

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. 10779
Order No.R-6856-B

APPLICATION OF PHILLIPS PETROLEUM COMPANY TO QUALIFY FIVE PORTIONS OF ITS EAST VACUUM GRAYBURG-SAN ANDRES UNIT PRESSURE MAINTENANCE PROJECT 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 July 29, 1993, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 12th day of November, 1993, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

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) The following orders of the Division have been issued for the Phillips Petroleum Company East Vacuum Grayburg-San Andres Pressure Maintenance Project:

- (a) Order No. R-5871, issued in Case No. 6366 and dated November 27, 1978, approved the application of Phillips Petroleum Company for statutory unitization of the following described 7,025.3 acres, more or less, of State lands in Lea County, New Mexico, also known as the East Vacuum Grayburg-San Andres Unit Area:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
Section 24: SE/4

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM

- Section 18: Lots 3 and 4 (W/2 SW/4 equivalent) and SE/4 SW/4
Section 19: Lots 1 through 4 (W/2 W/2 equivalent), S/2 NE/4, E/2 W/2, and SE/4
Section 20: SW/4 NE/4, W/2 NW/4, SE/4 NW/4, SW/4, W/2 SE/4, and SE/4 SE/4
Section 21: NE/4 SW/4, S/2 SW/4, and SE/4
Section 22: SW/4, W/2 SE/4, and SE/4 SE/4
Section 23: S/2 SW/4
Section 24: SW/4 SW/4
Section 25: W/2 NW/4
Section 26: N/2, SW/4, N/2 SE/4, and SW/4 SE/4
Sections 27 through 29: All
Section 31: N/2 SE/4 and SE/4 SE/4
Sections 32 and 33: All
Section 34: N/2, SW/4, and NW/4 SE/4
Section 35: N/2 NW/4

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM

- Section 4: Lots 2, 3, and 4 (NW/4 NE/4 and N/2 NW/4 equivalent)
Section 5: Lots 1 through 4 and S/2 S/2 (N/2 equivalent) and NW/4 SW/4
- (b) Order No. R-5897, issued in Case No. 6367 and dated January 26, 1979, authorized Phillips Petroleum Company to institute a pressure maintenance project (therein designated the East Vacuum Grayburg-San Andres Unit Pressure Maintenance Project Area) by the injection of water into the Vacuum Grayburg-San Andres Pool on the above-described Unit, Lea County, New Mexico.
- (c) Order No. R-6856, issued in Case 7426 and dated December 16, 1981, amended Order No. R-5897 by authorizing Phillips Petroleum Company to inject carbon dioxide along with water through 45 certain wells within the following described area therein designated a "Qualified Tertiary Project Area" that lies wholly within the East Vacuum Grayburg-San Andres Unit Pressure Maintenance Project Area:

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM

Section 26: N/2, SW/4, N/2 SE/4, and SW/4 SE/4

Sections 27 through 29: All

Section 31: N/2 SE/4 and SE/4 SE/4

Sections 32 and 33: All

Section 34: N/2, SW/4, and NW/4 SE/4

Section 35: N/2 NW/4

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM

Section 4: Lots 2, 3, and 4 (NW/4 NE/4 and N/2 NW/4 equivalent)

Section 5: Lots 1 through 4 and S/2 S/2 (N/2 equivalent) and NW/4 SW/4

- (d) Order No. R-6856-A, issued in Reopened Case 7426, on September 19, 1990, provided for the reinjection of hydrocarbon contaminated carbon dioxide into said Qualified Tertiary Project Area.

(3) At this time the applicant, Phillips Petroleum Company, seeks an order pursuant to the Rules and Procedures for Qualification of Enhanced Oil Recovery Projects and Certification for the Recovered Oil Tax Rate, as promulgated by Division Order No. R-9708, qualifying five portions of its East Vacuum Grayburg-San Andres Unit Pressure Maintenance Project, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, for the recovered oil tax rate pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(4) The proposed five areas under consideration specifically comprise the following described lands:

Area 1:

That portion of Lot No. 3 being the SW/4 NW/4 NE/4 NW/4 equivalent, the W/2 SW/4 NE/4 NW/4 equivalent, and the SE/4 SW/4 NE/4 NW/4 equivalent, that portion of Lot No. 4 being the S/2 N/2 NW/4 NW/4 equivalent, and the S/2 NW/4 NW/4 equivalent, N/2 SW/4 NW/4, N/2 S/2 SW/4 NW/4, NW/4 SE/4 NW/4, and N/2 SW/4 SE/4 NW/4 all in Section 5, Township 18 South, Range 35 East, NMPM, Lea County, New Mexico, comprising 85 acres, more or less.

Area 2:

S/2 N/2 NE/4 SW/4, S/2 NE/4 SW/4, SE/4 NE/4 NW/4 SW/4, E/2 SE/4 NW/4 SW/4, E/2 NE/4 SW/4 SW/4, NE/4 SE/4 SW/4 SW/4, N/2 SE/4 SW/4, N/2 S/2 SE/4 SW/4, SW/4 NE/4 NE/4 SE/4, S/2 NW/4 NE/4 SE/4, SW/4 NE/4 SE/4, W/2 SE/4 NE/4 SE/4, S/2 N/2 NW/4 SE/4, S/2 NW/4 SE/4, N/2 SW/4 SE/4, N/2 S/2 SW/4 SE/4, W/2 NE/4 SE/4 SE/4, NW/4 SE/4 SE/4, N/2 SW/4 SE/4 SE/4, and NW/4 SE/4 SE/4 SE/4 all in Section 32, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico, comprising 180.00 acres, more or less.

Area 3:

S/2 SW/4 NE/4 NE/4, S/2 NE/4 NW/4 NE/4, W/2 NW/4 NE/4, SE/4 NW/4 NE/4, N/2 SW/4 NE/4, SW/4 SW/4 NE/4, N/2 SE/4 SW/4 NE/4, N/2 NW/4 SE/4 NE/4, NE/4 NE/4 NW/4, S/2 NW/4 NE/4 NW/4, S/2 NE/4 NW/4, S/2 SE/4 NW/4 NW/4, NE/4 SW/4 NW/4, S/2 NW/4 SW/4 NW/4, S/2 SW/4 NW/4, SE/4 NW/4, N/2 NE/4 SW/4, SW/4 NE/4 SW/4, N/2 SE/4 NE/4 SW/4, E/2 NW/4 SW/4, N/2 NW/4 NW/4 SW/4, SE/4 NW/4 NW/4 SW/4, NE/4 SW/4 NW/4 SW/4, N/2 NE/4 SW/4 SW/4, N/2 NW/4 SE/4 SW/4, and N/2 NW/4 NW/4 SE/4 all in Section 33, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico, comprising 275.00 acres, more or less.

Area 4:

S/2 SW/4 NE/4 NE/4, S/2 SE/4 NW/4 NE/4, NE/4 SW/4 NE/4, S/2 NW/4 SW/4 NE/4, S/2 SW/4 NE/4, S/2 NE/4 SE/4 NE/4, W/2 SE/4 NE/4, SE/4 SE/4 NE/4, S/2 SE/4 SE/4 NW/4, E/2 NE/4 NE/4 SW/4, NE/4 SE/4, N/2 NW/4 SE/4, E/2 SW/4 NW/4 SE/4, SE/4 NW/4 SE/4, E/2 NE/4 SW/4 SE/4, and N/2 SE/4 SE/4 of Section 33 and S/2 SW/4 SW/4 NW/4, W/2 SW/4 NE/4 SW/4, S/2 NE/4 NW/4 SW/4, W/2 NW/4 SW/4, SE/4 NW/4 SW/4, N/2 NE/4 SW/4 SW/4, and NW/4 SW/4 SW/4 of Section 34, all in Township 17 South, Range 35 East, NMPM, Lea County, New Mexico, comprising 250.00 acres, more or less.

Area 5:

S/2 SW/4 NE/4 NE/4, NW/4 NE/4, N/2 SW/4 NE/4, N/2 S/2 SW/4 NE/4, N/2 NW/4 SE/4 NE/4, NE/4 NW/4, S/2 SE/4 NW/4 NW/4, N/2 NE/4 SW/4 NW/4, N/2 SE/4 NW/4, and N/2 S/2 SE/4 NW/4 all in Section 32, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico, comprising 160 acres, more or less.

(5) All of the above-described areas are located wholly within the "Qualified Tertiary Project Area" approved by said Order No. R-6856, as amended.

(6) Evidence indicates Phillips proceeded with its carbon dioxide/water injection phase within said "Qualified Tertiary Project Area" in 1985. According to Division records there are currently forty-two active and three inactive carbon dioxide/water injection wells within the boundary of said "Qualified Tertiary Project Area". Said flood operations have thus far been conducted on 80-acre inverted nine-spot patterns.

(7) Primary oil recovery from the entire pressure maintenance project has been approximately 78,000,000 barrels of oil. As of January 1993, total oil production from said Unit was approximately 117,099,100 barrels of oil. Under the current 80-acre invert nine-spot patterns, ultimate secondary and tertiary oil recovery is estimated to be 66,548,800 barrels of oil.

(8) Said pressure maintenance project is currently producing at a rate of 7,900 BOPD and 38,000 BWPD from 199 active producers with 100 currently active injection wells (both water and carbon dioxide/water injectors). Approximately 26,000,000 barrels of recoverable oil reserves remain under the current mode of operations.

(9) Phillips seeks to expand portions of this "Qualified Tertiary Project Area" by means of a significant change in the process used for the displacement of crude oil which will be a modification of well configurations in the five above-described selected areas of the Unit. This proposed expansion will require that the applicant drill and equip a total of eight new producing wells, convert four existing producing wells to injection, reactivate one producing well, and upgrade existing tank batteries and injection facilities as follows:

AREA 1: There is presently no injection activity in this particular area, carbon dioxide/water injection will commence by converting the East Vacuum G/SA Unit, Tract 0524, Well No. 129 and the drilling of an infill producing well (East Vacuum G/SA Unit, Tract 0524, Well No. 7) in the

SW/4 SE/4 NW/4 (the SW/4 of Unit F). The entire area including the following five existing wells; East Vacuum G/SA Unit, Tract 0524, Well Nos. 2, 3, 8, 45, and 112; should be affected by this change which will change, somewhat, the process used for displacement of crude oil by the introduction of carbon dioxide into this virgin area;

AREA 2: Three additional infill producing wells are to be drilled (East Vacuum G/SA Unit, Tract 3202, Well Nos. 20 and 21 and the East Vacuum G/SA Unit, Tract 3229, Well No. 13) within the area and the existing East Vacuum G/SA Unit, Tract 3202, Well No. 1, in Unit I, will be converted to a carbon dioxide/water injection well. There is currently one carbon dioxide/water injection well within the area, the East Vacuum G/SA Unit, Tract 3229, Well No. 8. The impact of these changes should affect the areal sweep as to allow carbon dioxide to contact areas that are currently not being contacted with carbon dioxide from the existing injection well located in the area. As a consequence, the following seven producing wells should experience an improvement in oil recovery through this improved sweep efficiency; East Vacuum G/SA Unit, Tract 3202, Well Nos. 4, 6, 12, and 15 and the East Vacuum G/SA Unit, Tract 3229, Well Nos. 3, 4, and 5;

AREA 3: There are currently two carbon dioxide/water injectors in this area, the East Vacuum G/SA Unit, Tract 3333, Well No. 5 and the East Vacuum G/SA Unit, Tract 3374, Well No. 2. This area is being converted from two 80-acre nine-spot patterns to a 160-acre line drive pattern. The existing East Vacuum G/SA Unit, Tract 3333, Well No. 2 will be converted to injection and three additional producing wells (the East Vacuum G/SA Unit, Tract 3308, Well No. 6, East Vacuum G/SA Unit, Tract 3366, Well No. 1, and East Vacuum G/SA Unit, Tract 3373, Well No. 2) will be drilled offset to the line drive injection. The combination of these changes will alter the displacement process significantly by increasing the areal sweep to allow carbon dioxide to contact new areas that are currently not being contacted with carbon dioxide. In addition to the three new infill wells, the following nine existing producers should experience an improvement in oil recovery through improved sweep efficiency; the East Vacuum G/SA Unit, Tract 3308, Well Nos. 2 and 3, the East Vacuum G/SA Unit, Tract 3366, Well No. 29, the East Vacuum G/SA Unit, Tract 3373, Well No. 28, the East Vacuum G/SA Unit, Tract 3333, Well Nos. 3 and 8, the East Vacuum G/SA Unit, Tract 3328, Well No. 2, and the East Vacuum G/SA Unit, Tract 3374, Well Nos. 1 and 3;

AREA 4: There are currently two carbon dioxide/water injectors in this area, the East Vacuum G/SA Unit, Tract 3315, Well Nos. 6 and 8. This area is being converted from one 80-acre nine-spot pattern and one 70-acre seven spot pattern to a 150-acre line drive pattern. The existing East Vacuum G/SA Unit, Tract 3315, Well No. 1 will be converted to injection and an additional well (the East Vacuum G/SA Unit, Tract 3440, Well No. 7) is to be drilled to accomplish these changes in operations. The combination of these changes should alter the oil displacement process significantly by changing the areal sweep to allow carbon dioxide to contact new areas that are currently not being contacted with carbon dioxide. In addition, the following nine wells should experience an improvement in oil recovery through this improved sweep efficiency; the East Vacuum G/SA Unit, Tract 3333, Well Nos. 1, 4, and 7, the East Vacuum G/SA Unit, Tract 3440, Well Nos. 1, 3, and 5, and the East Vacuum G/SA Unit, Tract 3315, Well Nos. 2, 4, and 5; and,

AREA 5: The conversion of the East Vacuum G/SA Unit, Tract 3202, Well No. 33, along with the existing carbon dioxide/water injector East Vacuum G/SA Unit, Tract 3236, Well No. 6, will alter this pattern from an 80-acre inverted nine-spot pattern to an 80-acre line drive pattern. This change will alter the oil displacement process by changing the areal sweep to allow carbon dioxide to contact new areas that are currently not being contacted with carbon dioxide. The following seven wells should experience an improvement in oil recovery through this improved sweep efficiency; the East Vacuum G/SA Unit, Tract 3202, Well Nos. 3, 16, and 19 and the East Vacuum G/SA Unit, Tract 3236, Well Nos. 3, 4, 5, and 7.

(10) Applicant's engineering evidence indicates that with a significant change or modification in the injection patterns with the drilling of said additional producers and the conversion of existing wells to injection, an estimated additional 1.056 million barrels of oil will be recovered in the five "Expanded Use Areas" having a current undiscounted value of \$19,505,308.00.

(11) The costs of the required additional facilities in the five "Expanded Use Areas" are estimated to be approximately \$3,958,825.00 and the total project costs are estimated to be approximately \$5,976,249.00.

(12) The geologic evidence presented by Phillips demonstrated that portions of the reservoir in the "Expanded Use Areas" contains distinct stringers each vertically isolated from the others with none continuous over the entire southern portion of the unit resulting in the existing 80-acre waterflood pattern being too large to overcome the areal discontinuities found in the Pool.

(13) Based on the testimony presented in this case the proposed enhanced oil recovery project is economically and technically feasible and has not been prematurely filed.

(14) Each of the subject five "Expanded Use Areas" that are included in the "Qualified Tertiary Project Area" of Phillips' East Vacuum Grayburg-San Andres Unit Pressure Maintenance Project Area should be qualified an "Enhanced Oil Recovery Project" (EOR) pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(15) In order for the applicant to be eligible for said EOR credit, the operator should advise the Division, after an appropriate application for injection is processed, when the injection into each additional injection well commences and at such time, request the Division certify the project to the New Mexico Taxation and Revenue Department.

(16) The application should be approved and the EOR Project should be governed by the provisions of the "Rules and Procedures for Qualifications of Enhanced Oil Recovery Projects" and "Certification for Recovered Oil Tax Rate" as promulgated by Division Order No. R-9708.

(17) Each of the five "enhanced oil recovery project areas" should initially comprise those producing wells listed by Phillips that are to be affected by the expanded carbon dioxide/water injection in the five subject areas.

(18) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the applicant must apply to the Division for certification of positive production response, which application shall identify the area actually benefitting from enhanced recovery operations, and identify the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to the Department of Taxation and Revenue those lands and wells which are eligible for the credit.

IT IS THEREFORE ORDERED THAT:

(1) The application of Phillips Petroleum Company to qualify five individual and separate portions of its East Vacuum Grayburg-San Andres Unit Pressure Maintenance Project, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5), is hereby approved.

(2) The subject "enhanced oil recovery project areas" shall initially comprise the following five described areas in Lea County, New Mexico:

Area 1:

That portion of Lot No. 3 being the SW/4 NW/4 NE/4 NW/4 equivalent, the W/2 SW/4 NE/4 NW/4 equivalent, and the SE/4 SW/4 NE/4 NW/4 equivalent, that portion of Lot No. 4 being the S/2 N/2 NW/4 NW/4 equivalent, and the S/2 NW/4 NW/4 equivalent, N/2 SW/4 NW/4, N/2 S/2 SW/4 NW/4, NW/4 SE/4 NW/4, and N/2 SW/4 SE/4 NW/4 all in Section 5, Township 18 South, Range 35 East, NMPM, Lea County, New Mexico, comprising 85 acres, more or less.

Area 2:

S/2 N/2 NE/4 SW/4, S/2 NE/4 SW/4, SE/4 NE/4 NW/4 SW/4, E/2 SE/4 NW/4 SW/4, E/2 NE/4 SW/4 SW/4, NE/4 SE/4 SW/4 SW/4, N/2 SE/4 SW/4, N/2 S/2 SE/4 SW/4, SW/4 NE/4 NE/4 SE/4, S/2 NW/4 NE/4 SE/4, SW/4 NE/4 SE/4, W/2 SE/4 NE/4 SE/4, S/2 N/2 NW/4 SE/4, S/2 NW/4 SE/4, N/2 SW/4 SE/4, N/2 S/2 SW/4 SE/4, W/2 NE/4 SE/4 SE/4, NW/4 SE/4 SE/4, N/2 SW/4 SE/4 SE/4, and NW/4 SE/4 SE/4 SE/4 all in Section 32, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico, comprising 180.00 acres, more or less.

Area 3:

S/2 SW/4 NE/4 NE/4, S/2 NE/4 NW/4 NE/4, W/2 NW/4 NE/4, SE/4 NW/4 NE/4, N/2 SW/4 NE/4, SW/4 SW/4 NE/4, N/2 SE/4 SW/4 NE/4, N/2 NW/4 SE/4 NE/4, NE/4 NE/4 NW/4, S/2 NW/4 NE/4 NW/4, S/2 NE/4 NW/4, S/2 SE/4 NW/4 NW/4, NE/4 SW/4 NW/4, S/2 NW/4 SW/4 NW/4, S/2 SW/4 NW/4, SE/4 NW/4, N/2 NE/4 SW/4, SW/4 NE/4 SW/4, N/2 SE/4 NE/4 SW/4, E/2 NW/4 SW/4, N/2 NW/4

NW/4 SW/4, SE/4 NW/4 NW/4 SW/4, NE/4 SW/4 NW/4 SW/4,, N/2 NE/4 SW/4 SW/4, N/2 NW/4 SE/4 SW/4, and N/2 NW/4 NW/4 SE/4 all in Section 33, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico, comprising 275.00 acres, more or less.

Area 4:

S/2 SW/4 NE/4 NE/4, S/2 SE/4 NW/4 NE/4, NE/4 SW/4 NE/4, S/2 NW/4 SW/4 NE/4, S/2 SW/4 NE/4, S/2 NE/4 SE/4 NE/4, W/2 SE/4 NE/4, SE/4 SE/4 NE/4, S/2 SE/4 SE/4 NW/4, E/2 NE/4 NE/4 SW/4, NE/4 SE/4, N/2 NW/4 SE/4, E/2 SW/4 NW/4 SE/4, SE/4 NW/4 SE/4, E/2 NE/4 SW/4 SE/4, and N/2 SE/4 SE/4 of Section 33 and S/2 SW/4 SW/4 NW/4, W/2 SW/4 NE/4 SW/4, S/2 NE/4 NW/4 SW/4, W/2 NW/4 SW/4, SE/4 NW/4 SW/4, N/2 NE/4 SW/4 SW/4, and NW/4 SW/4 SW/4 of Section 34, all in Township 17 South, Range 35 East, NMPM, Lea County, New Mexico, comprising 250.00 acres, more or less.

Area 5:

S/2 SW/4 NE/4 NE/4, NW/4 NE/4, N/2 SW/4 NE/4, N/2 S/2 SW/4 NE/4, N/2 NW/4 SE/4 NE/4, NE/4 NW/4, S/2 SE/4 NW/4 NW/4, N/2 NE/4 SW/4 NW/4, N/2 SE/4 NW/4, and N/2 S/2 SE/4 NW/4 all in Section 32, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico, comprising 160 acres, more or less.

(3) Each of the five Project Areas shall be defined in terms of the unit wells which would actually qualify for the recovered oil tax rate and shall initially comprise the following wells in the above described areas in Lea County, New Mexico:

AREA 1: EAST VACUUM GRAYBURG-SAN ANDRES UNIT		AREA 2: EAST VACUUM GRAYBURG-SAN ANDRES UNIT	
Tract No.	Well No.	Tract No.	Well No.
INJECTION WELLS		INJECTION WELLS	
0524	129	3202	1
PRODUCING WELLS		3229	8
0524	2	PRODUCING WELLS	

AREA 1: EAST VACUUM GRAYBURG-SAN ANDRES UNIT		AREA 2: EAST VACUUM GRAYBURG-SAN ANDRES UNIT	
Tract No.	Well No.	Tract No.	Well No.
0524	3	3202	4
0524	7	3202	6
0524	8	3202	12
0524	45	3202	15
0524	112	3202	20
		3202	21
		3229	3
		3229	4
		3229	5
		3229	13

AREA 3: EAST VACUUM GRAYBURG-SAN ANDRES UNIT		AREA 4: EAST VACUUM GRAYBURG-SAN ANDRES UNIT	
Tract No.	Well No.	Tract No.	Well No.
INJECTION WELLS		INJECTION WELLS	
3333	2	3315	1
3333	5	3315	6
3374	2	3315	8
PRODUCING WELLS		PRODUCING WELLS	
3308	2	3333	1
3308	3	3333	4
3308	6	3333	7
3328	2	3315	2
3333	3	3315	4

AREA 3: EAST VACUUM GRAYBURG-SAN ANDRES UNIT		AREA 4: EAST VACUUM GRAYBURG-SAN ANDRES UNIT	
Tract No.	Well No.	Tract No.	Well No.
3333	8	3315	5
3366	1	3440	1
3366	29	3440	3
3373	2	3440	5
3373	28	3440	7
3374	1		
3374	3		

AREA 5: EAST VACUUM GRAYBURG-SAN ANDRES UNIT	
Tract No.	Well No.
INJECTION WELLS	
3202	3
3236	6
PRODUCING WELLS	
3202	3
3202	16
3202	19
3236	3
3236	4
3236	5
3236	7

(4) The operator shall advise the Division when the additional injection phase of the project commences into any of the new injection wells.

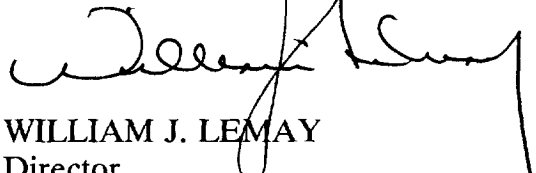
(5) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the applicant must apply to the Division for certification of positive production response, which application shall identify the area actually benefitting from enhanced recovery operations, and identify the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to the Department of Taxation and Revenue those lands and wells which are eligible for the credit.

(6) Said EOR project shall be governed by the provisions of the "Rules and Procedures for Qualifications of Enhanced Oil Recovery Projects" and "Certification for Recovered Oil Tax Rate" as promulgated by Division Order No. R-9708.

(7) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

SEAL