

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:)
 APPLICATIONS OF OXY USA, INC.)
 _____)

CASE NOS. 10,866
 10,867

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

January 6, 1994

JAN 28 1994

Santa Fe, New Mexico

This matter came on for hearing before the Oil
 Conservation Division on Thursday, January 6, 1994, 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

January 6, 1994
Examiner Hearing
CASE NOS. 10,866, 10,867

PAGE

REPORTER'S CERTIFICATE

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* * *

E X H I B I T S

Identified

Admitted

Exhibit 6A 4

Exhibit 6B 4

* * *

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:

HINKLE, COX, EATON, COFFIELD & HENSLEY
218 Montezuma
P.O. Box 2068
Santa Fe, New Mexico 87504-2068
By: JAMES G. BRUCE

* * *

1 WHEREUPON, the following proceedings were had at
2 9:59 a.m.:

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6 EXAMINER STOGNER: At this time I'll call next
7 two cases, Case 10,866 and Case 10,867.

8 MR. STOVALL: 10,866 is the Application of OXY
9 USA, Inc., to amend Division Order Number R-2901 and to
10 either institute a new waterflood project or for waterflood
11 expansion, Lea County, New Mexico.

12 And 10,867 is Application of OXY USA, Inc., for
13 Enhanced Oil Recovery Project Qualification for the
14 recovered oil tax rate for the East Eumont Unit, Lea
15 County, New Mexico.

16 Both of these cases have been previously heard.
17 The record was left open, if I'm not mistaken, for both
18 some notice reasons and to acquire some additional
19 information.

20 EXAMINER STOGNER: At this time I'll call for any
21 appearances.

22 MR. BRUCE: Mr. Examiner, Jim Bruce from the
23 Hinkle law firm representing the Applicant.

24 Yeah, the case was first heard in Mid-November.
25 It was re-advertised to correct some deficiencies in the

1 Application and for re-notification purposes.

2 Some exhibits were submitted on December 16th to
3 correct the notice deficiency and to present a land plat
4 that the Examiner had requested. The C-108 had omitted
5 water analyses from freshwater wells in the area.

6 And at this time we would just like to submit
7 Exhibit 6A and 6B, which are freshwater analyses from two
8 wells within the area of review.

9 And also submitted to the Examiner are a couple
10 of additional land plats, which were submitted at the
11 last -- on December 16th to the Examiner.

12 And these freshwater analyses do indicate the
13 location of the wells, and I think you can find them by
14 reference to the land plat.

15 EXAMINER STOGNER: Thank you, Mr. Bruce.

16 If there's nothing further -- I will state, Mr.
17 Bruce, that I'm also familiar with the last case, and I
18 know this water well, this windmill, and I don't know of
19 any others out there, so I'm not just picking on OXY.

20 With that --

21 MR. BRUCE: There turned out to be a lot more
22 than they had originally testified to.

23 MR. STOVALL: You guys are going to have to
24 become glider pilots.

25 EXAMINER STOGNER: With that, I will take Case

1 10,866 and Case 10,867 taken under advisement.

2 And with that, hearing adjourned.

3 (Thereupon, these proceedings were concluded at
4 10:01 a.m.)

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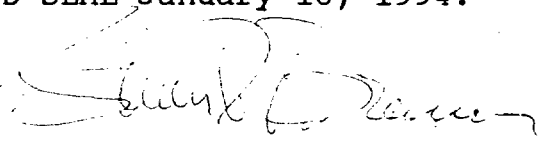
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

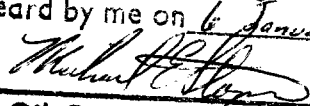
I, Steven T. Brenner, Certified Court Reporter
 and Notary Public, HEREBY CERTIFY that the foregoing
 transcript of proceedings before the Oil Conservation
 Division was reported by me; that I transcribed my notes;
 and that the foregoing is a true and accurate record of the
 proceedings.

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 January 18, 1994.


 STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1994

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case No. 10866 and 10867
 heard by me on 6 January 1994.

 Michael E. Stone, Examiner
 Oil Conservation Division

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 OXY USA, INC.)
 _____)

CASE NOS. 10,866
 10,867

JAN 14 1994

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

December 16, 1993

Santa Fe, New Mexico

This matter came on for hearing before the Oil
 Conservation Division on Thursday, December 16, 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

December 16, 1993
Examiner Hearing
CASE NOS. 10,866, 10,867

PAGE

REPORTER'S CERTIFICATE

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E X H I B I T S

	Identified	Admitted
Exhibit 1A	5	6
Exhibit 4A	5	6
Exhibit 5	5	6

* * *

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:

HINKLE, COX, EATON, COFFIELD & HENSLEY
Attorneys at Law
By: JAMES G. BRUCE
218 Montezuma
P.O. Box 2068
Santa Fe, New Mexico 87504-2068

* * *

1 WHEREUPON, the following proceedings were had at
2 9:15 a.m.:

3 EXAMINER STOGNER: At this time I'll introduce
4 myself. I'm Michael E. Stogner, Hearing Examiner for the
5 next two cases.

6 At this time I'll call Cases Numbers 10,866 and
7 10,867.

8 MR. STOVALL: 10,866 is the Application of OXY
9 USA, Inc., to amend Division Order No. R-2901 and to either
10 institute a new waterflood project or for waterflood
11 expansion, Lea County, New Mexico.

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

14 MR. STOVALL: Well --

15 EXAMINER STOGNER: I'm sorry.

16 MR. STOVALL: Call the other one?

17 EXAMINER STOGNER: I'm sorry.

18 MR. STOVALL: Go ahead and do that one since you
19 called both.

20 EXAMINER STOGNER: Okay.

21 MR. STOVALL: Application of OXY USA, Inc., for
22 Enhanced Oil Recovery Project Qualification for the
23 recovered oil tax rate for the East Eumont Unit, Lea
24 County, New Mexico.

25 MR. BRUCE: Mr. Examiner, Jim Bruce from the

1 Hinkle law firm in Santa Fe, representing the Applicant.

2 I'd like to just make a brief statement here.

3 This was heard on November 18th, and a couple of
4 issues arose.

5 This involves the East Eumont Queen unit, which
6 was approved about 30 years ago. The northern segment of
7 the unit, although waterflood was approved for that segment
8 of that unit, it was never flooded. OXY originally filed
9 an administrative application seeking an additional
10 injection well for the north segment of the unit.

11 At the last hearing it became apparent there were
12 some problems with the advertisement. Because of the time
13 lapse since the original approval, there was probably a
14 need for a whole new approval of injection wells for the
15 north segment of the unit.

16 We did present our C-108 and other exhibits at
17 that time on November 18th, but the case was re-advertised
18 in order to properly designate what we were seeking, which
19 is in essence a whole new approval for 22 injection wells
20 for the north segment of the unit.

21 During the hearing also, the Examiner requested a
22 map that was a little more clear as to who the offset
23 operators were, the water wells in the area, and --
24 together with pertinent wells in the area of review.

25 And I believe Mr. Stovall also -- Since this was

1 originally set as an administrative application, there was
2 no hearing date fixed in any of the notices given by OXY,
3 and as a result OXY re-notified the offset operators, and
4 that's what we're here today for.

5 Yesterday, I brought over to the Division certain
6 exhibits. They were unmarked, and I don't have all the
7 copies I wish. But upon review, OXY did locate three
8 additional wells in the area of review. That's the
9 information. I marked it Exhibit 1A, since it would be
10 attached to the form C-108, which was admitted as Exhibit
11 1.

12 Exhibit 4A is simply Mr. Foppiano's affidavit of
13 notice in which he did give notice of the specific hearing
14 date for this Application.

15 And then I also presented to the Examiner
16 yesterday -- I don't have any -- I thought I had additional
17 copies. I'll have to -- I have requested them, and I would
18 mark them as Exhibit 5. It's a land plat which more
19 clearly shows the wells involved and the offset operators.

20 I would move the admission of those exhibits.

21 And after consultation with -- Yesterday, Mr.
22 Stogner indicated that at this point anyway, no witness was
23 needed today. However, if he desires any additional
24 information or if he would like to review this data and get
25 in touch with me and he needs a witness, we could certainly

1 make one available at the January 6th hearing.

2 EXAMINER STOGNER: On the additional area review
3 map, is that Exhibit 5 or 5A?

4 MR. BRUCE: That's Exhibit 5, Mr. Examiner, and
5 I'll submit a couple extra copies in a day or so.

6 EXAMINER STOGNER: At this time I'll admit
7 Exhibits 1A, 4A and 5 in this matter.

8 For the record, the information, the map was
9 provided me yesterday. I did review it. Additional
10 information that I have requested is shown. In particular,
11 eight, not two or three, water wells were also shown on
12 there.

13 Subsequent to our conversation, Mr. Bruce, I'm
14 going to find it necessary to request at least two samples
15 of water --

16 MR. BRUCE: Okay.

17 EXAMINER STOGNER: -- from any two of these
18 wells.

19 I apologize for not requesting that of you
20 yesterday. But since we're on the record, if you will have
21 that provided and on that record show which wells and the
22 locations of the two wells in which OXY chooses --

23 MR. BRUCE: Sure.

24 EXAMINER STOGNER: -- to take samples from.

25 Mr. Stovall, do you have anything?

1 MR. STOVALL: Yeah. Well, Mr. Bruce, let's make
2 sure we're clear on this, is that originally OXY was kind
3 of thinking they might have had a 1965 approval, but we're
4 treating that as having lapsed?

5 MR. BRUCE: Correct.

6 MR. STOVALL: I mean, if that were more under the
7 current rules it would not be in effect today, and the
8 Division is going to -- I'm going to recommend to the
9 Examiner that order be canceled, because it should not --

10 MR. BRUCE: And upon review of the rules, I
11 believe that, you know, the current rules provide that if
12 injection operations aren't carried out for a year or so,
13 that the order lapses, and I believe operations have been
14 dormant out there for several years.

15 MR. STOVALL: And this is, then, a new
16 Application for a new waterflood, is what it amounts to?

17 MR. BRUCE: Correct.

18 MR. STOVALL: And I don't think I need to take
19 OXY through the rendition of what you do once -- assuming
20 approval, as far as getting the certificate and all that;
21 is that correct?

22 MR. BRUCE: Yeah, we're aware of that.

23 EXAMINER STOGNER: Do you have any idea how long
24 it may take you to have the water analysis done?

25 MR. BRUCE: I believe we can have it by the

1 January 6th hearing.

2 EXAMINER STOGNER: Are you suggesting we continue
3 this matter until January 6th?

4 MR. BRUCE: Yeah, why don't we do that, just in
5 case --

6 EXAMINER STOGNER: Okay.

7 MR. BRUCE: -- a need comes up for, say, Mr.
8 Foppiano to appear.

9 MR. STOVALL: Nothing can be done before then
10 anyway, so I think it's better to keep it on the docket.

11 MR. BRUCE: Right.

12 EXAMINER STOGNER: Okay. And with that, I'll
13 take the additional exhibits, made them a part of the
14 record, and with that, Cases 10,866 and 10,867 will both be
15 continued to the Examiner's hearing scheduled for January
16 6th. That's 1984.

17 MR. STOVALL: 1994?

18 EXAMINER STOGNER: 1994.

19 MR. STOVALL: I thought you said 1984.

20 EXAMINER STOGNER: Did I say 1984? Well, I meant
21 1994. Remembering the good old days, I guess. Take that
22 for whatever it may mean.

23 (Thereupon, these proceedings were concluded at
24 9:24 a.m.)

25 * * *

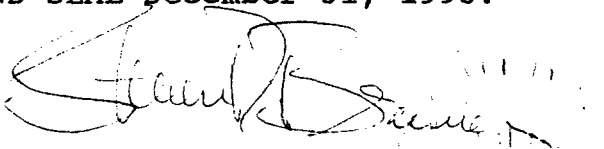
CERTIFICATE OF REPORTER

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 31, 1993.


STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1994

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 10866,
heard by me on 16 December 1993.

, Examiner
Oil Conservation Division

CUMBRE COURT REPORTING
(505) 984-2244

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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 NOS. 10,866

18,867

APPLICATION OF OXY USA, INC.

M.S.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

November 18, 1993

Santa Fe, New Mexico

DEC 2

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 NOS. 10,866, 10,867

PAGE

APPEARANCES

3

APPLICANT'S WITNESSES:

SCOTT E. GENGLER

Direct Examination by Mr. Bruce

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Examination by Examiner Stogner

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Examination by Mr. Stovall

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REPORTER'S CERTIFICATE

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E X H I B I T S

	Identified	Admitted
Exhibit 1	6	19
Exhibit 2	7	19
Exhibit 3	15	19
Exhibit 4	19	19
Exhibit 5	13	19

* * *

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:

HINKLE, COX, EATON, COFFIELD & HENSLEY
Attorneys at Law
By: JAMES G. BRUCE
218 Montezuma
P.O. Box 2068
Santa Fe, New Mexico 87504-2068

* * *

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

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7 EXAMINER STOGNER: Call next case, Number 10,866.

8 MR. STOVALL: Application of OXY USA, Inc., for
9 expansion of the waterflood project in the East Eumont
10 Unit, Lea County, New Mexico.

11 EXAMINER STOGNER: Call for appearances.

12 MR. BRUCE: Mr. Examiner, my name is Jim Bruce.
13 I'm representing the Applicant and I have two witnesses to
14 be sworn.

15 I'd ask that this case be consolidated with the
16 next case, 10,867.

17 EXAMINER STOGNER: Are there any objections or
18 other appearances in Case 10,866 or 10,867?

19 At this time I'll call Case Number 10,867.

20 MR. STOVALL: Application of OXY USA, Inc., for
21 Enhanced Oil Recovery Project Qualification for the
22 recovered oil tax rate for the East Eumont Unit, Lea
23 County, New Mexico.

24 EXAMINER STOGNER: Seeing no additional
25 appearances, Mr. Bruce?

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SCOTT E. GENGLER,

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

DIRECT EXAMINATION

BY MR. BRUCE:

Q. Would you please state your name and city of residence for the record?

A. My name is Scott Gengler, spelled, G-e-n-g-l-e-r, and I live in Midland, Texas.

Q. Who do you work for and in what capacity?

A. I work for OXY USA as a petroleum engineer.

Q. Have you previously testified before the Division as a petroleum engineer?

A. Yes, I have.

Q. And were your credentials accepted as a matter of record?

A. Yes, I have.

Q. And are you familiar with the engineering matters involved in these two cases?

A. Yes, I am.

MR. BRUCE: Mr. Examiner, I would tender Mr. Gengler as an expert petroleum engineer.

EXAMINER STOGNER: Mr. Gengler is so qualified.

Q. (By Mr. Bruce) Briefly, what is it OXY seeks in these cases?

1 A. OXY operates the East Eumont Unit in Lea County,
2 New Mexico, and we seek to expand the injection authority
3 to the north end of the East Eumont Unit and to qualify the
4 north end of the unit for the recovered oil tax rate.

5 Q. When was the East Eumont Queen Unit formed?

6 A. The unit was formed in 1965.

7 Q. And the unitization order is R-2894; is that
8 correct?

9 A. That's correct.

10 Q. And we'll submit that later in your testimony; is
11 that correct?

12 A. That's correct.

13 Q. Would you please identify Exhibit 1 for the
14 Examiner?

15 A. Exhibit Number 1 is our C-108 Application for the
16 north end of the East Eumont Unit.

17 Q. Was this prepared by you?

18 A. Yes, it was.

19 Q. Now, referring to Exhibit -- or, excuse me, page
20 2 of the exhibit, which is an outline of the unit, could
21 you just briefly describe the geology of the unit?

22 A. The Eumont field is an anticline formation, and
23 the East Eumont Unit was created on the oil rim of this
24 anticline. It was designed to waterflood that oil rim on
25 the eastern side of the anticline. To the east you've

1 fallen off dip and basically have all water, and to the
2 west you have the gas cap where this formation is gas
3 productive.

4 Q. And that's the reason for this elongated shape of
5 the unit?

6 A. Yes, it is.

7 Q. Now, referring to Exhibit 2, what is the status,
8 the current status of the East Eumont Unit?

9 A. The entire unit had ultimate primary production
10 of approximately 3.27 million barrels of oil, ultimate
11 secondary production of just a little over 3 million
12 barrels of oil, and it has total production of 6.3 million.

13 Total production as of 10-1-93 has been 6.3
14 million, and under current conditions the remaining
15 production of recoverable reserves is approximately zero.

16 Currently, production from the unit is two
17 barrels of oil per day and one barrel of water per day from
18 two wells.

19 Q. Referring back to page 2 of Exhibit 1, the land
20 plat, are either of the two active producers in that north
21 segment of the unit the colored area?

22 A. No, they're not.

23 Q. Okay. And has that north segment of the unit
24 ever been flooded?

25 A. No, it has not.

1 Q. What are OXY's plans for the north segment of the
2 unit?

3 A. OXY plans to convert wells to injection to
4 initiate an 80-acre fivespot waterflood project. Also
5 included is drilling of two producers and one injector for
6 the completion of these patterns.

7 Q. Okay. Now, approximately what percent of the
8 working interest does OXY own in the unit?

9 A. OXY owns approximately 97 percent of the unit.

10 Q. When was this purchased?

11 A. It was purchased in June of 1993.

12 Q. Okay. Who did you purchase this from?

13 A. Sirgo Operating.

14 Q. So these plans of yours are all of rather recent
15 vintage; is that correct?

16 A. That is correct.

17 Q. Now, looking at that Exhibit 1, page 2, there are
18 a number of inverted green triangles. Were those wells
19 approved for injection in 1965?

20 A. Yes, they were.

21 Q. But again, no injection had ever taken place in
22 those wells?

23 A. No injection was ever commenced.

24 Q. And they were never converted?

25 A. No, they were not.

1 Q. Okay. And the red triangle is the new injector
2 you seek authority for?

3 A. That is correct.

4 Q. In your opinion, is the north segment of the unit
5 a new area of activity for enhanced recovery?

6 A. Yes, it is.

7 Q. Now, going back to your Exhibit 1, would you go
8 through it for the Examiner, starting with page 4, and
9 discuss its contents?

10 A. In pages 4 through 24A is the injection well data
11 sheets as required for the C-108, and each one of the wells
12 that we request authority to convert to injection.

13 EXAMINER STOGNER: Hang on a second, Mr. Bruce.

14 (Off the record)

15 EXAMINER STOGNER: Mr. Bruce, --

16 MR. STOVALL: Mr. Stogner, I think we need to
17 have a discussion off the record for a few minutes.

18 EXAMINER STOGNER: Okay, off the record.

19 MR. STOVALL: Off the record.

20 (Off the record)

21 EXAMINER STOGNER: Go back on the record.

22 Mr. Stovall?

23 MR. STOVALL: During an off-the-record
24 discussion, we've reviewed the situations created by the
25 fact that there presently exists an order which governs

1 this waterflood project with respect to what's described on
2 the exhibits as the southern portion of the project.

3 That order is effective, and well water is being
4 injected in that southern portion, and I think we need to
5 -- you know, I guess that's -- Anything below the south
6 half of Sections 15 and 16 in 19 South, 37 East; is that
7 right, Mr. Gengler?

8 THE WITNESS: Yes.

9 MR. STOVALL: With respect to the area that is
10 under consideration today, there has been some procedural
11 confusion. I think there's some question whether that 1965
12 order is valid with respect to that northern portion, both
13 because of errors that are contained and because of the
14 fact that it was never acted on. And a 30-year-old order,
15 question whether or not you could inject under that anyway.
16 The rules have changed, and probably field conditions have
17 changed.

18 In view of that, OXY has in fact submitted a
19 C-108 requesting new injection authority for the specific
20 wells in this expansion project area. I think the Division
21 is going to have to amend the previous order and -- What's
22 that order number? Mr. Gengler, do you have that?

23 THE WITNESS: R-2901.

24 MR. STOVALL: R-2901 -- to withdraw any authority
25 to inject in the area which we are talking about today.

1 And any authority to inject in that area through these
2 wells will be as a result of this hearing and order.

3 However, It was not advertised in that way, so I
4 recommend we continue to take the testimony from OXY, but
5 the case will need to be re-advertised to correctly reflect
6 what is being done at this hearing, and it was not
7 correctly advertised in Case 10,866.

8 EXAMINER STOGNER: With that, make sure I
9 understand what they want, let's go on with the testimony,
10 and then I'll try to get the facts later on for the
11 readvertisements.

12 MR. BRUCE: Okay.

13 EXAMINER STOGNER: Mr. Bruce?

14 Q. (By Mr. Bruce) Mr. Gengler, we had just referred
15 to pages 4 through 24A of Exhibit 1, the injection well
16 data sheets. Could you take page 4, for instance, and just
17 briefly go through what OXY's plans are for the typical
18 injection well?

19 A. Our plans are to take a typical injection well,
20 test the casing, make sure that it's in good shape to have
21 an injection going into it. We're planning to acidize the
22 perforations, run an injection packer and injection tubing,
23 set it above the perfs and equip it for injection.

24 Q. And you will be using lined tubing; is that
25 correct?

1 A. That is correct.

2 Q. Okay. These data sheets also contain information
3 on cement. Were these calculations made according to
4 standard methodology?

5 A. Yes, they were.

6 Q. And based on your experience in this field?

7 A. Yes, they were.

8 Q. Okay. Is page 24A -- Is that the only new well
9 that will be drilled in this part this project?

10 A. New injection well.

11 Q. New injection well.

12 Would you move on, then, to pages 25 through 31
13 of the C-108 and describe those pages for the Examiner?

14 A. Page 25 is a plat of the proposed injection wells
15 in a half-mile area of review around these injection wells.

16 Pages 26 through 31 would contain a summary of
17 all the wells located within this area of review.

18 Q. In your review of the data on the offset wells,
19 were there any problem wells?

20 A. No, there were not.

21 Q. Okay. And then let's move on to pages 32 through
22 37 of the C-108. And before we have you do that, let's --
23 Are these the data on the plugged and abandoned wells in
24 the area?

25 A. Yes, it is.

1 Q. Now, let's turn to page 33 first. You have a
2 sheet there for the Cone Ohio State Number 1 well.
3 Subsequent to preparing this, what did you find out about
4 that well?

5 A. This listed all the information that was found in
6 the file in Hobbs. Basically, that was just a permit to
7 drill, and the information contained on that, that was all
8 that was located in the Hobbs file.

9 When we got up here to Santa Fe, we checked the
10 records in Santa Fe and came up with a little more
11 information.

12 Q. And is that submitted as Exhibit 5?

13 A. Yes, it is.

14 Q. What does that information show?

15 A. Basically, a copy of the notice of intention to
16 drill, and on the second page there was a handwritten copy
17 that said the TD on it was 80 feet, that the well was never
18 drilled down to the proposed depth.

19 We included the original Permit to Drill
20 information for completeness, since that's all we had.
21 This information was verified through scout ticket
22 information that the total depth was 80 feet and plugged
23 and abandoned at that depth.

24 Q. So really this data on page 33 can be ignored; is
25 that correct?

1 A. That is correct.

2 Q. Okay. As to the other P-and-A well data, do you
3 have any comments on that?

4 A. We believe that the remaining wells have all been
5 plugged efficiently to prevent injection fluids from
6 migrating from the injection zone up to any freshwater
7 strata.

8 Q. Would you discuss your injection well -- your
9 proposed injection operations?

10 A. This is located on page 38 of Exhibit 1. Our
11 average daily injection rate is estimated at 300 barrels of
12 water per day with a maximum of 500 barrels of water per
13 day. The proposed system is a closed system, and we expect
14 an average injection pressure of 1200 p.s.i., which is
15 based on the south end of the flood.

16 Q. Initially, you will comply with the 0.2-p.s.i.-
17 per-foot limitation, will you not?

18 A. Yes,

19 Q. What is the source of your injection water?

20 A. Our source will be produced water from the unit
21 and fresh water from the fresh water well that supplies the
22 south end.

23 Q. Do you have an estimate on what the initial
24 makeup of the water will be between produced water and
25 fresh water?

1 A. Just an estimate of approximately 80, 85 percent
2 fresh water, and 15 to 20 percent produced water.

3 Q. Do you anticipate any compatibility problems
4 between the injection fluids and the formation water?

5 A. No, I do not. The fact that it was used in other
6 portions of the unit in the same formation, I do not
7 believe that there will be any problems.

8 Q. Are there any freshwater wells in this area?

9 A. Just the one located on the unit.

10 Q. And that's in the southeast quarter of the
11 southwest quarter of Section 10?

12 A. That's correct.

13 Q. What are OXY's plans for that well? First, is it
14 producing water at this time?

15 A. Currently it's temporarily abandoned. OXY is in
16 the process of trying to obtain the rights to that well
17 from the current owner, who sold water to the previous
18 operator for the waterflood. We're in negotiations at this
19 time on that.

20 Q. Would you please move on to Exhibit 3 and
21 identify that for the Examiner?

22 A. Exhibit 3 is our Application for Enhanced Oil
23 Recovery Project Qualification for the recovered oil tax
24 rate for the East Eumont Unit, north end.

25 Q. And does page 3 contain a legal description of

1 the project area, the proposed project area?

2 A. Yes, it does.

3 Q. Is the primary production from the north segment
4 of the unit depleted?

5 A. Yes, it is.

6 Q. Again, there's no production at this time from
7 this segment of the unit?

8 A. That's correct. There's been no production since
9 1990 on this end of the unit.

10 Q. In your opinion, is it feasible to commence an
11 enhanced recovery operation to maximize the recovery of oil
12 from the north segment of the unit?

13 A. Yes, it is feasible.

14 Q. Moving on, is page 5 a list of the current status
15 of all wells in the north segment of the unit?

16 A. That is correct.

17 MR. BRUCE: Mr. Examiner, pages 6 and 7 of that
18 Application are simply a copy of the unitization order from
19 1965.

20 Q. (By Mr. Bruce) What does page 8 represent, Mr.
21 Gengler?

22 A. Page 8 is a production curve of oil, gas and
23 water for the entire East Eumont Unit.

24 Q. And currently there is marginal production from
25 the unit; is that correct?

1 A. That's correct. It's two barrels of oil per day,
2 one barrel of water per day.

3 Q. When does OXY propose commencing injection?

4 A. As soon as we can get an order approving our
5 project.

6 Q. And attached as page 10 is the original injection
7 order?

8 A. That is correct.

9 MR. BRUCE: Mr. Examiner, there are some errors
10 on there. Since we will be amending the Application and
11 readvertising it, we won't go through these at that time.
12 There are various mistakes regarding the location of
13 injection wells.

14 MR. STOVALL: Mr. Bruce, with that regard, I
15 guess this is as good a time as any we do that, take a look
16 and identify which of the wells the authority to inject
17 should be rescinded for in this order, because I think --
18 Again, I think, given the age of the order and the fact
19 that nothing has been done out there, I think it's --
20 concerns about that, and --

21 MR. BRUCE: For the 16th, we will specifically
22 list the wells from that order, which should be excised
23 from that order.

24 Q. (By Mr. Bruce) Would you then move on to pages
25 11 and 12 of the Application, Mr. Gengler, and summarize

1 their contents?

2 A. Page 11 is a proposed status of all wells in the
3 north segment of the waterflood project and their proposed
4 status of either a producer or injector within this
5 project.

6 Page 12 is an estimate of cost for this project,
7 which includes the drilling and equipping of the two
8 producers, the drilling and equipping of one injector,
9 conversion of 21 producers to injection, and the
10 reactivation of 21 producers. In addition, the upgrade of
11 battery and injection facilities, for a total project cost
12 estimate of \$3.765 million.

13 Q. What is your estimated additional recovery of oil
14 from the north segment of the pool? I mean, excuse me,
15 north segment of the unit?

16 A. We estimate approximately 775,000 barrels of oil
17 will be recovered by the enhanced recovery project.

18 Q. What do you base this figure on?

19 A. We base it on the projects to the south and their
20 performance, primary-to-secondary ratios.

21 The primary production in the central portion of
22 the unit averaged approximately 19,000 barrels of oil per
23 well. In the north segment, it was approximately 21,000
24 barrels per well. The central segment recovered a
25 secondary-to-primary ratio of 1.2 to 1, and that is the

1 basis for our projection in the north end.

2 Q. Is Exhibit 4 an affidavit regarding notice given
3 of the C-108 to the various parties?

4 A. Yes, it is.

5 MR. BRUCE: Mr. Examiner and Mr. Stovall, if you
6 have any questions on this, Mr. Foppiano is the one who
7 gave notice, and he's here to answer any questions.

8 Q. (By Mr. Bruce) Mr. Gengler, is the granting of
9 this Application -- or these two Applications -- in the
10 interests of conservation and the prevention of waste?

11 A. Yes, it is.

12 Q. And were Exhibits 1 through 5 prepared by you or
13 compiled from company or public records?

14 A. Yes, it is.

15 MR. BRUCE: Mr. Examiner, at this time I move the
16 admission of Exhibits 1 through 5.

17 EXAMINER STOGNER: Exhibits 1 through 5 will be
18 admitted into evidence.

19 MR. STOVALL: Mr. Bruce, I recommend that what
20 you do is go ahead and send out a notice to these people --
21 it doesn't look like an onerous list --

22 MR. BRUCE: No.

23 MR. STOVALL: -- to notify them of the rescission
24 of the previous order as it pertains to these wells and new
25 approval for injection pursuant to the -- I don't think you

1 need to send the 108 unless there are any changes pursuant
2 to the 108 sent previously.

3 MR. BRUCE: There are some changes, so -- They're
4 minor, but there were, you know, various corrections made.

5 EXAMINATION

6 BY EXAMINER STOGNER:

7 Q. Okay, let's refer to page 25 to begin with. You
8 had testified there's only one water well that you know of
9 in the area of review?

10 A. That is correct.

11 Q. And where is that well?

12 A. It's located in Section 10, in the southeast,
13 southwest. That is the well that currently -- or has
14 previously supplied water to the central segment of the
15 waterflood project in the unit.

16 Q. Do you know of any other water wells in the area
17 that are no longer active?

18 A. I do not know of any.

19 Q. Any windmills?

20 A. Not that I know of.

21 Q. Have you been out to this area?

22 A. Numerous times.

23 Q. Do you remember, if you're going west of Hobbs,
24 out to the Monument Highway, you turn left at that point,
25 do you remember the two houses on either side of the

1 Carlsbad Highway?

2 A. Yes, I do remember those.

3 Q. If I remember right, that used to be, in my
4 youth, called the Twin Windmill area or the Twin Windmill
5 Ranches; is that correct?

6 A. I don't know.

7 Q. Are those windmills still there?

8 A. Not that I have -- remember.

9 Q. If you would check in on that, I was thinking
10 there are at least two water wells there at that
11 intersection, that being Sections 33 -- This is in the
12 north part of the map -- the corner of sections of 32, 33,
13 5 and 4 at the highway intersection.

14 A. Okay.

15 EXAMINER STOGNER: Also, and we have discussed
16 this several times between myself and the other hearing
17 examiner and Mr. Stovall, the map on 25, we find this to be
18 very cumbersome to review, and since we are going to
19 continue, Mr. Bruce, I'd like to request an additional map
20 be prepared of the area of review, one not so cumbersome
21 and one of larger scale, showing all wells referred to in
22 the -- so therefore they can be --

23 MR. BRUCE: We'll put the operators on there too.

24 EXAMINER STOGNER: Operator name. Identifier,
25 essentially, so we can go back. Also, if there's any wells

1 that didn't penetrate the area they still, I think, should
2 be on there, with the TD clearly marked, that they didn't
3 go that far.

4 And as we're bringing it up too, the water wells,
5 make it easier to review and for anybody else from any
6 agency from the federal government that may come in and
7 review these records, if they're out, and make it easier on
8 them also.

9 I'd like to see something about three times the
10 present scale at least.

11 Any other information, Mr. Stovall?

12 EXAMINATION

13 BY MR. STOVALL:

14 Q. Well, yeah, just one other thing with respect to
15 water wells, Mr. Gengler. Did you or anybody at OXY check
16 with the State Engineer's Office to see if there were any
17 water wells of any type permitted down in this area, within
18 the area?

19 A. No.

20 MR. STOVALL: I would suggest that the State
21 Engineer is an essential source to check for water --
22 potential water wells within an area. Not all of them will
23 be there, but certainly it will be not good to overlook any
24 that were.

25 EXAMINER STOGNER: For that matter, off the end

1 of the runway, in the south and west, I remember a pond, a
2 windmill, on the approach into that particular runway, so
3 you might want to look down there too. That might be a
4 well that you have.

5 A lot of information reviewed, some
6 readvertisements to be made. I don't really have any other
7 questions at this point.

8 MR. BRUCE: Okay.

9 EXAMINER STOGNER: Mr. Stovall?

10 MR. STOVALL: No, I don't have any either.

11 EXAMINER STOGNER: Okay. With that, both Cases
12 10,866 and 10,867 will be continued and/or readvertised to
13 the Examiner's Hearing scheduled for December 16th. I'll
14 be here, or I plan to be here at that time. I will come
15 down and listen to any additional testimony or may have
16 some questions at that time.

17 Mr. Bruce --

18 MR. STOVALL: Mr. --

19 EXAMINER STOGNER: I'm sorry.

20 MR. STOVALL: Go ahead and --

21 EXAMINER STOGNER: I was just going to ask Mr.
22 Bruce if he had anything further.

23 MR. BRUCE: No, sir.

24 MR. STOVALL: You will get us something that we
25 can get into the --

1 MR. BRUCE: We'll have that over by tomorrow.

2 EXAMINER STOGNER: The what?

3 MR. STOVALL: The ads.

4 EXAMINER STOGNER: The ads. Okay, good.

5 With that, let's take a 20-minute recess at this
6 time.

7 (Thereupon, these proceedings were concluded at
8 9:30 a.m.)

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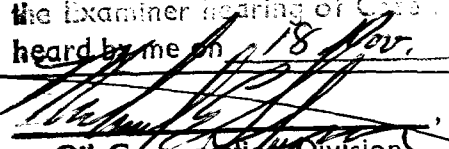
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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Cases *10866 and 10867*
heard by me on *18 Nov. 1993*.


_____, Examiner
Oil Conservation Division

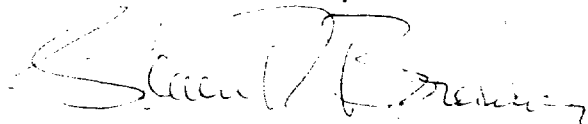
CERTIFICATE OF REPORTER

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 1, 1993.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1994