



August 16, 2004

VIA HAND DELIVERY

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

2004 AUG 17 AM 9 57

Re: Oil Conservation Division Case No. 12666 (Order No. R-11638): Application of Texland Petroleum-Hobbs, L.L.C. for approval of a waterflood project for its Hobbs Upper Blinbry Pool Cooperative Waterflood Area and Qualification of said Project for the Recovered Oil Tax Pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico.

Dear Mr. Fesmire:

By Order No. R-11638 dated August 20, 2001, the Division authorized Texland Petroleum-Hobbs L.L.C. to institute a cooperative waterflood project in its Upper Blinbry Pool Cooperative Waterflood Area by injection of water into the Hobbs-Upper Blinbry Pool through 15 injection wells. Order Paragraph (15) of Order R-11638 provides that the injection authority granted therein shall terminate on August 20, 2002 unless the Division, upon written request by the operator, grants an extension for good cause.

Enron was a partner in this project. Due to the problems Enron has faced, certain funding was unavailable and implementation of the project was delayed. Texland requested and was twice granted by the Division extensions of the injection authority approved by Order No. R-11638. This authorization will terminate on August 20, 2004. The last letter from the Division granting an extension provided that no further extensions of this authority would be granted and stated that if Texland or a successor operator wish to implement waterflood operations after August 20, 2004 "it will be necessary to appear before a Division examiner to renew this waterflood permit."

Texland has been implementing waterflood operations in this cooperative area and has drilled 11 of the injection wells approved by the Division. A list of the 15 injection wells approved by Order No. R-11638 is attached hereto. The eleven injection wells that have been drilled by Texland as part of this waterflood project are highlighted in yellow. Texland has determined that two wells (the State "A" Well No. 9 located in Unit A of Section 32, T-18S, R-38E and the W. D. Grimes NCT-A No. 24 located in Unit D of Section 32, T-18S, R-38E) will not be required to effectively carry out waterflood operations. Two wells remain to be drilled. The first is the Bowers "A" Federal Well No. 40 which Texland is now preparing to drill but will



not be drilled prior to the August 20th deadline. Texland, therefore, requests a 90-day extension of the injection authority for the Bowers "A" Federal Well No. 40.

The other injection well is the Bowers "A" Federal Well No. 41 to be drilled in Unit O of Section 31, T-18S, R-38E. This well offsets a proposed producing well to be located in Unit P of Section 30, T-18S, R-38E. This well is part of Texland's current drilling package. Whether or not this injection well is needed to complete the injection patterns in this cooperative waterflood will depend on this new producing well. Accordingly, the need for the last injection well will not be known for several months. Texland therefore cannot meet the August 20th deadline for this well and requests a 180-day extension of this order for the Bowers "A" Federal Well No. 40.

The mineral ownership within the Hobbs Upper Blinebry Pool Cooperative Waterflood Area has not changed since the project was approved in August 2001. No unit was formed for this waterflood project, and correlative rights are protected by drilling injection wells at locations that assure that reserves are swept to the producing wells on each lease. Texland has been implementing this project pursuant to Division Order No. R-11638 and intends to complete the drilling of all injection wells needed to protect the rights of all owners in this injection project.

Your attention to this matter is appreciated.

Very truly yours,

William F. Carr

Attorney for Texland Petroleum-Hobbs, L.L.C.

cc: Mr. Jim Wilkes

Exhibit "A"
Division Order No. R-11638
Hobbs Upper Blinbry Cooperative Waterflood Project
Approved Injection Wells

Well Name & Number	API Number	Well Location	Injection Interval	Packer Depth
State "A" No. 9	N/A	215' FNL & 150' FEL, Unit A, Section 32, T-18S, R-38E	5,700'-6,100'	5,600'
Bowers "A" Federal No. 41	N/A	1310' FSL & 1400' FEL, Unit O, Section 30, T-18S, R-38E	5,700'-6,100'	5,600'
State "A-29" No. 10	N/A	110' FSL & 1490' FWL, Unit N, Section 29, T-18S, R-38E	5,700'-6,100'	5,600'
State "A" No. 8	N/A	1250' FNL & 1250' FEL, Unit A, Section 32, T-18S, R-38E	5,700'-6,100'	5,600'
State "I-29" No. 9	N/A	1080' FSL & 1300' FEL, Unit P, Section 29, T-18S, R-38E	5,700'-6,100'	5,600'
W. D. Grimes NCT-A No. 22	N/A	1300' FNL & 2560' FWL, Unit C, Section 32, T-18S, R-38E	5,700'-6,100'	5,600'
W. D. Grimes NCT-A No. 24	N/A	150' FNL & 290' FWL, Unit D, Section 32, T-18S, R-38E	5,700'-6,100'	5,600'
Bowers "A" Federal No. 40	N/A	2440' FNL & 195' FWL, Unit E, Section 29, T-18S, R-38E	5,700'-6,100'	5,600'
W. D. Grimes NCT-A No. 25	N/A	140' FNL & 2550' FWL, Unit C, Section 32, T-18S, R-38E	5,700'-6,100'	5,600'
State "I-29" No. 7	N/A	140' FSL & 1200' FEL, Unit P, Section 29, T-18S, R-38E	5,700'-6,100'	5,600'
W. D. Grimes NCT-A No. 21	N/A	1090' FNL & 1370' FWL, Unit C, Section 32, T-18S, R-38E	5,700'-6,100'	5,600'
W. D. Grimes NCT-A No. 23	N/A	2370' FNL & 2325' FWL, Unit F, Section 32, T-18S, R-38E	5,700'-6,100'	5,600'
Bowers "A" Federal No. 42	N/A	1290' FSL & 170' FWL, Unit M, Section 29, T-18S, R-38E	5,700'-6,100'	5,600'
Bowers "A" Federal No. 43	N/A	1378' FSL & 1155' FWL, Unit L, Section 29, T-18S, R-38E	5,700'-6,100'	5,600'
Bowers "A" Federal No. 39	N/A	2505' FSL & 1415' FEL, Unit J, Section 30, T-18S, R-38E	5,700'-6,100'	5,600'

August 17, 2004

William F. Carr
Attorney for Texland Petroleum-Hobbs, L.L.C.
Holland and Hart, L.L.P.
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

Ref: Request for Extension of the Injection Authority granted by Order No R-11638 to Texland Petroleum-Hobbs, L.L.C. for its Hobbs Upper Blinebry Pool Cooperative Water Flood Project Area.

Dear Mr. Carr:

The Oil Conservation Division (OCD) received your letter dated August 16, 2004, regarding the above referenced subject on August 17, 2004. We have reviewed your request and determined the following:

- (a) The Division has previously granted two extensions for the injection authority approved by Order No. R-11638, and that this authority will expire on August 20, 2004.
- (b) The implementation of the water flood project was delayed due to lack of funding because Texland Petroleum-Hobbs, L.L.C was a partner with Enron in this project.
- (c) Eleven (11) injection wells had already been drilled as part of this water flood project.
- (d) Two new injection wells namely Bowers "A" Federal Well No. 40, and No. 41 are still to be drilled.
- (e) The mineral ownership within the Hobbs Upper Blinebry Pool Cooperative Water flood Project Area has not changed.
- (f) Correlative rights will be protected.
- (g) Texland Petroleum-Hobbs, L.L.C. has been making good faith effort to implement the water flood project pursuant to Order No. R-11638.

William F. Carr
Attorney
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Based on these determinations, the injection authority granted by Order No. R-11638 in Case No. 12666 issued on August 20, 2001, is hereby extended to August 20, 2005, to enable Texland Petroleum-Hobbs, L.L.C. to complete the drilling of Bowers "A" Federal Well No. 40, and No.41. This extension shall finally expire **ipso-facto** on August 20, 2005.

Sincerely,

Mark E. Fesmire, P.E.
Director