

**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. 12153  
ORDER NO. R-9747-A*

**APPLICATION OF ARCO PERMIAN FOR CERTIFICATION OF A POSITIVE  
PRODUCTION RESPONSE WITHIN THE SOUTH JUSTIS UNIT WATERFLOOD  
PROJECT, LEA COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on April 15, 1999 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 2nd day of December, 1999, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

**FINDS THAT:**

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, ARCO Permian, seeks certification pursuant to Division Rule 30 of a positive production response within its South Justis Unit Waterflood Project Area, Lea County, New Mexico.

(3) By Order No. R-9746 entered in Case No. 10533 on October 23, 1992, the Division, upon the application of ARCO Oil and Gas Company, approved the South Justis Unit Area comprising the following described 5360 acres, more or less, of state, federal, and fee lands in Lea County, New Mexico:

**TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM**

Section 11:	N/2, E/2 SW/4, and SE/4
Section 12:	W/2 and W/2 SE/4
Section 13:	All

Section 14:	E/2 and E/2 W/2
Section 23:	E/2, E/2 NW/4, and NE/4 SW/4
Sections 24 and 25:	All
Section 26:	NE/4, N/2 SE/4, and SE/4 SE/4
Section 35:	E/2 NE/4
Section 36:	All

TOWNSHIP 25 SOUTH, RANGE 38 EAST, NMPM

Section 19:	W/2 W/2
Section 30:	W/2 W/2
Section 31:	W/2 W/2

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Section 1:	N/2 NE/4
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(4) By Order No. R-9747 issued in Case No. 10554 on October 23, 1992, the Division: (i) authorized ARCO Oil and Gas Company to institute a waterflood project into the newly created Justis Blinbry-Tubb-Drinkard Pool (see Division Order No. R-9745 issued in Case No. 10552 and dated October 23, 1992) within the above-described South Justis Unit Area; (ii) designated this waterflood the South Justis Unit Waterflood Project; and (iii) qualified the South Justis Unit Waterflood Project Area as an "Enhanced Oil Recovery ("EOR") Project," pursuant to the "Enhanced Oil Recovery Act" (Sections 7-29A-1 through 7-29A-5 NMSA 1978).

(5) The South Justis Unit Waterflood Project's Phase I EOR Project Area was certified on July 26, 1993. No application for certification of a positive production response for the Phase I EOR Project Area was filed within five years of the date of this certification.

(6) The South Justis Unit Waterflood Project Phase IIA EOR Project Area was certified on January 5, 1994. The Phase IIA EOR Project Area includes the following described area in Lea County, New Mexico:

SOUTH JUSTIS UNIT WATERFLOOD PROJECT  
PHASE IIA EOR PROJECT AREA

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM

Section 11:	E/2 SW/4, W/2 SW/4, and SE/4 SE/4
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Section 12: S/2 SW/4 and SW/4 SE/4  
Section 13: NE/4, E/2 NE/4 NW/4, NE/4 SE/4 NW/4, N/2 NW/4  
SE/4, and E/2 SE/4  
Section 14: NE/4 NW/4  
Section 24: E/2 NE/4

TOWNSHIP 25 SOUTH, RANGE 38 EAST, NMPM

Section 19: W/2 W/2  
Section 30: W/2 NW/4 and SW/4 SW/4  
Section 31: NW/4 NW/4

(7) The South Justis Unit Waterflood Project's Phase IIB and IIC EOR Project Areas were certified on May 1, 1995. The combined Phase IIB and IIC EOR Project Area in Lea County, New Mexico is described as follows:

SOUTH JUSTIS UNIT WATERFLOOD PROJECT  
PHASE IIB AND IIC EOR PROJECT AREA

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM

Section 11: N/2 and NE/4 SE/4  
Section 12: NW/4, N/2 SW/4 and NW/4 SE/4  
Section 26: N/2 SE/4 and SE/4 SE/4  
Section 35: E/2 NE/4  
Section 36: S/2 N/2 and S/2

TOWNSHIP 25 SOUTH, RANGE 38 EAST, NMPM

Section 31: SW/4 NW/4 and W/2 SW/4

(8) Evidence and testimony presented by the applicant showed that the water injection commenced within the Phase IIA EOR Project Area in May, 1994 through six initial injection wells and within the Phases IIB and IIC EOR Project Area in May, 1995 through 12 initial injection wells. From 1994 through 1995, two additional injection wells were added in the Phase IIA EOR Project Area and three additional injection wells were added in the Phase IIB and IIC EOR Project Area.

(9) As of February 1999, 7,073, 945 barrels of water had been injected into the

Phase IIA EOR Project Area and 9,042,078 barrels of water had been injected in the Phase IIB and IIC EOR Project Area.

(10) The Phase IIA, IIB and IIC EOR Project Areas in the South Justis Unit Waterflood Project Area are fully developed with: (i) 22 producing wells, 8 injection wells, and 1 shut in well within the Phase IIA EOR Project Area; and (ii) 29 producing wells, 13 injection wells, and 3 shut in wells in the Phase IIB and IIC EOR Project Area.

(11) The production data submitted as evidence in this case indicates that a positive production response occurred immediately after injection commenced within the Phase IIA EOR Project Area in May, 1994 and in the Phase IIB and IIC EOR Project Area in May, 1995.

(12) A positive production response has occurred in the Phase IIA EOR Project Area and the Phase IIB and IIC EOR Project Area and the applications for certification of positive production responses for the Phase IIA, IIB, and IIC EOR Project Areas were timely filed with the Division on December 21, 1998, which was within the five-year time limit set by Division Rule 30.

(13) The producing wells shown on Exhibit "A" attached hereto should be eligible for the reduced tax rate.

(14) The operator of the South Justis Unit Waterflood Project should be required to notify the Division:

- (A) of the change in status of any of the producing wells shown on Exhibit "A";
- (B) in the event new producing wells are drilled within the Phase IIA, IIB, and IIC EOR Project Areas; and
- (C) of changes in operations within the South Justis Unit Waterflood Project's Phase IIA, IIB, and IIC EOR Project Areas that may affect the certification and resulting reduced tax rate granted herein.

(15) Pursuant to the provisions of Division Rule 30, the Division Director should notify the Secretary of the New Mexico Taxation and Revenue Department of the certification granted herein.

**IT IS THEREFORE ORDERED THAT:**

(1) Pursuant to Division Rule 30, the applications of ARCO Permian for certification of a positive production response within its South Justis Unit Waterflood Project Phase IIA, IIB, and IIC EOR Project Areas in Lea County, New Mexico are hereby approved.

(2) Within the following described areas, all Justis Blinebry-Tubb-Drinkard producing oil wells, which currently number 31 within the Phase IIA EOR Project Area and 45 within the Phase IIB and IIC EOR Project Area, as shown on Exhibit "A" attached hereto, shall be eligible for the recovered oil tax rate:

**SOUTH JUSTIS UNIT WATERFLOOD PROJECT**  
**PHASE IIA EOR PROJECT AREA**

**TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM**

Section 11: E/2 SW/4, W/2 SW/4, and SE/4 SE/4  
Section 12: S/2 SW/4 and SW/4 SE/4  
Section 13: NE/4, E/2 NE/4 NW/4, NE/4 SE/4 NW/4, N/2 NW/4  
SE/4, and E/2 SE/4  
Section 14: NE/4 NW/4  
Section 24: E/2 NE/4

**TOWNSHIP 25 SOUTH, RANGE 38 EAST, NMPM**

Section 19: W/2 W/2  
Section 30: W/2 NW/4 and SW/4 SW/4  
Section 31: NW/4 NW/4; and

**SOUTH JUSTIS UNIT WATERFLOOD PROJECT**  
**PHASE IIB AND IIC EOR PROJECT AREA**

**TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM**

Section 11: N/2 and NE/4 SE/4  
Section 12: NW/4, N/2 SW/4 and NW/4 SE/4  
Section 26: N/2 SE/4 and SE/4 SE/4  
Section 35: E/2 NE/4

Section 36: S/2 N/2 and S/2

TOWNSHIP 25 SOUTH, RANGE 38 EAST, NMPM

Section 31: SW/4 NW/4 and W/2 SW/4

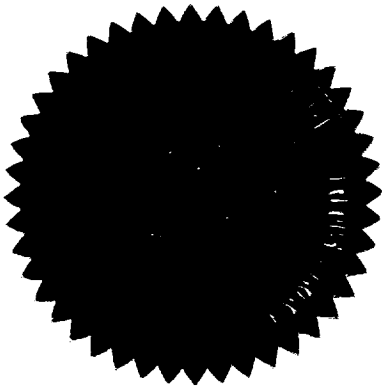
(3) Pursuant to the provisions of Division Rule 30, the Division Director shall notify the Secretary of the New Mexico Taxation and Revenue Department of the certification granted herein.

(4) The operator of the South Justis Unit Waterflood Project shall notify the Division:

- (A) of the change in status of any of the producing wells shown on Exhibit "A";
- (B) in the event new producing wells are drilled within the Phase IIA, IIB, and IIC EOR Project Areas; and
- (C) of changes in operations within the South Justis Unit Waterflood Project's Phase IIA, IIB, and IIC EOR Project Areas that may affect the certification and reduced tax rate.

(5) Jurisdiction of this case 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.



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
LORI WROTENBERY  
Director

**EXHIBIT A**  
CASE NO. 12153  
DIVISION ORDER NO. R-9747-A  
SOUTH JUSTIS UNIT WATERFLOOD PROJECT AREA  
PHASE IIA, IIB, AND IIC ENHANCED OIL RECOVERY PROJECT AREAS

PHASE IIA EOR PROJECT AREA WELLS

<b><u>Well Name</u></b>	<b><u>Location</u></b>	<b><u>API Number</u></b>
B13	T-25-S, R-37-E, Sec. 11, 2160' FSL & 2310' FWL (K)	30-025-21078
B140	T-25-S, R-37-E, Sec. 11, 990' FSL & 2310' FWL (N)	30-025-21328
B150	T-25-S, R-37-E, Sec. 14, 330' FNL & 2310' FWL (C)	30-025-20848
C13	T-25-S, R-37-E, Sec. 11, 2310' FSL & 2310' FEL (J)	30-025-20544
C130	T-25-S, R-37-E, Sec. 11, 2500' FSL & 1650' FEL (J)	30-025-32316
C131	T-25-S, R-37-E, Sec. 11, 1655' FSL & 2200' FEL (J)	30-025-32322
C14	T-25-S, R-37-E, Sec. 11, 660' FSL & 1980' FEL (O)	30-025-20391
C140	T-25-S, R-37-E, Sec. 11, 1200' FSL & 1450' FEL (O)	30-025-32317
D14	T-25-S, R-37-E, Sec. 11, 355' FSL & 990' FEL (P)	30-025-20303
E14	T-25-S, R-37-E, Sec. 12, 990' FSL & 330' FWL (M)	30-025-22061
F14	T-25-S, R-37-E, Sec. 12, 450' FSL & 2010' FWL (N)	30-025-32342
F150	T-24-S, R-37-E, Sec. 13, 200' FNL & 2420' FWL (C)	30-025-32351
F160	T-25-S, R-37-E, Sec. 13, 1650' FNL & 2500' FWL (F)	30-025-32312
G14	T-25-S, R-37-E, Sec. 12, 430' FSL & 2310' FEL (O)	30-025-23838
G15	T-25-S, R-37-E, Sec. 13, 900' FNL & 2000' FEL (B)	30-025-32308
G16	T-25-S, R-37-E, Sec. 13, 2310' FNL & 1980' FEL (G)	30-025-11579
G172	T-25-S, R-37-E, Sec. 13, 2300' FSL & 1450' FEL (J)	30-025-32240
H15	T-25-S, R-37-E, Sec. 13, 990' FNL & 990' FEL (A)	30-025-25520
H16	T-25-S, R-37-E, Sec. 13, 2310' FNL & 990' FEL (H)	30-025-21461
H17	T-25-S, R-37-E, Sec. 13, 1650' FSL & 990' FEL (I)	30-025-11573
H18	T-25-S, R-37-E, Sec. 13, 660' FSL & 990' FEL (P)	30-025-11572
H19	T-25-S, R-37-E, Sec. 24, 675' FNL & 770' FEL (A)	30-025-32307
H20	T-25-S, R-37-E, Sec. 24, 1950' FNL & 650' FEL (H)	30-025-32306
I19	T-25-S, R-38-E, Sec. 19, 825' FNL & 330' FWL (D)	30-025-12419
I20	T-25-S, R-38-E, Sec. 19, 2310' FNL & 330" FWL (E)	30-025-12416
I21	T-25-S, R-38-E, Sec. 19, 2180' FSL & 330' FWL (L)	30-025-12422
I22	T-25-S, R-38-E, Sec. 19, 330' FSL & 330' FWL (M)	30-025-12408
I23	T-25-S, R-38-E, Sec. 30, 467' FNL & 467' FWL (D)	30-025-12437
I24	T-25-S, R-38-E, Sec. 30, 1650' FNL & 330' FWL (E)	30-025-12432
I260	T-25-S, R-38-E, Sec. 30, 330' FSL & 330' FWL (M)	30-025-12438
I27	T-25-S, R-38-E, Sec. 31, 330' FNL & 330' FWL (D)	30-025-12443

PHASE IIB AND IIC EOR PROJECT AREA WELLS

<u>Well Name</u>	<u>Location</u>	<u>API Number</u>
293	T-25-S, R-37-E, Sec. 36, 1500' FSL & 1400'FWL (K)	30-025-32638
296	T-25-S, R-37-E, Sec. 36, 2450'FNL & 1450' FWL (F)	30-02532636
297	T-25-S, R-37-E, Sec. 36, 1400' SFL & 1180' FEL (I)	30-025-32702
A11	T-25-S, R-37-E, Sec. 11, 330' FNL & 990' FWL (D)	30-025-20533
A12	T-25-S, R-37-E, Sec. 11, 1650' FNL & 990" FWL (E)	30-025-20995
B11	T-25-S, R-37-E, Sec. 11, 330' FNL & 2310' FWL (C)	30-025-20275
B110	T-25-S, R-37-E, Sec. 11, 900' FNL & 1650' FWL (C)	30-025-32321
B12	T-25-S, R-37-E, Sec. 11, 1650' FNL & 2310' FWL (F)	30-025-20547
C11	T-25-S, R-37-E, Sec. 11, 660' FNL & 2310' FEL (B)	30-025-20130
C12	T-25-S, R-37-E, Sec. 11, 2310' FNL & 2310' FEL (G)	30-025-11541
C120	T-25-S, R-37-E, Sec. 11, 1500' FNL & 1550' FEL (G)	30-025-32318
D11	T-25-S, R-37-E, Sec. 11, 990' FNL & 990' FEL (A)	30-025-21188
D12	T-25-S, R-37-E, Sec. 11, 2310' FNL & 990' FEL (H)	30-025-21058
D120	T-25-S, R-37-E, Sec. 11, 1500' FENL & 135' FEL (H)	30-025-32347
D13	T-25-S, R-37-E, Sec. 11, 1650' FSL & 990' FEL (I)	30-025-20994
D130	T-25-S, R-37-E, Sec. 11, 2580' FNL & 330' FEL (H)	30-025-32348
D140	T-25-S, R-37-E, Sec. 11, 1300'FSL & 260' FEL (P)	30-025-32349
D28	T-25-S, R-37-E, Sec. 35, 1650' FNL & 330' FEL (H)	30-025-20993
E11	T-25-S, R-37-E, Sec. 12, 660' FNL & 990' FWL (D)	30-025-24722
E12	T-25-S, R-37-E, Sec. 12, 1980' FNL & 990' FWL (E)	30-025-24686
E13	T-25-S, R-37-E, Sec. 12, 2310' FSL & 330' FWL (L)	30-025-22129
E130	T-25-S, R-37-E, Sec. 12, 2450' FSL & 1200' FWL (L)	30-025-32403
E132	T-25-S, R-37-E, Sec. 12, 1200' FSL & 1150' FWL (L)	30-025-32404
E29	T-25-S, R-37-E, Sec. 36, 2310' FSL & 990' FWL (L)	30-025-11921
F11	T-25-S, R-37-E, Sec. 12, 990' FNL & 1650' FWL (C)	30-025-24627
F12	T-25-S, R-37-E, Sec. 12, 2310' FNL & 1650' FWL (F)	30-025-24326
F120	T-25-S, R-37-E, Sec. 12, 1470' FNL & 1200' FWL (E)	30-025-32405
F13	T-25-S, R-37-E, Sec. 12, 1650' FSL & 1750' FWL (K)	30-025-23648
F28	T-25-S, R-37-E, Sec. 36, 1980' FNL & 1980' FWL (F)	30-025-11909
F282	T-25-S, R-37-E, Sec. 36, 2550' FNL & 2580' FWL (F)	30-025-32637
F29	T-25-S, R-37-E, Sec. 36, 1980' FSL & 1980' FWL (K)	30-025-11915
F30	T-25-S, R-37-E, Sec. 36, 990' FSL & 1980' FWL (N)	30-025-11920
G13	T-25-S, R-37-E, Sec. 12, 1750' FSL & 2310' FEL (J)	30-025-24168
G28	T-25-S, R-37-E, Sec. 36, 1980' FNL & 1980' FEL (G)	30-025-11901
G280	T-25-S, R-37-E, Sec. 36, 2500' FNL & 1350' FEL (G)	30-025-32343
G29	T-25-S, R-37-E, Sec. 36, 1980' FSL & 1980' FEL (J)	30-025-11916
G290	T-25-S, R-37-E, Sec. 36, 1450' FSL & 2610' FEL (J)	30-025-32344
G30	T-25-S, R-37-E, Sec. 36, 990' FSL & 1980' FEL (O)	30-025-11919
H28	T-25-S, R-37-E, Sec. 36, 1650' FNL & 660' FEL (H)	30-025-11908
H280	T-25-S, R-37-E, Sec. 36, 2590' FNL & 150' FEL (H)	30-025-32408
H29	T-25-S, R-37-E, Sec. 36, 2100' FSL & 660' FEL (I)	30-025-11917
H30	T-25-S, R-37-E, Sec. 36, 990' FSL & 660' FEL (P)	30-025-11918
I28	T-25-S, R-38-E, Sec. 31, 1815' FNL & 330' FWL (E)	30-025-12445
I29	T-25-S, R-38-E, Sec. 31, 1980' FSL & 330' FWL (L)	30-025-12444
I30	T-25-S, R-38-E, Sec. 31, 660' FSL & 660' FWL (M)	30-025-12442