

NEW MEXICO OIL CONSERVATION DIVISION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date MARCH 19, 1998 Time 8:15 A.M.

NAME	REPRESENTING	LOCATION
<p><i>W. J. Tower</i> PATRICK J. TOWER</p>	<p><i>Walter J. Tower</i> ENRON</p>	<p><i>Santa Fe</i> MIDLAND</p>
<p>RANDY CATTE</p>	<p>ENRON</p>	<p>"</p>
<p><i>Todd W. MacLennan</i></p>	<p>Sonata</p>	<p>Midland</p>
<p>Chad R. Shaw</p>	<p>Sonata</p>	<p>" "</p>
<p>James Bruce</p>	<p>—</p>	<p><i>Santa Fe</i></p>
<p>CARL BROWN</p>	<p>FASKEN OIL</p>	<p>MIDLAND, TX</p>
<p><i>William F. ...</i></p>	<p><i>Campbell, Co., Texas</i></p>	<p><i>Santa Fe</i></p>
<p><i>...</i></p>	<p>+ <i>...</i></p>	<p></p>

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

RECEIVED
MARCH 19 1998

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

APPLICATION OF EXXON CORPORATION FOR A)
WATERFLOOD PROJECT AND TO QUALIFY SAID)
PROJECT FOR THE RECOVERED OIL TAX RATE)
PURSUANT TO THE ENHANCED OIL RECOVERY)
ACT, LEA COUNTY, NEW MEXICO)

Oil Conservation Division
CASE NO. 11,947

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

March 19th, 1998

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, March 19th, 1998, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

March 19th, 1998
 Examiner Hearing
 CASE NO. 11,947

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	5, 6	6
Exhibit 2	6	6
Exhibit 3	6	6
Exhibit 4	6	6
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* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Legal Counsel to the Division
2040 South Pacheco
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

JAMES G. BRUCE, Attorney at Law
612 Old Santa Fe Trail, Suite B
Santa Fe, New Mexico 87501
P.O. Box 1056
Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 8:25 a.m.:

3 EXAMINER STOGNER: At this time I'm going to call
4 the hearing to order on Docket Number 7-98. Please note
5 today's date, March 19th, 1998. I'm Michael Stogner,
6 appointed Hearing Examiner for today's cases.

7 At this time I'll call Case Number 11,947.

8 MR. CARROLL: Application of Exxon Corporation
9 for a waterflood project and to qualify said project for
10 the recovered oil tax rate pursuant to the Enhanced Oil
11 Recovery Act, Lea County, New Mexico.

12 EXAMINER STOGNER: At this time I'll call for
13 appearances.

14 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
15 representing the Applicant. I have no witnesses. I do
16 have a short presentation.

17 EXAMINER STOGNER: Okay.

18 MR. BRUCE: Mr. Examiner, in Case 11,665 Exxon
19 applied for approval of a waterflood project in the Oil
20 Center-Blinebry Pool and to qualify the project for the
21 recovered oil tax rate. That Application was approved by
22 Division Order R-10,736. That Order required injection to
23 commence by January 15, 1998.

24 Exxon did everything required by the Order,
25 including the drilling of the two injection wells for this

1 project, but failed to commence injection by that date or
2 request an extension of time from the Division.

3 As a result, Exxon has re-applied for approval of
4 the project. I see you have Exhibit 1 in front of you.
5 This project covers two leases: the Knox lease, which
6 covers the entire east half of Section 10, 21 South, 36
7 East, and the Adkins lease, which covers the entire west
8 half of Section 10.

9 Now, the Adkins lease, even though there is one
10 base lease covering the entire west half, the 20 acres
11 outlined in green, the north half of the northeast of the
12 northwest, does have a slightly different -- Exxon is the
13 working interest owner in all of this section, except in
14 that 20 acres Exxon and Texaco are the working interest
15 owners, and there is a slightly different composition of
16 the royalty owners, although all the royalty owners are the
17 same, but their percentages are a little bit different.

18 The two injection wells, the Adkins Number 11 and
19 the Knox Number 14, indicated by the triangles, have been
20 drilled, as I said.

21 The wells circled in red are the initial
22 producers for this cooperative waterflood project.

23 The two wells I've highlighted in pink are
24 completed in different zones. In the future they may be
25 recompleted in the Blinebry.

1 Because all the evidence in this matter has been
2 presented, Exxon requests that the record from Case 11,665
3 be incorporated in the record of this case and a decision
4 issued on that record.

5 What I've handed you are Exhibits 1 through 10
6 from the original case. Nothing has changed from that
7 original hearing except, as I said, the two injection wells
8 have been drilled, and I believe that the production from
9 the six Oil Center-Blinebry wells has decreased slightly,
10 which would be evidenced by the Division's records.

11 Also submitted to you are Exhibits A, B and C.
12 Exhibits A and B are sketches of the two injection wells,
13 and Exhibit C is my affidavit of notice in which I gave
14 notice to all of the interest owners in Section 10, plus
15 the offset leasehold owners, as required for injection
16 purposes.

17 Also, I would ask at this time if I could submit
18 a proposed order which is -- would be much the same as the
19 original Order, R-10,736.

20 And with that, if you have any questions I'd be
21 glad to answer them. I would ask that this matter be taken
22 under advisement.

23 EXAMINER STOGNER: At this time I'll take
24 administrative notice of the record in Case Number 11,665.

25 Mr. Bruce, I don't have a copy of original Order

1 Number R-10,736 in front of me. Was there any special
2 provisions included in that order with regards to the
3 injection wells, or did everything check out within the
4 area of review?

5 MR. BRUCE: The testimony of Mr. Duncan was
6 that -- Yeah, there was nothing in the order regarding any
7 problem wells in the area of review. The engineer at the
8 last hearing, Mr. Duncan, testified that there were no
9 plugged and abandoned wells and no wells that he saw that
10 had any problem with casing or cementing.

11 EXAMINER STOGNER: And all the royalty interests
12 and working interests -- The royalty interests are still
13 the same within that west half?

14 MR. BRUCE: Yes, they're all the same. There has
15 been no change.

16 EXAMINER STOGNER: What happened? Did time just
17 get away from --

18 MR. BRUCE: Yes. Apparently what happened was --
19 Well, as you may know, Exxon closed its Midland office last
20 summer. That delayed the commencement of operations
21 because the project engineer for this project quit Exxon,
22 and they didn't get the wells to being drilled until
23 December of 1997, and with the move and everything time
24 just got away.

25 EXAMINER STOGNER: Okay. Does anybody else have

1 anything further in this matter?

2 Your additional exhibits -- what, A through D --

3 MR. BRUCE: -- C.

4 EXAMINER STOGNER: A through C will be admitted
5 into evidence at this time. Thank you for the rough draft
6 order and the floppy, or the cassette.

7 If there's nothing further in Case Number 11,947,
8 then this matter will be taken under advisement.

9 (Thereupon, these proceedings were concluded at
10 8:32 a.m.)

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I do hereby certify that the foregoing is
a complete and true transcript of the proceedings in
the above captioned case, No. 11947,
heard by me on 19 March 1998.
Michael E. Stogner
Michael E. Stogner, Director
OH 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 March 19th, 1998.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998