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September 27, 2005

Case 13581

Hand Delivered

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of Pogo Producing Company, is an application for approval of a tertiary recovery project, *etc.*, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the October 20, 2005 Examiner hearing. Thank you.

Very truly yours,


James Bruce

Attorney for Pogo Producing Company

PROPOSED ADVERTISEMENT

Case No. 13581 : **Application of Pogo Producing Company to institute a cooperative tertiary recovery project and to qualify the project for the Recovered Oil Tax Rate, Lea County, New Mexico.** Applicant seeks approval to institute a tertiary recovery project in the Paduca-Delaware Pool by the injection of water and carbon dioxide into approximately 55 wells located on the following state and federal lands:

Township 25 South, Range 32 East, N.M.P.M.
Section 9: E $\frac{1}{2}$ SE $\frac{1}{4}$
Section 10: SW $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, and SW $\frac{1}{4}$
Section 15: W $\frac{1}{2}$ NE $\frac{1}{4}$ and W $\frac{1}{2}$
Section 16: E $\frac{1}{2}$ NE $\frac{1}{4}$ and S $\frac{1}{2}$
Section 20: E $\frac{1}{2}$ SE $\frac{1}{4}$
Section 21: All
Section 22: NW $\frac{1}{4}$ and NW $\frac{1}{4}$ SW $\frac{1}{4}$
Section 28: N $\frac{1}{2}$ N $\frac{1}{2}$ and SE $\frac{1}{4}$ NW $\frac{1}{4}$
Section 29: NE $\frac{1}{4}$ NE $\frac{1}{4}$

Applicant further seeks to qualify the project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1-5). The project is located approximately 29 miles west of Jal, New Mexico.

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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF POGO PRODUCING COMPANY
TO INSTITUTE A COOPERATIVE TERTIARY
RECOVERY PROJECT AND TO QUALIFY THE
PROJECT FOR THE RECOVERED OIL TAX RATE,
LEA COUNTY, NEW MEXICO.

Case No. 13581

APPLICATION

Pogo Producing Company ("Pogo"), whose address is P.O. Box 10340, Midland, Texas 79702, applies for an order approving a cooperative tertiary recovery project, and qualifying the project for the recovered oil tax rate. In support thereof, Pogo states:

1. The lands involved in this application are as follows:

Township 25 South, Range 32 East, N.M.P.M.

Section 9: E $\frac{1}{2}$ SE $\frac{1}{4}$
Section 10: SW $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, and SW $\frac{1}{4}$
Section 15: W $\frac{1}{2}$ NE $\frac{1}{4}$ and W $\frac{1}{2}$
Section 16: E $\frac{1}{2}$ NE $\frac{1}{4}$ and S $\frac{1}{2}$
Section 20: E $\frac{1}{2}$ SE $\frac{1}{4}$
Section 21: All
Section 22: NW $\frac{1}{4}$ and NW $\frac{1}{4}$ SW $\frac{1}{4}$
Section 28: N $\frac{1}{2}$ N $\frac{1}{2}$ and SE $\frac{1}{4}$ NW $\frac{1}{4}$
Section 29: NE $\frac{1}{4}$ NE $\frac{1}{4}$

Lea County, New Mexico, containing 2280.00 acres of state and federal lands.

2. The above-described lands, except for the S $\frac{1}{2}$ of Section 16, are within the Delaware Participating Area (Initial Participating Area, and First through Thirteenth Expansions) under the Unit Agreement for the Development and Operation of the Cotton Draw Unit Area, dated April 21, 1958. The Unit Agreement was approved by Oil Conservation Commission Order No. R-1186.

3. The S $\frac{1}{2}$ of Section 16 is covered by the "Monsanto State Lease" (State Lease E-9789-9).

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4. Pogo is the sub-operator of the Cotton Draw Unit Area Delaware Participating Area, and is the operator in the Delaware formation of the Monsanto State Lease.

5. The above-described lands are in the Paduca-Delaware Pool. Under Division regulations, the Delaware formation is developed on statewide rules, with 40 acre well spacing, and wells to be located no closer than 330 feet to a quarter-quarter section line.

6. A waterflood project in the Delaware formation for the Monsanto State Lease, designated the Tenneco Paduca Monsanto Waterflood Project, was approved by Oil Conservation Commission Order No. R-3313.

7. A waterflood project in the Delaware formation for the Cotton Draw Unit Delaware Participating Area, designated the Texaco Cotton Draw Waterflood Project, was approved by Oil Conservation Commission Order No. R-3314.

8. Pogo proposes to institute a cooperative tertiary recovery project on the above-described lands, encompassing both the Monsanto State Lease and the Cotton Draw Unit Delaware Participating Area, to be designated the Cotton Draw Cooperative Tertiary Recovery Project.

9. Pogo proposes to inject water and carbon dioxide into the upper Bell Canyon Member of the Delaware Mountain Group (within the Paduca-Delaware Pool) from approximately 57 existing or proposed wells located on the above-described lands. The initial project area will comprise the above-described lands. A plat outlining the project area is attached hereto as Exhibit A.

10. Pogo requests that the Cotton Draw Cooperative Tertiary Recovery Project be qualified for the recovered oil tax rate, pursuant to the Enhanced Oil Recovery Act (L. 1992, ch. 38) and Division regulations. Project data includes:

- (a) Initial number of producing wells: 53
- (b) Initial number of injection wells: 57
- (c) Capital cost of additional facilities: \$13,000,000.00
- (d) Estimated total project cost: \$35,540,000.00
- (e) Estimated value of incremental production: \$556,400,000.00
- (f) Estimated CO₂ injection commencement date: January 2007
- (g) Type of injected fluid: Produced water and CO₂
- (h) Anticipated injection volumes: 500 BWPD and 1000 MCFGPD

- 11. The Form C-108 for the project is attached hereto as Exhibit B.
- 12. Approval of this application will prevent waste and protect correlative rights.

WHEREFORE, Pogo requests that, after notice and hearing, the Division enter its order approving the injection application and the Cotton Draw Cooperative Tertiary Recovery Project, and qualifying the project as an Enhanced Oil Recovery Project.

Respectfully submitted,



James Bruce
 Post Office Box 1056
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Attorney for Pogo Producing Company

