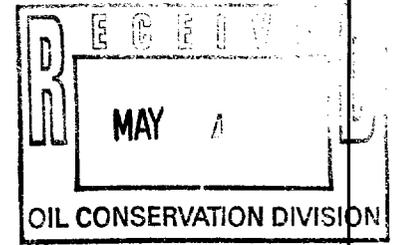


STATE OF NEW MEXICO

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 YATES PETROLEUM)
CORPORATION)

CASE NO. 11,222

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

April 6th, 1995

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, April 6th, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

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Examiner Hearing
CASE NO. 11,222

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* * *

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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: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 8:47 a.m.:

3 EXAMINER CATANACH: At this time we'll call Case
4 11,222.

5 MR. CARROLL: Application of Yates Petroleum
6 Corporation for certification of a positive production
7 response pursuant to New Mexico's "Enhanced Oil Recovery
8 Act", Lea County, New Mexico.

9 EXAMINER CATANACH: Are there appearances in this
10 case?

11 MR. CARR: May it please the Examiner, my name is
12 William F. Carr with the Santa Fe law firm Campbell, Carr
13 and Berge.

14 We represent Yates Petroleum Corporation in this
15 matter, and I have one witness.

16 EXAMINER CATANACH: Any additional appearances?

17 Will the witness please stand to be sworn in?

18 THERESA SLOAN,

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

21 DIRECT EXAMINATION

22 BY MR. CARR:

23 Q. Will you state your name for the record, please?

24 A. Theresa Sloan.

25 Q. Ms. Sloan, where do you reside?

1 A. Artesia, New Mexico.

2 Q. By whom are you employed?

3 A. Yates Petroleum in Artesia.

4 Q. And what is your current position with Yates
5 Petroleum Corporation?

6 A. I'm a petroleum engineer in the reservoir
7 department.

8 Q. Ms. Sloan, have you previously testified before
9 this Division?

10 A. Yes.

11 Q. At the time of that prior testimony, were your
12 credentials as a petroleum engineer accepted and made a
13 matter of record?

14 A. Yes.

15 Q. Are you familiar with the Sanmal Queen Unit?

16 A. Yes, I am.

17 Q. And are you familiar with Yates Petroleum
18 Corporation's enhanced oil recovery efforts in this unit?

19 A. Yes, I am.

20 Q. Are you familiar with the current production
21 characteristics of the well producing within the enhanced
22 oil recovery project area?

23 A. Yes.

24 MR. CARR: Are the witness's qualifications
25 acceptable?

1 EXAMINER CATANACH: They are.

2 Q. (By Mr. Carr) Could you briefly state what Yates
3 is seeking with this Application?

4 A. Yates is seeking the certification of a positive
5 production response for the Sanmal Queen Unit.

6 Q. Initially, could you just review for the Examiner
7 when this unit was approved as an enhanced recovery
8 project?

9 A. It was approved as an enhanced recovery project
10 on September 10th of 1993.

11 Q. And that was by Order Number R-9961?

12 A. That's correct.

13 Q. And a copy of that order is included with your
14 exhibits as Yates Petroleum Corporation Exhibit Number 1;
15 is that right?

16 A. That's correct, yes.

17 Q. When was the project actually certified for the
18 recovered oil tax rate?

19 A. December 6th of 1993.

20 Q. And a copy of that certification is included as
21 Yates Exhibit Number 2?

22 A. That's correct.

23 Q. Yates has implemented the waterflood project in
24 this unit, have they not?

25 A. Yes, they have.

1 Q. And when did they actually achieve a positive
2 production response?

3 A. September 1st of 1994.

4 Q. When did Yates then apply for the certification
5 of this project?

6 A. February 21st of 1995.

7 Q. And then that Application was set for hearing?

8 A. That's correct.

9 Q. All right, let's go to what has been marked as
10 Yates Exhibit Number 3. Could you first identify what that
11 shows and then review the information contained on this
12 exhibit?

13 A. Exhibit Number 3 is the unit plat of the Sanmal
14 Queen Unit, and it shows the three injection wells and the
15 seven producing wells.

16 Q. Could you just briefly summarize for Mr. Catanach
17 the type of enhanced recovery techniques that you've
18 employed in this unit area?

19 A. Well, we've used conventional waterflooding
20 techniques.

21 Q. You've got three injection wells and seven
22 producing wells in the unit?

23 A. That's correct.

24 Q. How much to date has Yates invested in this
25 enhanced oil recovery project?

1 A. \$313,000.

2 Q. And how does that compare to the original
3 projected cost presented to the Division earlier?

4 A. It was fairly close. It was roughly \$320,000.

5 Q. And all of the injection wells which are proposed
6 in the project area -- or were proposed -- have been
7 completed at this time; is that right?

8 A. Yes, that is correct.

9 Q. Are you considering the addition of additional
10 injector wells in the future?

11 A. Yes, we're considering two more injector wells at
12 the present time.

13 Q. And that would simply increase the efficiency of
14 the flood?

15 A. That is correct.

16 Q. Let's go to Exhibit Number 4. Would you identify
17 that for the Examiner?

18 A. Exhibit Number 4 is a table which shows the list
19 of the Sanmal Queen Unit wells, listed by producer or
20 injector, and their original completion dates.

21 Q. When did you actually commence this enhanced oil
22 recovery project by injecting into the project area?

23 A. August 10th of 1994.

24 Q. And to date, approximately how much water has
25 been injected?

1 A. Roughly 750,000 barrels.

2 Q. Let's go to Exhibit Number 5, your production
3 graph. Would you identify this and review the information
4 on this graph for Mr. Catanach?

5 A. Exhibit Number 5 shows a production curve, and it
6 shows the oil in green, the gas in red and the water in
7 blue.

8 And you can see how the oil production has
9 declined steadily, and you can start seeing a production
10 response in mid-1994 with a definite positive response
11 throughout the whole area on September 1st.

12 The gas production, of course, goes away and
13 declines considerably with the water production increasing
14 also.

15 Q. So if you look at the graph, injection commenced
16 in mid-1994, and you've seen a positive production response
17 in September of that year?

18 A. That's correct.

19 Q. Have you seen a positive production response
20 throughout the unit area?

21 A. We've seen a production response throughout most
22 of the unit. The Sanmal Queen Unit Number 1 is shut in at
23 the present time, and it doesn't produce in significant
24 quantities, so that is why it's shut in.

25 But throughout the rest of the unit we have seen

1 a response.

2 Q. That's the Sanmal Queen Unit Number 1 well, is
3 the northernmost well in the unit?

4 A. That's correct.

5 Q. And how long has it been shut in?

6 A. Since November of 1993.

7 Q. And so you really don't have a way to judge that,
8 based on the way it has been shut in?

9 A. Just simply by a small test, it will produce a
10 couple barrels, and then it won't produce anything, so...

11 Q. Let's look at the remaining wells. And if we
12 look at Exhibit 3, other than the Number 1 well, the
13 northernmost well is the Sanmal Queen Unit Number 4.

14 Have you seen a positive production response in
15 that area well?

16 A. Yes.

17 Q. If we go down to the southernmost well in the
18 project area, the Sanmal Queen Unit Number 9, have you seen
19 a response in that well?

20 A. Yes, we have.

21 Q. And did you see this positive production response
22 in all the wells in the project area, except for the Number
23 1 that hasn't been producing, on or before September 1 of
24 1994?

25 A. Yes, we did.

1 Q. How do you account for the production to pay
2 taxes for the production from this project area?

3 A. On a unit basis.

4 Q. Let's go to Yates Exhibit Number 6. I'd ask you
5 to identify that and review it, please.

6 A. Exhibit Number 6 is the table which shows the
7 Sanmal Queen waterflood data on a monthly basis for all the
8 producers and injectors. And on the second page it shows
9 the total unit production and injection.

10 Q. And from this production information, it can be
11 determined and shown that in fact the positive production
12 response did occur throughout the project area --

13 A. That's correct.

14 Q. -- prior to September 1?

15 A. That's correct.

16 Q. Okay. Is Yates Exhibit Number 7 a copy of the
17 Application that was originally filed with the Division
18 seeking certification of this positive production response?

19 A. Yes, it is.

20 Q. Does Yates now request that the Division certify
21 this response?

22 A. Yes.

23 Q. And is Yates requesting that, pursuant to the
24 rules for qualification of enhanced oil recovery projects,
25 that the Division notify the Secretary of the Department of

1 Taxation and Revenue of this certification, effective
2 September 1, 1994?

3 A. Yes.

4 Q. Were Exhibits 1 through 7 prepared by you?

5 A. Yes, they were.

6 MR. CARR: At this time, Mr. Catanach, we move
7 the admission of Yates Exhibits 1 through 7.

8 EXAMINER CATANACH: Exhibits 1 through 7 will be
9 admitted as evidence.

10 MR. CARR: That concludes my examination of Ms.
11 Sloan.

12 EXAMINATION

13 BY EXAMINER CATANACH:

14 Q. Ms. Sloan, the two additional injection wells,
15 where will those be located?

16 A. In the southwest quarter, the Sanmal Queen Unit
17 Number 2 and 3, the northwestern part of the unitized area.

18 Q. Oh, you're going to convert the 2 and the 3?

19 A. Yes.

20 Q. The actual date that you're requesting that the
21 response occur is September 1st, 1994?

22 A. Yes.

23 Q. Ms. Sloan, in your opinion is the production
24 increase in each of these wells directly attributable to
25 waterflood operations, or were there any other workover

1 operations conducted on these wells?

2 A. No other workover operations.

3 Q. Well Number 8, what's the current status of that?

4 A. That's an injection well.

5 Q. Okay.

6 A. If you look at the tabular data, it shows
7 production through July of 1994, and then in August it
8 started injection. That's why it's kind of duplicated
9 there. You know, it shows it in both.

10 Q. What are the plans for the Number 1 well? Is
11 that going to remain shut in?

12 A. Right now it's going to remain shut in, yes. I
13 believe as you start going north that way, it's pretty
14 tight. That's why it just doesn't produce very much fluid.

15 EXAMINER CATANACH: That's all I have, Mr. Carr.

16 MR. CARR: That's all we have in this case, Mr.
17 Catanach.

18 EXAMINER CATANACH: There being nothing further,
19 Case 11,222 will be taken under advisement.

20 (Thereupon, these proceedings were concluded at
21 9:00 a.m.)

22 * * *

23 I do hereby certify that the foregoing is
24 a complete record of the proceedings in
the Examiner hearing of Case No. 11222,
heard by me on April 6 1995.

25 David R. Catanach, Examiner
Oil Conservation Division

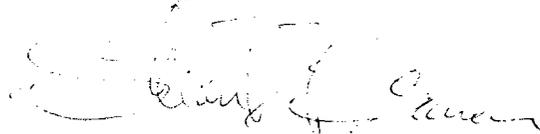
CERTIFICATE OF REPORTER

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 April 13th, 1995.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998