

**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:**

*AW*  
*Donna*  
*Paul*  
Case No. 11368 (Reopened)  
Order No. R-10474-A

**APPLICATION OF PLAINS PETROLEUM  
OPERATING COMPANY FOR EXPANSION  
OF A PREVIOUSLY APPROVED PRESSURE  
MAINTENANCE PROJECT, AND TO  
QUALIFY SAID EXPANSION FOR THE  
RECOVERED OIL TAX RATE PURSUANT  
TO THE "NEW MEXICO ENHANCED OIL  
RECOVERY ACT", LEA COUNTY, NEW  
MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on April 2, 1998, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 7<sup>th</sup> day of May, 1998, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised,

**FINDS THAT:**

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) By Order No. R-10474 issued in Case No. 11368 on October 3, 1995, the Division authorized Plains Petroleum Company to institute a cooperative pressure maintenance project on portions of its E. C. Hill "B" Federal and Baylus Cade Federal Leases comprising the SE/4 of Section 34 and the SW/4 of Section 35, both in Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, by the injection of water into the McKee formation of the Teague (Simpson) Pool in its Baylus Cade Federal Well No. 5, located 985 feet from the South line and 1650 feet from the West line (Unit N) of Section 35, and its E. C. Hill "B" Federal Well No. 13, located at a surface location 947 feet from the South line and 1361 feet from the East line (Unit O), and a bottomhole location 1120 feet from the South line and 1380 feet from the East line (Unit O) of Section 34.

(3) The applicant, Plains Petroleum Operating Company (Plains), seeks to expand its Hill-Cayless McKee Pressure Maintenance Project to include the NE/4 of Section 34 and the NW/4 of Section 35, both in Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, and to qualify this expansion area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(4) The applicant further seeks authority to convert to injection its E. C. Hill "B" Federal Well No. 6, located 1980 feet from the North line and 810 feet from the West line (Unit E) of Section 35, and its E. C. Hill "D" Federal Well No. 1, located 2131 feet from the North line and 660 feet from the East line (Unit H) of Section 34, injection to occur into the McKee formation through the perforated intervals from 9,158 feet to 9,332 feet and 9,114 feet to 9,264 feet, respectively.

(5) The applicant presented land testimony in this case which indicates that:

- a) the Baylus Cade Federal Lease (NM LC-034711) comprises the E/2 SW/4 and the NW/4 SW/4 of Section 35;
- b) the E. C. Hill Federal Lease (NM LC-064118) comprises the E/2 of Section 34, and the NW/4 and SW/4 SW/4 of Section 35;
- c) the applicant owns 100% of the working interest in both the Baylus Cade and E. C. Hill Federal Leases; and,
- d) the applicant has discussed the proposed pressure maintenance project expansion with the United States Bureau of Land Management (USBLM), representing the only additional royalty interest, and has obtained its verbal approval to proceed with such expansion.

(6) The applicant presented geologic evidence and testimony which indicates that:

- a) injection within the Hill-Cayless McKee Pressure Maintenance Project commenced in December, 1995;
- b) a response to injection occurred within its producing wells in April, 1996;