

Jones, William V., EMNRD

From: Jones, William V., EMNRD
Sent: Wednesday, March 12, 2008 5:05 PM
To: 'Ocean Munds-Dry'; Brooks, David K., EMNRD
Cc: PEQUENO, DANIEL; Ezeanyim, Richard, EMNRD
Subject: VGSAU/CVU modifications: Vertical Expansion & Lease Line Agreement and additional injection wells to the VGSAU and the CVU - Lea County, NM

Hello Ocean and David:

I saw a letter from the SLO to Chevron approving the revised lease line agreement between the CVU and VGSAU. Nothing for OCD to do concerning this, is there?

I read the R order from the Division approving the VGSA Unit and it seems to implicitly incorporate the Unit agreement and the SLO has approved a modification to the Unit agreement - so no revisions to the Unit R order need be done by the Division (let me know if you think otherwise).

I read Jami Baileys letter back to Chevron stating that SLO approval to deepen the VGSA Unit about 300 feet into the transition zone is contingent on a revised order from the Division, but the Unit order she is contemplating could be the waterflood/CO2 order? Order R-4442-B is specific about limiting injection in the VGSAU Project to about 4800 feet deep - as stated in the Unit agreement.

And I have finally looked over the Chevron requests submitted administratively to add injection wells to the VGSAU and to the CVU. Those look OK, but the VGSAU one is asking for the wells to be approved for injection down to a max of 5020 feet - which is below the VGSA Unit's approved depth as in R-4442-B.

The specific backup documentation supporting any request to deepen the VGSA Unit must have arrived here (as Daniel stated below) at OCD because it has been scanned into the original Unit case file, but it was not with the two administrative submittals that I have. I reviewed this data and it indicates the VGSAU has 10 tracts, all with identical royalty and working interest ownership. I don't know how the tract allocation parameters were calculated, but a must assume it was only on acreage. Of course, the transition oil-water contact across the unit will be different in each tract and CO2 injection behavior is different than water injection - interesting reservoir issues and questions - hopefully not all academic.

In my opinion, it seems that some evidence about the tracts ownership and participation parameters and testimony about the reservoir characteristics of the transition zone should be presented at hearing and the applicant could propose that R-4442 be amended yet again to allow this deeper injection. Chevron could optimally also at that time request these additional injection wells be approved in the revised order - or we could do those administratively later as you prefer.

As far as the CVU is concerned - the waterflood/CO2 flood project depths are limited by order to 4858 feet. One of the proposed new conversions to injection (CVU#238) is proposed to inject down to 5000 feet - but I see that it is on the lease line with the VGSAU, so an exception could be made? And we could proceed with approval of this request to add the 6 more injection wells on the Central Vacuum Unit administratively.

Anyway, mainly for reservoir management (waste) reasons, I would request that Chevron set a case for hearing to amend R-4442, approving deepening this waterflood project and possibly also approving the new injection wells - and deepening the other injection wells into the transition zone. Tell those Chevron guys that Santa Fe is fun to visit in April?

David - let us know if you see problem?

Sorry for the delay on this,

Will Jones

3/12/2008

From: Ocean Munds-Dry [mailto:Omundsdry@hollandhart.com]
Sent: Tuesday, March 04, 2008 8:53 AM
To: Brooks, David K., EMNRD
Cc: Jones, William V., EMNRD; PEQUENO, DANIEL
Subject: FW: OLS-044246 - Status of VGSAU Vertical Expansion & Lease Line Agreement - Lea County, NM

David: Will has indicated an application for vertical expansion of this tertiary recovery unit should go to hearing. Order R-4442-B approved the tertiary project but does not give any guidance as to how vertical expansions should be processed. Rule 701F(3) & G(6) provide that an expansion of a project and placement of additional wells on injection may be approved after notice and hearing OR by administrative approval. What is your opinion?

Today is filing day for the 4/3 docket, so I would like to get an application in for Chevron if that is how you think we should proceed.

As always, thank you for your time.

Ocean

From: PEQUENO, DANIEL [mailto:PEQD@chevron.com]
Sent: Monday, March 03, 2008 9:37 AM
To: Jones, William V., EMNRD
Cc: Ezeanyim, Richard, EMNRD; Brooks, David K., EMNRD; Ocean Munds-Dry
Subject: RE: OLS-044246 - Status of VGSAU Vertical Expansion & Lease Line Agreement - Lea County, NM

Hi Mr. Jones,

In response to your E-mail correspondence below, by letter of January 31, 2008, I did submit an Application for Vertical Expansion for the Vacuum Grayburg San Andres Unit to the State Land Office and copied Mr. Mark E. Fesmire along with all the proper attachments. I was requesting administrative approval of the Application for Vertical Expansion of said Unit. As you might recall, we alluded to this matter when we testified during the Hearing for the Vacuum Grayburg San Andres Unit CO2 permit. For your convenience, I am attaching a copy of my letter and the State Land Office response along with the Application.

I realize that you will be out this week, but wanted to get this information to you timely. Please let me know if I can be of further assistance in this regard.

Thanks,
Daniel Pequeno
Land Representative
432-687-7461

From: Jones, William V., EMNRD [mailto:William.V.Jones@state.nm.us]
Sent: Friday, February 29, 2008 4:41 PM
To: PEQUENO, DANIEL
Cc: Ezeanyim, Richard, EMNRD; Brooks, David K., EMNRD
Subject: RE: OLS-044246 - Status of VGSAU Vertical Expansion & Lease Line Agreement - Lea County, NM

Daniel:
I'll be out all next week, but the Waterflood Expansion administrative order asking to add additional injection wells in the VGSAU is one of my next pressing issues, so look for this order the week of March 10th.

If you have an application in to me for a vertical expansion of the unit and/or the waterflood - then you should immediately consult your attorney and possibly get together with David Brooks about taking this to an examiner hearing. I apologize if something came in here labeled "waterflood expansion" and it was really for a vertical expansion and I did not catch it earlier - normally when we mean waterflood expansion, we are talking about simply adding injection wells inside the boundaries of a previously approved waterflood project (approved at hearing).

Thank You

3/12/2008

William V. Jones PE
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, NM 87505
505-476-3448

From: Brooks, David K., EMNRD
Sent: Friday, February 29, 2008 3:20 PM
To: Jones, William V., EMNRD
Subject: FW: OLS-044246 - Status of VGSAU Vertical Expansion & Lease Line Agreement - Lea County, NM

From: PEQUENO, DANIEL [mailto:]
Sent: Thursday, February 28, 2008 9:18 AM
To: Brooks, David K., EMNRD
Subject: OLS-044246 - Status of VGSAU Vertical Expansion & Lease Line Agreement - Lea County, NM

Good Morning Mr. Brooks,

Pursuant to my E-mail below and Mr. Will Jones's response, I am just checking on the status of the Second Expansion of the Vacuum Grayburg San Andres Unit Vertical Expansion of the Unitized formation. I am attaching a copy of the Preliminary approval from the State Land Office for your convenience. Please advise of the timing for the Amended Order from the New Mexico Oil Conservation Division for the Vertical Expansion.

If you need any further information in this regard, please let me know. Thank you for all your help in all the matters pertaining to this Unit.

Thanks,
Daniel Pequeno
Land Representative
432-687-7461

From: Jones, William V., EMNRD [mailto:William.V.Jones@state.nm.us]
Sent: Wednesday, February 20, 2008 4:36 PM
To:
Cc: Brooks, David K., EMNRD
Subject: RE: OLS-044246 - VGSAU Vertical Expansion & Lease Line Agreement - Lea County, NM

Daniel:
I copied this to David Brooks.

Injection applications are separate from NSL applications as you know and should be sent in under separate cover. David Brooks handles NSLs and I am doing injection applications.

I do have a couple of packages on the VGSAU to evaluate and will try to get to them next week. I don't think they will be a problem.

Take Care,
William V. Jones PE
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, NM 87505
505-476-3448

From: PEQUENO, DANIEL [mailto:PEQD@chevron.com]

3/12/2008

Sent: Wednesday, February 20, 2008 2:57 PM

To: PMartinez@slo.state.nm.us

Cc: Jones, William V., EMNRD

Subject: OLS-044246 - VGSAU Vertical Expansion & Lease Line Agreement - Lea County, NM

Mr. Martinez,

This is to acknowledge your telephone message of February 20, 2008, left on my answering machine advising of the following information:

1. State Land Office has granted preliminary approval to the Vertical Expansion for the Vacuum Grayburg San Andres Unit in Lea County, New Mexico as requested by our letter of January 31, 2008 along with all proper attachments.
2. State Land Office has also granted approval of the Amendment to Vacuum Area Cooperative Lease Line Agreement and approval of Chevron's plan to drill our Vacuum Grayburg San Andres Unit Well Nos. 405 & 412 as lease line producers between the Central Vacuum Unit and the Vacuum Grayburg San Andres Unit as requested by our letter of January 24, 2008.

You further advised that final approval will be granted when the NMOCD approves the Order for the Vertical Expansion.

Mr. Jones, I don't know if your are handling the administrative approval for the NSL order for the lease line wells submitted as a package to Mr. Mark E. Fesmire by letter of January 28, 2008. Mr. Fesmire was also copied on the Application for the Vertical Expansion of the Vacuum Grayburg San Andres Unit. If you are not handling this matter, please forward this E-mail to the proper authority in the NMOCD who is reviewing this matter.

Thank you both for your help regarding the above matters. If I can be of further assistance, please let me know by calling me at the listed below.

Thanks,

Daniel Pequeno, CPL/ESA
Land Representative

MidContinent/Alaska SBU

15 Smith Rd., RM-2235

Midland, Texas 79707

Tel 432 687 7461

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peqd@chevron.com

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3/12/2008

Entered November 8, 1972
A.P.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 4851
Order No. R-4433

APPLICATION OF TEXACO INC. FOR
APPROVAL OF THE VACUUM GRAYBURG
SAN ANDRES UNIT AGREEMENT, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
November 1, 1972, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this 8th day of November, 1972, the Commission,
a quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Texaco Inc., seeks approval of
the Vacuum Grayburg-San Andres Unit Agreement covering 1405.64
acres, more or less, of State lands described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Sections 4 and 5: All
Section 11: NE/4 NE/4
Section 12: N/2 NW/4

(3) That approval of the proposed unit agreement should
promote the prevention of waste and the protection of correlative
rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Vacuum Grayburg-San Andres Unit Agreement
is hereby approved.

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Case No. 4851
Order No. R-4433

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

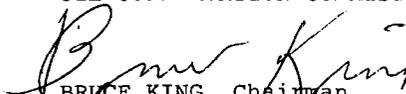
(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

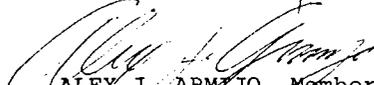
(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


BRUCE KING, Chairman


ALEX J. ARMILLO, Member


A. L. PORTER, Jr., Member & Secretary

S E A L

dr/