

**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. 13661
ORDER NO. R-6199-D**

**APPLICATION OF OCCIDENTAL PERMIAN LIMITED PARTNERSHIP FOR
AMENDMENT OF DIVISION ORDER NO R-6199-B TO EXPAND THE PHASE I
AREA IN THE NORTH HOBBS GRAYBURG SAN ANDRES UNIT PRESSURE
MAINTENANCE PROJECT, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 16, 2006 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 24th day of April, 2006, 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) By Order No. R-6198 issued in Case No. 6652 on November 30, 1979, the Oil Conservation Commission, upon the application of Shell Oil Company, approved the statutory unitization of the North Hobbs Grayburg San Andres Unit within the Hobbs Grayburg San Andres Pool (31920).

(3) By Order No. R-6199 issued in Case No. 6653 on November 30, 1979, the Commission, upon the application of Shell Oil Company, approved a pressure maintenance project for the North Hobbs Grayburg San Andres Unit.

(4) By Order No. R-6199-A issued in Case No. 7908 on August 4, 1983, the Division, upon the application of Shell Oil Company, expanded the pressure maintenance project by allowing five directionally drilled injection wells along the common boundary of the North Hobbs Grayburg San Andres Unit and the South Hobbs Grayburg San Andres Unit.

(5) By Order No. R-6199-B issued in Case No. 12722 on October 22, 2001, the Division, upon the application of Occidental Permian Limited Partnership ("Oxy"), authorized the following.

(a) Implementation of a carbon dioxide (CO₂) tertiary recovery injection project within a portion of the North Hobbs Grayburg San Andres Unit defined as follows and referred to as the "Phase 1 Area".

TOWNSHIP 18 SOUTH, RANGE 37 EAST, NMPM

Section 13: SW4, S/2 NW/4, S/2 SE/4

Section 14: SE/4, S/2 NE/4

Section 23: E/2

Section 24: All

Section 25: N/2, SE/4

Section 36: NE/4

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM

Section 18: S/2

Section 19: All

Section 20: W/2, SE/4

Section 28: SW/4, S/2 NW/4

Sections 29 and 30: All

Section 31: N/2

Section 32: N/2, N/2 S/2

(b) Certification of the North Hobbs Grayburg San Andres Unit Phase I Tertiary Recovery Project as an "Enhanced Oil Recovery Project" to initially comprise the Phase 1 Area as described above.

(c) Set the limiting gas-oil ratio at 6,000 cubic feet of gas per barrel of oil within that portion of the Hobbs Grayburg San Andres Pool contained within the North Hobbs Grayburg San Andres Unit.

(d) Authorized the addition of 60 injection wells, for a total of 103 injection wells within the Unit, and defined which of the 103 wells are authorized for CO₂ and water injection and which of those wells are authorized for CO₂, water, and produced gas injection.

(e) The maximum allowable surface injection pressure as follows:

1100 psig for injection of water;

1250 psig for injection of CO₂; and

1770 psig for injection of produced gas

(6) On July 27, 2005, Oxy applied administratively to the Division to utilize its newly drilled Well No. 632 (API No. 30-025-37214) located in Unit J of Section 31,

Township 18 South, Range 38 East, NMPM, Lea County, New Mexico, for purposes of water and CO2 injection. On August 16, 2005, the Division issued Permit No PMX-233, granting Oxy permission to inject water into this well. The permit did not allow injection of CO2 because this well is located outside the Phase I Area as specified in Division Order No. R-6199-B.

(7) In this case Oxy seeks an amendment to Division Order No. R-6199-B expanding the Phase I Area of the North Hobbs Grayburg San Andres Unit pressure maintenance project to include a tract consisting of the north half of the south half of Section 31, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico.

(8) No other party entered an appearance in this case or opposed this application.

(9) Oxy presented evidence at this hearing showing the north half of the south half of Section 31 had been present in the original application in Case No. 12722 and the area of review search also included proposed CO2 injection in this tract. Oxy's intention was to include this tract, however, Division records in this case show that Oxy did NOT include this tract in exhibits presented at the hearing. The resulting Order No. R-6199-B issued by the Division followed facts presented by Oxy at the hearing and omitted this tract from the Phase 1 Area.

(10) Oxy presented evidence at this hearing that notice of this proposed expansion has recently been provided to all working interest owners within one half mile of Well No. 632 and to all offset surface owners.

(11) Approval of this application to expand the Phase 1 area will protect correlative rights and will prevent waste.

(12) This application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application of Occidental Permian Limited Partnership to amend Division Order No. R-6199-B expanding the North Hobbs Grayburg San Andres Unit Phase 1 Tertiary Recovery Project Area to include the tract consisting of the north half of the south half of Section 31, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico, is hereby approved.

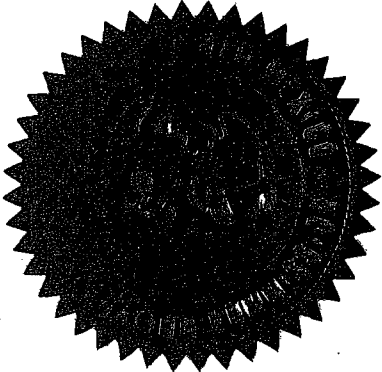
(2) All permissions covering the Phase 1 Area granted in Order No. 6199-B shall be immediately applied to this additional tract and those portions of administrative Order No. PMX-233 governing type of injection fluid and maximum surface injection pressure shall be hereafter governed by rules applicable to the Phase 1 Area.

(3) The North Hobbs Grayburg San Andres Unit Well No. 632 (API No. 30-025-37214) shall be immediately allowed to inject water and CO2 at maximum surface pressures of 1100 psi while injecting water and 1250 psi while injecting CO2.

(4) The project area for the Enhanced Oil Recovery Project as certified in Division Order No. 6199-B shall retroactively comprise the Phase 1 Area as revised by this order.

(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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Mark E. Fesmire".

for MARK E. FESMIRE, P. E.
Director