

**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 GREAT WESTERN DRILLING
COMPANY FOR STATUTORY UNITIZATION,
LEA COUNTY, NEW MEXICO.

CASE NO. 11114

APPLICATION OF GREAT WESTERN DRILLING
COMPANY FOR APPROVAL OF A WATERFLOOD
PROJECT AND QUALIFY SAID PROJECT FOR
THE RECOVERED OIL TAX RATE,
LEA COUNTY, NEW MEXICO.

CASE NO. 11113

CONSOLIDATED
PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Great Western Drilling Company as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Great Western Drilling Company
P. O. Box 1659
Midland, Texas 79702
Attn: Mike S. Heathington
(915) 682-5241

ATTORNEY

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

STATEMENT OF CASE

APPLICANT

Great Western Drilling Company ("Great Western") seeks Division approval of its South Carter (San Andres) Unit and Waterflood Project for a 624 acre area being portions of Section 5-8, T18S, R39E, NMPM, Lea County, New Mexico.

Great Western further seeks to qualify said expansion for the recovered oil tax rate pursuant to the New Mexico Enhanced Oil Recovery Act.

All the working interest owners within the Unit have voluntarily agreed upon a waterflood plan the objective of which is to successfully recover an estimated additional 1,300 million barrels of oil from the South Carter-San Andres Pool. However, there are royalty and overriding royalty owners who have not agreed.

The Waterflood Project will be developed on a 40-acre "irregular" injection pattern involving 1 new producing well, the conversion of 5 existing wells to water injection and the use of 5 producers.

Great Western anticipates that the success of the waterflood project will require that the Division provide administrative procedures to authorize Great Western to exceed the 0.2 psi per foot of depth Division guideline.

Great Western requests an administrative procedure be established for the waterflood project area to allow for the amendment of the location of either injection or producing wells in the event such changes in location, either standard or unorthodox, are deemed necessary by the operator.

As of January 1, 1994, the cumulative primary oil recovery from the Project has been 2,229 million barrels of oil.

The Project is currently producing at a rate of 60 BOPD and 60 BWPD from 9 active producers. Approximately 378 million barrels of recoverable primary oil reserves remain under the current mode of operations.

Great Western 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 a 20-acre infill drilling, reworking, establishment of water injection and initiation of 40-acre irregular injection pattern for the Unit.

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 1,300 million barrels of additional oil.

Capital cost of additional facilities is estimated to be \$451,000.00 with a total Project Cost estimated to be \$955,000.00.

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 1,300 million barrels of oil with an undiscounted net present value of \$5,752,000 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.

NMOCD Application of
Great Western Drilling Company

Page 4

PROPOSED EVIDENCE

APPLICANT

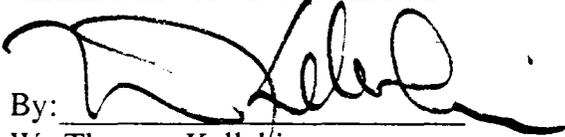
WITNESSES	EST. TIME	EXHIBITS
Mike Heathington (Landman)	25 min.	est. 5
Pat Welch (geologist)	25 min.	est. 4
Dennis Hendrix (reservoir engineer)	60 Min.	C-108 & add. 8
Joe Clements (production engineer)	20 Min.	est. 2

130 min

PROCEDURAL MATTERS

None applicable at this time.

KELLAHIN AND KELLAHIN

By: 

W. Thomas Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285