

HOLLAND & HART<sup>LLP</sup>



Ocean Munds-Dry  
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March 18, 2008

**HAND-DELIVERED**

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

*Case 14114*

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Re: Application of Chevron USA Inc. for amendment of Division Order No. R-4442, as amended, to authorize a vertical expansion of the Vacuum Grayburg-San Andres Unit and Addition of New Wells for Injection of Carbon Dioxide, Lea County, New Mexico.

Dear Mr. Fesmire:

Enclosed in triplicate is the Application of Chevron, USA Inc. in the above-referenced case as well as a copy of a legal advertisement. Chevron requests that this matter be set for hearing before a Division Examiner on April 17, 2008.

Very truly yours,

*Ocean Munds-Dry*  
Ocean Munds-Dry

Enclosures

cc: Daniel Pequeno (w/o enclosures)

Holland & Hart LLP

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**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION OF CHEVRON USA, INC. FOR AMENDMENT OF DIVISION ORDER NO. R-4442, AS AMENDED, TO AUTHORIZE A VERTICAL EXPANSION OF THE VACUUM GRAYBURG-SAN ANDRES UNIT AND ADDITION OF NEW WELLS FOR INJECTION OF CARBON DIOXIDE, LEA COUNTY, NEW MEXICO.**

CASE NO. 14114

**APPLICATION**

CHEVRON USA, INC. ("Chevron") through its attorneys, Holland & Hart, LLP, hereby makes application for an order amending Division Order Nos. R-4442, as amended, to authorize vertical expansion of the unitized formation in its Vacuum Grayburg-San Andres Unit and to authorize the conversion of existing wells and addition of new wells for the injection of carbon dioxide, and in support of its application states:

1. By Order No. R-4442-B, dated December 11, 2007, the Division granted the application of Chevron authorizing: (1) the implementation of tertiary recovery operations within the Vacuum Grayburg-San Andres Unit by the injection of carbon dioxide and other produced gases into the Grayburg and San Andres formations; (2) authorizing an increase in the maximum surface injection pressure; and (3) approving the amendment of the lease line injection agreement between the Central Vacuum Unit and the Vacuum Grayburg-San Andres Unit. The unit boundaries include the following acreage in Lea County, New Mexico:

**TOWNSHIP 17 SOUTH, RANGE 34 EAST, N.M.P.M.**

Section 35:                    W/2 SW/4

**TOWNSHIP 18 SOUTH, RANGE 34 EAST, N.M.P.M.**

Sections 1 and 2:	All
Section 11:	NE/4 NE/4
Section 12:	N/2 NW/4

2. As operator of the Vacuum Grayburg-San Andres Unit Tertiary Recovery Project in the Vacuum Grayburg-San Andres Unit, Chevron seeks to extend the vertical limits of the unitized formation to include portions of the Grayburg and San Andres formations found between the stratigraphic equivalents of the depths of 3,902 feet and 5,020 feet on the Welex Acoustic Velocity Log, dated February 22, 1965, run in Texaco's New Mexico "M" State Well No. 8, located 330 feet from the North line and 1,880 feet from the West line of Section 1, Township 18 South, Range 34 East, Lea County, New Mexico.

3. A vertical expansion to the proposed depth of 5020 feet will allow the efficient recovery of all movable hydrocarbons within the full oil column present in the Grayburg San Andres formation.

4. Chevron also seeks approval to place 14 additional wells on carbon dioxide injection in the tertiary recovery project area. Pursuant to Division Rule 701, Chevron has included Form C-108, Application for Authorization to Inject for the wells that are the subject of this application. The VGSAU Well Nos. 135, 233, 235, 249, 250, 132, 133 and 134 were previously approved by the Division for water injection and Chevron now seeks to convert them to CO2 injection. The VGSAU Well Nos. 438, 439, 440, 441, 131 and 145 are new drills. Attached hereto as **Exhibit A** are lists of all wells that Chevron seeks to drill or convert for the injection of carbon dioxide.

5. The conversion of additional wells within this project area is necessary to develop or maintain efficient pressure maintenance.

6. Attached hereto as **Exhibit B** is a list of the names and addresses of the persons entitled to notice of this application pursuant to Oil Conservation Division rules and regulations.

7. Approval of this application will afford Chevron the opportunity to produce its just and equitable share of the remaining reserves in the Vacuum Grayburg-San Andres Tertiary Recovery Project Area and will otherwise be in the best interest of the conservation, the protection of correlative rights and the prevention of waste.

WHEREFORE, Chevron USA Inc. requests that this matter be set for hearing before a duly appointed Examiner of the Oil Conservation Division on April 17, 2008 and after notice and hearing as required by law, the Division enter its Order granting this application.

Respectfully submitted,  
HOLLAND & HART, LLP

By: 

William F. Carr

Ocean Munds-Dry

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR CHEVRON USA INC.

**EXHIBIT A**  
**Application of Chevron USA, INC.**  
**VACUUM GRAYBURG SAN ANDRES UNIT**

WELL NO	FOOTAGE	U	SECTION	TOWNSHIP	RANGE	API NUMBERS
VGSAU #135	2535 FNL; 1930 FEL	G	1	18S	34E	30-025-35561
VGSAU #235	2610 FNL; 660 FEL	H	1	18S	34E	30-025-35562
VGSAU #249	1390 FNL; 2530 FWL	F	1	18S	34E	30-025-35563
VGSAU #250	1443 FNL; 1286 FEL	H	1	18S	34E	30-025-38001
VGSAU #133	2590 FNL; 1270 FWL	E	1	18S	34E	30-025-35686
VGSAU #233	2630 FNL; 660 FEL	L	1	18S	34E	30-025-36355
VGSAU #132	2630 FSL; 660 FEL	I	2	18S	34E	30-025-36683
VGSAU #134	2630 FSL; 1980 FWL	K	1	18S	34E	30-025-36681
VGSAU #131	2605 FNL; 2085 FEL	G	2	18S	34E	30-025-38553
VGSAU #145	1286 FNL; 1831 FWL	J	2	18S	34E	30-025-38555
VGSAU #438	10 FNL; 420 FEL	A	1	18S	34E	30-025-38785
VGSAU #439	634 FNL; 1632 FEL	B	1	18S	34E	30-025-38786
VGSAU #440	100 FNL; 1980 FEL	C	1	18S	34E	30-025-38787
VGSAU #441	170 FNL; 710 FWL	D	1	18S	34E	30-025-38788

*Dropped*

## EXHIBIT B

### **APPLICATION OF CHEVRON USA, INC. VACUUM GRAYBURG-SAN ANDRES UNIT**

#### NOTICE LIST

##### Offset Operators:

Brazos Limited Partnership  
P.O. Box 911  
Breckenridge, TX 76424

BP America Production Co.  
P.O. Box 3092  
Houston, TX 77253

ConocoPhillips Co.  
P.O. Box 7500  
Bartlesville, OK 74005

Chase Oil Corp.  
P.O. Box 1210  
Graham, TX 76046

Chase Oil Corp.  
P.O. Box 1767  
Artesia, NM 88211

Dalport Oil Corp.  
5646 Milton St. #413  
Dallas, TX 75206

Douglas Oil & Gas LP  
500 W. Texas Ave Ste 940  
Midland, TX 79701

ExxonMobil Corp.  
P.O. Box 2305  
Houston, TX 77252

David Gonzales  
P.O. Box 2475  
Santa Fe, NM 87504-2475

Gordon M. Cove Estate  
P.O. Box 64244  
Lubbock, TX 79424

Headington Oil Co.  
7557 Rambles Rd. Suite 1150  
Dallas, TX 75231

J.M. Leonard & BP Exploration, Inc.  
1100 Penn Tower  
Oklahoma, OK 73118

Marathon Oil Company  
P.O. Box 2069  
Houston, TX 77252

Mobil Producing Texas & New Mexico  
P.O. Box 2305  
Houston, TX 77252

Nadel and Gussman Permian LLC  
15 E. 5th St. Ste 3200  
Tulsa, OK 74103

OXY USA WTP Limited Partnership  
P.O. Box 50250  
Midland, TX 79710

Occidental Permian Limited Partnership  
P.O. Box 4294  
Houston, TX 77210

Shinnery Oil Co., Inc.  
606 W. Tennessee Ste 107  
Midland, TX 79701

XTO Energy Inc.  
810 Houston Street  
Fort Worth, TX 76192

Triple T Resources, LP  
4809 Cole Ave Ste 108  
Dallas, TX 75205

**Surface Owners:**

State of New Mexico  
Commissioner of Public Lands  
P.O. Box 1148  
Santa Fe, NM 87504

Pearce Trust  
Roy F. Pearce Sr & Roy Pearce Jr Co-  
Trustees  
1717 Jackson  
Pecos, TX 79772

Lee Cattle Company L.P.  
HC 60 Box 465  
Lovington, NM 88260

Hiles M. Lee and Joie A. Lee  
HC 60 Swamp Rd.  
Lovington, NM 88260

CASE 14114:

**Application of Chevron USA, Inc. for amendment of Division Order No. R-4442, as amended, to authorize a vertical expansion of the Vacuum Grayburg-San Andres Unit and Addition of New Wells for Injection of Carbon Dioxide, Lea County, New Mexico.** Applicant seeks approval of a vertical expansion of the unitized formation in its Vacuum Grayburg-San Andres Unit and to place additional wells on injection. Chevron proposes to inject carbon dioxide into the Grayburg and San Andres formation from a proposed depth of 3902 feet to 5020 feet in Sections 1 and 2 of Township 18 South, Range 34 East, NMPM. Applicant seeks to inject at a maximum rate of 1850 psi. The contact party for Chevron is Daniel Pequeno who may be contacted at 15 Smith Road, RM-2235, Midland, Texas 79707 or (432) 687-7461. Said unit is located approximately 22 miles northwest of Hobbs, New Mexico.