Let's refer to the second page
6 of the letter and look at numbered paragraph 6.

7 A. Yes, in paragraph 6 we discovered that the
8 schematics for several of the P-and-A'd wells that were
9 submitted in the Application did not have complete
10 information or there were some inaccuracies, so these are
11 eight updated plugged-and-abandoned schematics that have
12 been redone based on a recent review of the entire well
13 files in Santa Fe. And I think the issue was really --
14 there were really more plugs in the hole than what we
15 originally depicted on these eight wells at the hearing in
16 September.

17 Q. To the best of your knowledge, then, have you
18 caused the records in Santa Fe of the OCD to be searched,
19 and have you added that supplemental search information to
20 the exhibit?

21 A. Yes.

22 Q. To the best of your knowledge, are these exhibits
23 now complete and correct?

24 A. Yes.

25 Q. And then finally, paragraph number 7 is simply a

1 reference to your affidavit that you signed that's attached
2 to the letter?

3 A. That's correct.

4 MR. KELLAHIN: Mr. Catanach, that concludes my
5 examination of Mr. Foppiano. We move the introduction of
6 Exhibit A.

7 EXAMINER CATANACH: Exhibit A will be admitted as
8 evidence in this case.

9 MR. KELLAHIN: That concludes our presentation
10 this morning, Mr. Catanach.

11 EXAMINER CATANACH: I have a couple of questions,
12 Mr. Foppiano.

13 EXAMINATION

14 BY EXAMINER CATANACH:

15 Q. On the bond log that you submitted for the Number
16 331 well --

17 A. Yes, sir.

18 Q. -- on the heading for that bond log it shows that
19 the 5-1/2-inch casing is set at 3950 in that well. Is that
20 just a mistake on the bond log or --

21 A. I believe it is, because -- Yes, sir, we show the
22 5-1/2 casing set at 4238, and the bond log was not run all
23 the way down to TD.

24 Q. So do you know why that bond log wasn't run all
25 the way down to TD?

1 A. No, sir, I do not.

2 Q. So it's your opinion that based on that bond log,
3 that you have a cement top somewhere around 600 feet; is
4 that what you testified?

5 A. Somewhere around 3650 feet.

6 Q. Sorry, 3650 feet. And have you examined the
7 interval from 3600 feet down to 3950 feet, and are you
8 satisfied that the cement quality is adequate to confine
9 any fluids to that interval?

10 A. Based on the bond log, yes, I'm satisfied.

11 Q. Okay. One other question regarding one of your
12 proposed injection wells. One of the three that's in
13 question today that you submitted under paragraph -- or
14 under item number 4, you submitted a revised injection
15 sheet on the Number 431 well, which is in Section 20, 18-
16 38?

17 A. Yes, sir.

18 Q. All right. In reviewing the data for that well,
19 you guys have proposed that that well be located 1650 feet
20 from the south and 660 feet from the east?

21 A. Yes, sir.

22 Q. In examining Division records, there is -- the
23 original Number 431 is located at exactly that same
24 location. Now, you guys, I don't know if you want to
25 change that location for the injection well, but that's

1 going to be a problem.

2 A. That will be a problem, yes, sir.

3 Q. So if -- You know, I guess what we can do in the
4 order is just let you guys change that location and just
5 put a -- not put an exact footage in the order but just put
6 a unit letter in there and let you guys drill it within
7 that unit.

8 A. I appreciate that, Mr. Examiner. I was going to
9 request that we just change the location to a to-be-
10 determined. It is a newly drilled well, we're obviously
11 not going to drill it at that exact location. That's
12 another inaccuracy, and I apologize for that.

13 EXAMINER CATANACH: Okay, anything further, Mr.
14 Kellahin?

15 MR. KELLAHIN: No, sir.

16 EXAMINER CATANACH: There being nothing further,
17 Case 12,722 will be taken under advisement.

18 (Thereupon, these proceedings were concluded at
19 8:30 a.m.)

20 * * *

21
22 I do hereby certify that the foregoing is
23 a true and correct record of
24 the proceedings of the
25 Board of
October 12, 2001
12722
2001

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 October 20th, 2001.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002