

**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. 11522
CASE NO. 11523**

**APPLICATION OF PHILLIPS PETROLEUM
FOR APPROVAL OF ITS STATE-35 UNIT AGREEMENT,
FOR APPROVAL OF A PRESSURE MAINTENANCE
PROJECT, FOR AN EOR AND FOR 3 UNORTHODOX OIL
WELL LOCATIONS, LEA COUNTY, NEW MEXICO.**

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by PHILLIPS
PETROLEUM as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Phillips Petroleum
4001 Penbrook Ste 401
Odessa, Texas 79762
Attn: James S Welin
1-915-368-1278

ATTORNEY

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

STATEMENT OF CASE

APPLICANT:

Phillips Petroleum Company is the proposed operator of a voluntary enhanced oil recovery unit to be called the "State-35 Unit" and consists entirely of State of New Mexico oil and gas leases located in Lea County, New Mexico.

The proposed area for unitized operations is in the described area:

Township 17 South, Range 34 East, NMPM
Section 35: N/2; SE/4; and E/2SW/4

Phillips Petroleum Company proposes to institute an enhanced oil recovery project ("EOR") for the tertiary recovery of oil and gas from the Unitized Formation within the Unit Area.

The proposed operating plan covering the manner in which the unit will be supervised and managed and costs allocated and paid is embodied in the Unit Operating Agreement.

The Unitized Formation within the Unit Area constitutes a reasonable geologic area to be effectively and efficiently developed by enhanced oil recovery operations.

Applicant has obtained preliminary approval from the Commissioner of Public Lands of New Mexico for the Unit.

The proposed unitization and adoption of the methods of operation embodied in the Unit Operating Agreement will benefit the working interest owners and royalty owners of the oil and gas rights within the Unitized formation of the Unit Area.

Phillips Petroleum Company further seeks approval to institute a Tertiary Recovery Project in its proposed State-35 Unit Pressure Maintenance Project by the injection of water and carbon dioxide into the Grayburg and San Andres formations of the Vacuum Grayburg-San Andres Pool comprising portions of the above mentioned Section, Township and Range.

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Applicant further seeks approval to drill oil producing wells at unorthodox locations and for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act".

Applicant requests that the Division authorize a Project Allowable for the Unit of 5,000 BOPD in order to provide operational flexibility to maximize recovery from the unit and thereby prevent waste and protect correlative rights.

PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EXHIBITS:
James S. Welin (land)	20 Min.	4 exhibits
Mary Teasdale (geology)	20 min.	6 exhibits
Larry Hollenbeck (petroleum engineering)	20 min.	6 exhibits

PROCEDURAL MATTERS

None anticipated at this time.

KELLAHIN AND KELLAHIN



By: _____

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