

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
PAUL R. OWEN
ANTHONY F. MEDEIROS

JACK M. CAMPBELL
1916-1999

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 983-6043
E-MAIL: ccbspa@ix.netcom.com

October 12, 1999

HAND DELIVERED

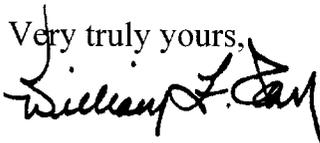
Michael E. Stogner, Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Oil Conservation Division Case No. 12153: Application of ARCO Permian
for Certification of a Positive production Response within the South Justis
Unit Waterflood Project Area, Lea County, New Mexico.

Dear Mr. Stogner,

Enclosed in hard copy and on disc is ARCO Permian's Proposed Order of the Division in the
above-referenced case with attached Exhibit A which identifies the wells which, on approval
of this application, will qualify for the incentive tax rate authorized by the New Mexico
Enhanced Oil Recovery Act.

If you need any additional information from ARCO to assist you with your consideration of
this application, please advise.

Very truly yours,

William F. Carr

WFC/md
enclosure.

cc: Lee Scarborough
ARCO Permian

**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. 12153
ORDER NO. R-_____**

**APPLICATION OF ARCO PERMIAN
FOR CERTIFICATION OF A POSITIVE
PRODUCTION RESPONSE WITHIN THE
SOUTH JUSTIS UNIT WATERFLOOD PROJECT
AREA, LEA COUNTY, NEW MEXICO.**

**ARCO PERMIAN'S PROPOSED
ORDER OF THE DIVISION**

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 15, 1999, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this ____ day of October, 1999, the Division Director, having considered the testimony, the record, and the recommendation of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, ARCO Permian ("ARCO"), seeks certification, pursuant to the Rules and Procedures for Qualifications of Enhanced Oil Recovery Projects and Certification for the Recovered Oil Tax Rate, as promulgated by Division Order No. R-9983, of a positive production response within its South Justis Unit Waterflood Project, Lea County, New Mexico.

- (3) By Order No. R-9747, dated October 23, 1992, the Division:
- a) authorized ARCO Permian to institute a waterflood project within its South Justis Unit Waterflood Project Area which currently comprises the area described below; and
 - b) qualified the South Justis Unit waterflood Project Area as an Enhanced Oil Recovery Project pursuant to "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(4) The South Justis Unit Waterflood Project Area includes the following described area in Lea County, New Mexico:

SOUTH JUSTIS UNIT WATERFLOOD PROJECT AREA

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM

Section 11:	N/2, SE/4, E/2 SW/4
Section 12:	W/2, W/2 SE/4
Section 13:	All
Section 14:	E/2, E/2 W/2
Section 23:	E/2,E/2 NW/4,NE/4 SW/4
Sections 24 and 25:	All
Section 26:	NE/4, N/2 SE/4, SE/4 SE/4
Section 35:	E/2 NE/4
Section 36:	All

TOWNSHIP 25 SOUTH, RANGE 38 EAST, NMPM

Section 19:	W/2 W/2
Section 30:	W/2 W/2
Section 31:	W/2 W/2

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Section 1:	N/2 NE/4
------------	----------

CASE NO. 12153

Order No. R- _____

Page 3

(5) The Division certified that the South Justis Unit Waterflood Project Area (South Justis Unit Area) was approved as a qualified secondary recovery project to the New Mexico Taxation and Revenue Department. Since implementation of this project occurred in separate phases, the phases were independently certified by the Division to the New Mexico Taxation and Revenue Department.

(6) The South Justis Unit Waterflood Project Phase I Area was certified on July 26, 1993. No application for certification of a positive production response for the Phase I Area was filed within five years of the date of this certification.

(7) The South Justis Unit Waterflood Project Phase IIA Area was certified on January 5, 1994. The Phase IIA Area includes the following described area in Lea County, New Mexico:

SOUTH JUSTIS UNIT WATERFLOOD PROJECT PHASE IIA AREA

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM

Section 11: E/2 SW/4, S/2 SE/4, NW/4 SE/4

Section 12: S/2 SW/4, SW/4 SE/4

Section 13: E/2 NE/4 NW/4, NE/4 SE/4 NW/4 NE/4, N/2 NW/4 SE/4, E/2 SE/4

Section 14: NE/4 NW/4

Section 24: E/2 NE/4

TOWNSHIP 25 SOUTH, RANGE 38 EAST, NMPM

Section 19: W/2 NW/4, W/2 SW/4

Section 30: W/2 NW/4, SW/4 SW/4

Section 31: NW/4 NW/4

(8) The South Justis Unit Waterflood Project Phase IIB and IIC Area was certified on May 1, 1995. The Phase IIB and IIFC Area includes the following described area in Lea County, New Mexico:

SOUTH JUSTIS UNIT WATERFLOOD PROJECT PHASE IIB AND IIC AREA

Section 11: N/2, NE/4 SE/4

Section 12: NW/4, N/2 SW/4, NW/4 SE/4

Section 26: N/2 SE/4, SE/4 SE/4
Section 31: SW/4 NW/4, W/2 SW/4
Section 35: E/2 NE/4
Section 36: S/2, S/2 NW/4, S/2 NE/4

(9) Evidence and testimony presented by the applicant showed that the water injection commenced within the project area in Phase IIA in May, 1994 through 6 initial injection wells and in Phases IIB and IIC in May, 1995 through 12 initial injection wells. From 1994 through 1995, 2 additional injection wells added in the Phase IIA area and 3 additional wells were added in the Phase IIB and IIC areas.

(10) As of February 1999, 7,073, 945 barrels of water had been injected in the Phase IIA area and 9,042,078 barrels per had been injected in the Phase IIB and IIC area.

(11) The Phase IIA, IIB and IIC areas in the South Justis Unit Area are fully developed with 22 producing wells, 8 injection wells, 1 shut in wells in the Phase IIA area and 29 producing wells, 13 injection wells and 3 shut in wells in the Phase IIB and IIC areas.

(12) The production data submitted as evidence in this case indicates that a positive production response occurred immediately after injection commenced within the South Justis Unit Phase IIA area in May, 1994 and in the Phase IIB and C Area in May, 1995.

(13) The applications for certification of a positive production responses for the Phase IIB and IIC Areas were timely filed with the Division on December 21, 1998 and a positive production response has occurred in the Phase IIA Area and the Phase IIB and IIC Area within five year time limit set by the Division in its Certification of the Enhanced Oil Recovery Project.

(14) The producing wells shown on Exhibit A attached hereto should be eligible for the reduced tax rate.

(15) The applicant should be required to notify the Division:

(A) of the change in status of any of the producing wells shown on Exhibit A;

(B) in the event new producing wells are drilled within the unit;

- (C) of changes in operations within the unit which may affect the certification and resulting reduced tax rate granted herein.

(13) Pursuant to the provisions of Division Order No. R-9983, the Division Director should notify the Secretary of the New Mexico Taxation and Revenue Department of the certification granted herein.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the Rules and Procedures for Qualifications of Enhanced Oil Recovery projects and Certification for the Recovered Oil Tax Rate, as promulgated by Division Order No. R-9983, the application of ARCO Permian for certification of a positive production response within its Phase IIA Area and Phase IIB and IIC Area of its South Justis Unit Waterflood Project Area are hereby approved.

(2) All South Justis Pool producing wells within the following described areas, which currently number 31 Phase IIA Area wells and 45 Phase IIB and IIC Area Wells as shown on Exhibit A attached hereto, shall be eligible for the recovered oil tax rate:

SOUTH JUSTIS UNIT WATERFLOOD PROJECT PHASE IIA AREA

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM

- Section 11: E/2 SW/4, S/2 SE/4, NW/4 SE/4
- Section 12: S/2 SW/4, SW/4 SE/4
- Section 13: E/2 NE/4 NW/4, NE/4 SE/4 NW/4 NE/4, N/2 NW/4 SE/4, E/2 SE/4
- Section 14: NE/4 NW/4
- Section 24: E/2 NE/4

TOWNSHIP 25 SOUTH, RANGE 38 EAST, NMPM

- Section 19: W/2 NW/4, W/2 SW/4
- Section 30: W/2 NW/4, SW/4 SW/4
- Section 31: NW/4 NW/4

SOUTH JUSTIS UNIT WATERFLOOD PROJECT PHASE IIB AND IIC AREA

- Section 11: N/2, NE/4 SE/4

Section 12: NW/4, N/2 SW/4, NW/4 SE/4
Section 26: N/2 SE/4, SE/4 SE/4
Section 31: SW/4 NW/4, W/2 SW/4
Section 35: E/2 NE/4
Section 36: S/2, S/2 NW/4, S/2 NE/4

(3) Pursuant to the provisions of Division Order No. R-9983, the Division Director shall notify the Secretary of the New Mexico Taxation and Revenue Department of the certification granted herein.

(4) The applicant shall notify the Division:

- (A) of the change in status of any of the producing wells shown on Exhibit A;
- (B) in the event new producing wells are drilled within the unit;
- (C) of changes in operations within the unit which may affect the certification and resulting reduced tax rate granted herein.

(5) Jurisdiction is hereby 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 herein above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY
Director

S E A L

EXHIBIT A
CASE NO. 12153
DIVISION ORDER NO. R-_____
SOUTH JUSTIS UNIT WATERFLOOD PROJECT
PHASE IIA AREA AND PHASE IIB AND IIC AREA WELLS
FEBRUARY 1999

SOUTH JUSTIS UNIT

PHASE IIA

<u>Well Name</u>	<u>Location</u>	<u>API Number</u>
B13	T-25-S, R-37-E, Sec. 11, 2160' FSL & 2310' FWL (K)	30-025-21078
B140	T-25-S, R-37-E, Sec. 11, 990' FSL & 2310' FWL (N)	30-025-21328
B150	T-25-S, R-37-E, Sec. 14, 330' FNL & 2310' FWL (C)	30-025-20848
C13	T-25-S, R-37-E, Sec. 11, 2310' FSL & 2310' FEL (J)	30-025-20544
C130	T-25-S, R-37-E, Sec. 11, 2500' FSL & 1650' FEL (J)	30-025-32316
C131	T-25-S, R-37-E, Sec. 11, 1655' FSL & 2200' FEL (J)	30-025-32322
C14	T-25-S, R-37-E, Sec. 11, 660' FSL & 1980' FEL (O)	30-025-20391
C140	T-25-S, R-37-E, Sec. 11, 1200' FSL & 1450' FEL (O)	30-025-32317
D14	T-25-S, R-37-E, Sec. 11, 355' FSL & 990' FEL (P)	30-025-20303
E14	T-25-S, R-37-E, Sec. 12, 990' FSL & 330' FWL (M)	30-025-22061
F14	T-25-S, R-37-E, Sec. 12, 450' FSL & 2010' FWL (N)	30-025-32342
F150	T-24-S, R-37-E, Sec. 13, 200' FNL & 2420' FWL (C)	30-025-32351
F160	T-25-S, R-37-E, Sec. 13, 1650' FNL & 2500' FWL (F)	30-025-32312
G14	T-25-S, R-37-E, Sec. 12, 430' FSL & 2310' FEL (O)	30-025-23838
G15	T-25-S, R-37-E, Sec. 13, 900' FNL & 2000' FEL (B)	30-025-32308
G16	T-25-S, R-37-E, Sec. 13, 2310' FNL & 1980' FEL (G)	30-025-11579
G172	T-25-S, R-37-E, Sec. 13, 2300' FSL & 1450' FEL (J)	30-025-32240
H15	T-25-S, R-37-E, Sec. 13, 990' FNL & 990' FEL (A)	30-025-25520
H16	T-25-S, R-37-E, Sec. 13, 2310' FNL & 990' FEL (H)	30-025-21461
H17	T-25-S, R-37-E, Sec. 13, 1650' FSL & 990' FEL (I)	30-025-11573
H18	T-25-S, R-37-E, Sec. 13, 660' FSL & 990' FEL (P)	30-025-11572
H19	T-25-S, R-37-E, Sec. 24, 675' FNL & 770' FEL (A)	30-025-32307
H20	T-25-S, R-37-E, Sec. 24, 1950' FNL & 650' FEL (H)	30-025-32306
I19	T-25-S, R-38-E, Sec. 19, 825' FNL & 330' FWL (D)	30-025-12419
I20	T-25-S, R-38-E, Sec. 19, 2310' FNL & 330" FWL (E)	30-025-12416
I21	T-25-S, R-38-E, Sec. 19, 2180' FSL & 330' FWL (L)	30-025-12422
I22	T-25-S, R-38-E, Sec. 19, 330' FSL & 330' FWL (M)	30-025-12408
I23	T-25-S, R-38-E, Sec. 30, 467' FNL & 467' FWL (D)	30-025-12437
I24	T-25-S, R-38-E, Sec. 30, 1650' FNL & 330' FWL (E)	30-025-12432
I260	T-25-S, R-38-E, Sec. 30, 330' FSL & 330' FWL (M)	30-025-12438
I27	T-25-S, R-38-E, Sec. 31, 330' FNL & 330' FWL (D)	30-025-12443

CASE NO. 12153

Order No. R-_____

Page 8

SOUTH JUSTIS UNIT

PHASE IIB AND IIC

<u>Well Name</u>	<u>Location</u>	<u>API Number</u>
293	T-25-S, R-37-E, Sec. 36, 1500' FSL & 1400'FWL (K)	30-025-32638
296	T-25-S, R-37-E, Sec. 36, 2450'FNL & 1450' FWL (F)	30-02532636
297	T-25-S, R-37-E, Sec. 36, 1400' SFL & 1180' FEL (I)	30-025-32702
A11	T-25-S, R-37-E, Sec. 11, 330' FNL & 990' FWL (D)	30-025-20533
A12	T-25-S, R-37-E, Sec. 11, 1650' FNL & 990" FWL (E)	30-025-20995
B11	T-25-S, R-37-E, Sec. 11, 330' FNL & 2310' FWL (C)	30-025-20275
B110	T-25-S, R-37-E, Sec. 11, 900' FNL & 1650' FWL (C)	30-025-32321
B12	T-25-S, R-37-E, Sec. 11, 1650' FNL & 2310' FWL (F)	30-025-20547
C11	T-25-S, R-37-E, Sec. 11, 660' FNL & 2310' FEL (B)	30-025-20130
C12	T-25-S, R-37-E, Sec. 11, 2310' FNL & 2310' FEL (G)	30-025-11541
C120	T-25-S, R-37-E, Sec. 11, 1500' FNL & 1550' FEL (G)	30-025-32318
D11	T-25-S, R-37-E, Sec. 11, 990' FNL & 990' FEL (A)	30-025-21188
D12	T-25-S, R-37-E, Sec. 11, 2310' FNL & 990' FEL (H)	30-025-21058
D120	T-25-S, R-37-E, Sec. 11, 1500' FENL & 135' FEL (H)	30-025-32347
D13	T-25-S, R-37-E, Sec. 11, 1650' FSL & 990' FEL (I)	30-025-20994
D130	T-25-S, R-37-E, Sec. 11, 2580' FNL & 330' FEL (H)	30-025-32348
D140	T-25-S, R-37-E, Sec. 11, 1300'FSL & 260' FEL (P)	30-025-32349
D28	T-25-S, R-37-E, Sec. 35, 1650' FNL & 330' FEL (H)	30-025-20993
E11	T-25-S, R-37-E, Sec. 12, 660' FNL & 990' FWL (D)	30-025-24722
E12	T-25-S, R-37-E, Sec. 12, 1980' FNL & 990' FWL (E)	30-025-24686
E13	T-25-S, R-37-E, Sec. 12, 2310' FSL & 330' FWL (L)	30-025-22129
E130	T-25-S, R-37-E, Sec. 12, 2450' FSL & 1200' FWL (L)	30-025-32403
E132	T-25-S, R-37-E, Sec. 12, 1200' FSL & 1150' FWL (L)	30-025-32404
E29	T-25-S, R-37-E, Sec. 36, 2310' FSL & 990' FWL (L)	30-025-11921
F11	T-25-S, R-37-E, Sec. 12, 990' FNL & 1650' FWL (C)	30-025-24627
F12	T-25-S, R-37-E, Sec. 12, 2310' FNL & 1650' FWL (F)	30-025-24326
F120	T-25-S, R-37-E, Sec. 12, 1470' FNL & 1200' FWL (E)	30-025-32405
F13	T-25-S, R-37-E, Sec. 12, 1650' FSL & 1750' FWL (K)	30-025-23648
F28	T-25-S, R-37-E, Sec. 36, 1980' FNL & 1980' FWL (F)	30-025-11909
F282	T-25-S, R-37-E, Sec. 36, 2550' FNL & 2580' FWL (F)	30-025-32637
F29	T-25-S, R-37-E, Sec. 36, 1980' FSL & 1980' FWL (K)	30-025-11915
F30	T-25-S, R-37-E, Sec. 36, 990' FSL & 1980' FWL (N)	30-025-11920
G13	T-25-S, R-37-E, Sec. 12, 1750' FSL & 2310' FEL (J)	30-025-24168
G28	T-25-S, R-37-E, Sec. 36, 1980' FNL & 1980' FEL (G)	30-025-11901
G280	T-25-S, R-37-E, Sec. 36, 2500' FNL & 1350' FEL (G)	30-025-32343
G29	T-25-S, R-37-E, Sec. 36, 1980' FSL & 1980' FEL (J)	30-025-11916
G290	T-25-S, R-37-E, Sec. 36, 1450' FSL & 2610' FEL (J)	30-025-32344

CASE NO. 12153

Order No. R-_____

Page 9

G30	T-25-S, R-37-E, Sec. 36, 990' FSL & 1980' FEL (O)	30-025-11919
H28	T-25-S, R-37-E, Sec. 36, 1650' FNL & 660' FEL (H)	30-025-11908
H280	T-25-S, R-37-E, Sec. 36, 2590' FNL & 150' FEL (H)	30-025-32408
H29	T-25-S, R-37-E, Sec. 36, 2100' FSL & 660' FEL (I)	30-025-11917
H30	T-25-S, R-37-E, Sec. 36, 990' FSL & 660' FEL (P)	30-025-11918
I28	T-25-S, R-38-E, Sec. 31, 1815' FNL & 330' FWL (E)	30-025-112445
I29	T-25-S, R-38-E, Sec. 31, 1980' FSL & 330' FWL (L)	30-025-12444
I30	T-25-S, R-38-E, Sec. 31, 660' FSL & 660' FWL (M)	30-025-12442