

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:) CASE NO. 10,864

APPLICATION OF TEXACO EXPLORATION
AND PRODUCTION, INC.

REPORTER'S TRANSCRIPT OF PROCEEDINGSEXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

November 18, 1993

Santa Fe, New Mexico

DEC 2

ORIGINAL

This matter came on for hearing before the Oil
Conservation Division on Thursday, November 18, 1993, at
Morgan Hall, State Land Office Building, 310 Old Santa Fe
Trail, Santa Fe, New Mexico, before Steven T. Brenner,
Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

November 18, 1993
 Examiner Hearing
 CASE NO. 10,864

PAGE

APPEARANCES

3

APPLICANT'S WITNESSES:

RONALD W. LANNING

Direct Examination by Mr. Carr

4

Examination by Examiner Stogner

14

REPORTER'S CERTIFICATE

16

* * *

E X H I B I T S

| | Identified | Admitted |
|------------|------------|----------|
| Exhibit 1 | 6 | 13 |
| Exhibit 2 | 6 | 13 |
| Exhibit 3 | 7 | 13 |
| Exhibit 4 | 9 | 13 |
| Exhibit 5 | 11 | 13 |
| Exhibit 6 | 11 | 13 |
| Exhibit 7 | 11 | 13 |
| Exhibit 8 | 11 | 13 |
| Exhibit 9 | 12 | 13 |
| Exhibit 10 | 13 | 13 |

* * *

A P P E A R A N C E S

FOR THE DIVISION:

ROBERT G. STOVALL
Attorney at Law
Legal Counsel to the Division
State Land Office Building
Santa Fe, New Mexico 87504

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.
Attorneys at Law
By: WILLIAM F. CARR
Suite 1 - 110 N. Guadalupe
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

* * *

1 WHEREUPON, the following proceedings were had at
2 10:12 a.m.:

3 EXAMINER STOGNER: Call next case, Number 10,864.

4 MR. STOVALL: Application of Texaco Exploration
5 and Production, Inc., for nine lease line injection wells,
6 Rhodes Yates Waterflood, Lea County, New Mexico.

7 EXAMINER STOGNER: Call for appearances.

8 MR. CARR: May it please the Examiner, my name is
9 William F. Carr with the Santa Fe law firm, Campbell, Carr,
10 Berge and Sheridan.

11 We represent Texaco Exploration and Production,
12 Inc., and I have one witness.

13 EXAMINER STOGNER: Anybody else in this case?
14 Will the witness please stand to be sworn?

15 (Thereupon, the witness was sworn.)

16 EXAMINER STOGNER: Mr. Carr?

17 MR. CARR: Thank you, sir.

18 RONALD W. LANNING,
19 the witness herein, after having been first duly sworn upon
20 his 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. Ronald W. Lanning.

25 Q. And where do you reside?

1 A. Denver, Colorado.

2 Q. By whom are you employed?

3 A. Texaco Exploration and Production, Inc.

4 Q. And what is your current position with Texaco?

5 A. I'm a staff landman.

6 Q. Mr. Lanning, have you previously testified before
7 this Division and had your credentials as a landman
8 accepted and made a matter of record?

9 A. Yes, I have.

10 Q. Are you familiar with the Application filed in
11 this case on behalf of Texaco?

12 A. Yes, sir.

13 Q. In fact, you're the person who was responsible
14 for accumulating the information that has been presented to
15 the Division; is that correct?

16 A. For the most part, yes.

17 MR. CARR: Are the witness's qualifications
18 acceptable?

19 EXAMINER STOGNER: They are.

20 Q. (By Mr. Carr) Mr. Lanning, would you briefly
21 state what Texaco seeks with this Application?

22 A. We seek approval by the OCD of nine lease line
23 producing wells within our Rhodes Yates cooperative
24 waterflood area, Lea County, New Mexico.

25 Q. Could you identify what has been marked Texaco

1 Exhibit Number 1 and just briefly state what this shows?

2 A. Exhibit Number 1 might be characterized as simply
3 an orientation plat that mainly shows the offset operators
4 and an overview of the waterflood projects.

5 Q. Now, this is a black-and-white exhibit. It
6 doesn't clearly identify the leases that are -- units that
7 are actually involved in this case, does it?

8 A. Not very well.

9 Q. Let's go to what has been marked as Texaco
10 Exhibit Number 2, and using this exhibit could you explain
11 to the Examiner the current waterflood projects that are
12 included in this cooperative?

13 A. Okay, Exhibit Number 2 is a plat without any
14 wells on it. It's just an overview of the current
15 waterflood projects. These are all Texaco-operated leases.

16 The W.H. Rhodes "B" lease is shown in pink. It
17 was approved by Order Number R-2748, Case Number 3086, on
18 July the 29th, 1964.

19 The W.H. Rhodes "A" lease, shown in gold, was
20 approved by Order R-2748A, Case Number 4271, on December
21 the 12th -- Excuse me, December the 3rd, 1969.

22 And the Rhodes Yates unit is shown in green. It
23 was approved by Order R-4521, Case Number 4936, on May
24 17th, 1973.

25 And the plat -- It shows the acreage that's

1 included in each of the three leases at this time.

2 Q. Let's go to Texaco Exhibit Number 3. Identify
3 this for Mr. Stogner.

4 A. Exhibit Number 3 is a well plat. It shows the
5 injectors for each of the lease line wells. It shows the
6 nine lease line wells in question with their original well
7 numbers, which were subsequently changed.

8 And page 2 of Exhibit Number 3 outlines the old
9 well name and number and the new well name and number.

10 Q. So what we have here is, we have the injection
11 wells that should be moving production toward the nine
12 wells that are the subject of this case?

13 A. That's correct.

14 Q. There are additional injection wells and
15 development on these waterflood projects?

16 A. That's correct.

17 Q. And this exhibit just shows those that are in
18 this particular area of interest?

19 A. Correct.

20 Q. Could you identify -- Well, before we go to the
21 C-102s, could you summarize why Texaco is proposing these
22 nine lease line wells?

23 A. In 1991 we completed a reservoir study and
24 development plan for this area. It was determined that the
25 current 80-acre fivespot waterflood patterns were

1 approaching depletions and that substantial reserves remain
2 in the Yates-Seven Rivers formations that will be wasted
3 without infill drilling and downspacing the injection
4 patterns.

5 Q. How has Texaco gone about implementing this
6 development plan?

7 A. We have voluntary agreement among all the working
8 interest owners in the current projects, and we planned a
9 three-phase development plan.

10 Phase one was done in 1991 and 1992. It included
11 the drilling of five 20-acre infill wells, conversion of
12 four producers to injection and associated workover work.

13 Phase two, scheduled for 1993, includes the
14 drilling of ten 20-acre wells, with five of those being
15 lease line wells, conversion of nine producers to injection
16 and associated well work. The five wells for 1993 are
17 shown on Exhibit Number 3 as wells 18, 19, 22, 26 and 27.

18 Phase three will be done in 1994. It will
19 include the drilling of nine 20-acre infill wells, with
20 four being lease line wells, the conversion of seven
21 producers to injection, and associated well work. The four
22 lease line wells scheduled for 1994 are shown on Exhibit
23 Number 3 as well numbers 20, 21, 22 and 23.

24 Q. How does Texaco propose to account for production
25 from each of the projects involved in this cooperative

1 effort?

2 A. Well, the individual well production will be
3 allocated back to each well based on monthly production
4 tests. The wells with common royalties will be metered
5 prior to the entry of production into the central
6 production facility on each lease. There will be four
7 separators used to meter the lease line production, the
8 details of which are set out on page 2 of Texaco's letter
9 to the State of New Mexico Land Office, dated August 31st,
10 1993, and that letter is an attachment to Exhibit 7.

11 Q. Mr. Lanning, how much additional recovery should
12 be obtained with this development plan?

13 A. We estimate that the whole project will result in
14 a recovery of 3.7 million barrels of oil, with 1.608
15 million barrels of oil coming from the nine lease line
16 wells.

17 Q. All right. Now, let's go to Exhibit Number 4.
18 Could you identify this?

19 A. Exhibit Number 4 is OCD Form C-102s for each
20 well, showing the proposed locations. And we believe these
21 are necessary for maximum recovery.

22 Q. Now, has Texaco requested an administrative
23 procedure whereby these proposed wells could be moved up to
24 100 feet from the surveyed location if that's required
25 because of topographical conditions?

1 A. Yes.

2 Q. The proposal was that the wells could be moved no
3 more than 100 feet?

4 A. Yes, sir, provided that they stayed on the same
5 lease or unit.

6 Q. And this would be handled with a written request
7 to the Director with attached topographic maps?

8 A. That's correct.

9 Q. All of these wells are interior to the
10 cooperative flood area; is that not correct?

11 A. Yes, sir, it is.

12 Q. And all affected owners have not only notice of
13 this Application but all working interest owners have
14 voluntarily agreed to the plan?

15 A. Yes, sir, they were.

16 Q. Now, has Texaco been out and checked these
17 individual sites for topographic conditions?

18 A. Yes, sir.

19 Q. And what is the status of that review?

20 A. To my knowledge, there are not going to be any
21 problems, and the wells will be drilled in the exact
22 locations as stated on the C-102.

23 Q. Does Texaco still request an administrative
24 procedure be included on the off chance that an arrowhead
25 comes up or something like that?

1 A. Yes, sir, we think it would be a good idea.

2 Q. Let's move to Exhibit Number 5. Would you
3 identify this?

4 A. Exhibit Number 5 is the Rhodes Area Cooperative
5 Lease Line Agreement which has been approved by all working
6 interest owners.

7 This agreement identifies each lease line well by
8 original name and location and provides for operations
9 under the operating agreement for the Rhodes Yates unit
10 unless otherwise covered by the Cooperative Lease Line
11 Agreement itself.

12 Q. Is Exhibit Number 6 a copy of the unit operating
13 agreement for the Rhodes Yates Unit?

14 A. Yes, sir, it is.

15 Q. Have you reviewed this development plan with New
16 Mexico State Land Office and the Bureau of Land Management?

17 A. Yes, sir, we have. Our Exhibit Number 7 is a
18 preliminary approval letter from the State Land Office with
19 attached letters from us, or from Texaco, outlining the
20 proposal in detail.

21 Exhibit Number 8 is a preliminary approval letter
22 from the BLM.

23 Q. Has notice of this Application been provided in
24 accordance with OCD rules?

25 A. Yes, sir, it has. Copies were provided by

1 certified mail to all offsetting operators and also to all
2 non-cost-bearing interest owners in the waterflood areas.
3 Our Exhibit Number 9 is an affidavit with copies of these
4 letters attached.

5 Q. And this Application was originally filed for
6 administrative approval, was it not?

7 A. Yes, sir, it was.

8 Q. And it was this notice procedure by which you
9 submitted actual copies of this Application to each of
10 these owners?

11 A. Yes.

12 Q. Now, you included in that all royalty owners; is
13 that correct?

14 A. Royalty owners -- overriding royalty owners were
15 notified. The royalty owners, which are the State of New
16 Mexico and the BLM, had already given their preliminary
17 approval to the project.

18 Q. Working interest owners voluntarily have joined?

19 A. Yes.

20 Q. Net-profits interest owners have also been
21 notified?

22 A. Yes, sir.

23 Q. How soon does Texaco propose to commence the
24 drilling of these lease line wells?

25 A. We're ready to begin our project immediately on

1 OCD approval and hope to drill the five wells that we have
2 scheduled for 1993 prior to the end of 1993.

3 Q. Is Texaco Exhibit Number 10 a copy of a proposed
4 order granting this Application?

5 A. Yes, sir, it is.

6 Q. And is this -- Attached to this proposed letter,
7 is there that a computer disk that contains the draft?

8 A. Yes, sir.

9 Q. In your opinion, will approval of this
10 Application result in the recovery of oil that otherwise
11 will be left in the ground?

12 A. Yes, sir.

13 Q. Will approval of the Application otherwise be in
14 the best interests of conservation, the prevention of waste
15 and the protection of correlative rights?

16 A. Yes.

17 Q. Were Exhibits 1 through 10 either prepared by you
18 or compiled under your direction?

19 A. They were.

20 MR. CARR: At this time, Mr. Stogner, we move the
21 admission of Texaco Exhibits 1 through 10.

22 EXAMINER STOGNER: Exhibits 1 through 10 will be
23 admitted into evidence.

24 MR. CARR: That concludes my direct examination
25 of Mr. Lanning.

EXAMINATION

BY EXAMINER STOGNER:

Q. Have you set out what percentage of the cost and percentage of the production on each of the wells will attribute back to its unit or lease project?

A. Yes, sir, that would -- could be found in Exhibit Number --

MR. CARR: -- 5. The agreement?

THE WITNESS: Yes, sir. If you'll look at Exhibit Number 5, page 2 --

Q. (By Examiner Stogner) Now, those percentages, have they been reviewed and are included in a preliminary approval by both BLM and the State Land Office, that you know of?

A. Yes, sir.

Q. Are these figures subject to change, even if a well has to be moved for a hundred feet or --

A. No, sir.

Q. You had covered in your testimony -- and forgive me for maybe not catching all of it -- if a well is on the Rhodes Yates unit, will that production then go into the facility on that unit?

A. Correct.

Q. But it will be metered separately?

A. Correct.

1 Q. Likewise, if the well is over across the line on
2 the W.H. Rhodes "B" lease, that production will physically
3 go into that facility?

4 A. That's correct.

5 Q. Okay.

6 A. And it's detailed on the attachment to Exhibit 7.
7 I believe, without looking, there's a total of four
8 different separators. I know there's only three leases,
9 but because of the distance involved we require a fourth
10 separator.

11 EXAMINER STOGNER: Any other questions, Mr.
12 Stovall?

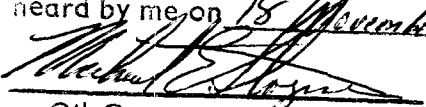
13 MR. STOVALL: No.

14 EXAMINER STOGNER: I have no other questions of
15 this witness.

16 MR. CARR: We have nothing further in this case,
17 Mr. Stogner.

18 EXAMINER STOGNER: If nobody else has anything
19 further in Case Number 10,864, this matter will be taken
20 under advisement.

21 (Thereupon, these proceedings were concluded at
22 10:25 a.m.)

23 I do hereby certify that the foregoing is
24 a complete record of the proceedings in
25 the Examiner hearing of Case No. 10864,
* heard by me on 18 November 1993.
, 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 December 5, 1993.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1994