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

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY

PATRICIA A. MATTHEWS
MICHAEL H. FELDEWERT
DAVID B. LAWRENZ

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE I - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

September 15, 1993

HAND-DELIVERED

Mr. David R. Catanach
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

Re: Case No 10798:
Application of Texaco Exploration and Production Inc. to Authorize the Expansion of a Portion of its Cooper Jal Unit Waterflood Project and Qualify said Expansion for the Recovered Tax Rate Pursuant to the "New Mexico Enhanced Oil Recovery Act", Jalmat and Langlie-Mattix Pools, Lea County, New Mexico

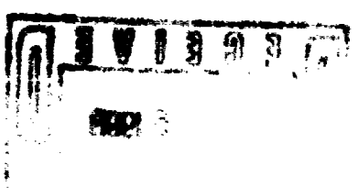
Dear Mr. Catanach:

Pursuant to your request I am enclosing the proposed Order of Texaco Exploration and Production Inc., in the above-referenced case.

Your attention to this application is appreciated.

Very truly yours,

WILLIAM F. CARR
WFC:mlh
Enclosure
cc: Mr. Jim Ohlms (w/enclosure)
Project Engineer
Texaco Exploration and Production Inc.
Post Office Box 3109
Midland, TX 79702



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. 10798
Order No. R-_____

APPLICATION OF TEXACO EXPLORATION AND
PRODUCTION INC. TO AUTHORIZE THE
EXPANSION OF A PORTION OF ITS COOPER
JAL UNIT WATERFLOOD PROJECT, AND
QUALIFY SAID EXPANSION FOR THE
RECOVERED TAX RATE PURSUANT TO THE
"NEW MEXICO ENHANCED OIL RECOVERY ACT",
JALMAT AND LANGLIE-MATTIX POOLS,
LEA COUNTY, NEW MEXICO.

TEXACO EXPLORATION AND PRODUCTION INC.'S
PROPOSED ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 12, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this _____ day of September, 1993, the Division Director, having considered the testimony, the record, and the recommendations 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, Texaco Exploration and Production Inc. ("Texaco") seeks an order pursuant to the rules and procedures for Qualification of Enhanced Oil Recovery Projects and Certification for the Recovery Oil Tax Rate as promulgated by Division Order No. R-9708, qualifying a portion of its Cooper Jal Unit Waterflood project for the Recovered Oil Tax Rate under the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(3) The Cooper Jal Unit was approved by the Division on August 25, 1970 by Order No. R-4018 and became effective on October 1, 1970. Secondary recovery by waterflooding was approved on August 25, 1970 in the Langlie-Mattix Pool by Order No. R-4019 and in the Jalmat Pool by Order No. R-4020. Separate waterflood projects have been operated in each of these pools using 80-acre five spot injection patterns since 1970.

(4) The portions of the Cooper-Jal Unit Area to be included in the "Project Area" is as follows:

Township 24 South, Range 36 East, NMPM

Section 13: S/2
Section 18: SW/4 SW/4
Section 23: S/2 SE/4
Section 24: All
Section 25: N/2
Section 26: NE/4 NE/4

Township 24 South, Range 37 East, NMPM

Section 19: W/2
Section 30: NW/4

comprising 1920 acres, more or less. Only acreage which is gas productive within this Unit and not under waterflood operations has been deleted from the Project Area.

(5) Texaco proposes an expansion of its waterflood project in the Project Area by injection of water into the Jalmat Pool, Tansill, Yates and Seven Rivers formations, and into the Langlie-Mattix Pool, Bottom 750 feet of the Seven Rivers and the Queen formations from a depth of approximately 3000 feet to 3450 feet in forty (40) existing or newly drilled injection wells and thirty-eight (38) producing wells as shown on Exhibit "A" attached hereto.

Separate applications seeking administrative approval from the Division of the injection wells have been filed with the Division on Form C-108.

(6) For the expansion of an Enhanced Oil Recovery project to qualify for the Recovered Oil Tax rate there must be a significant change or modification as determined by the Division in (a) the technology or process used for the displacement of crude oil from an oil well or pool classified by the Division; or (b) the expansion, extension or increase in size of the geologic area or adjacent geologic area that can reasonably be determined to represent a new or unique area of activity.

(7) The producing zones in the Project Area are discontinuous, compartmentalized reservoirs with each interval comprised of a series of lenticular stringers which are not in communication with each other and therefore are separate from the existing waterflood project. (Texaco Exhibits 4, 5 and 6).

(8) The original waterflood in these pools was successful but recoveries from the unit have been in sharp decline in recent years (Texaco Exhibit 7) and recoveries have been highly variable due to sand variations in the individual producing zones. (Texaco Exhibit 9, 10 and 11).

(9) Texaco proposes to tighten the spacing pattern in the Project Area by going from the current 80-acre five spot waterflood pattern to a 40-acre five spot pattern by opening additional zones in existing wells and by drilling new wells to align the waterflood patterns in both pools.

(10) Texaco's proposed waterflood expansion involves a significant and modification in the waterflood process being utilized in the Project Area.

(11) Reducing the waterflood pattern by opening new intervals in existing wells and by drilling additional wells will add new zones to this project, improve the sweep of this waterflood project, increase its size, and extend it into new geographic areas of activity thereby recovering reserves that without this modification would never be produced.

(12) The evidence presented demonstrates that the subject waterflood project expansion meets all criteria for qualification and should be approved.

(13) This expansion of the Cooper Jal Unit Waterflood will occur in three phases and the wells and zones in each phase to some extent overlap. Phase I is to be implemented in late 1993, Phase II in 1994 and Phase III in 1995.

(14) To assure that data is available to demonstrate that wells in each phase of this project expansion are experiencing a positive production response to this modification in this waterflood project, Texaco should conduct sufficient tests on each zone in each producing well to establish an adequate base line against which any subsequent production response can be measured.

(15) The qualified Project Area should initially comprise the area described in paragraph (4) hereinabove, provided however, the Phase I, II and III areas within the project may be independently certified by the Division to the New Mexico Taxation and Revenue Department.

(16) To be eligible for the Enhanced Oil Recovery credit, the operator should advise the Division prior to the date on which water injection commences in Phase I, II and III of the project and at such time(s), request the Division certify Phase I, II or III to the New Mexico Taxation and Revenue Department.

(17) The Phase I, II and III areas within the project and/or the producing wells within such areas eligible for the Recovered Tax Rate may be contracted and reduced dependent upon the evidence presented by the applicant in its demonstration of the occurrence of a positive production response.

IT IS THEREFORE ORDERED THAT:

(1) The Texaco Exploration and Production Inc. Cooper Jal Unit Waterflood Project Expansion is hereby qualified as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(2) The certified "Project Area" shall include the following described lands:

Township 24 South, Range 36 East, NMPM

Section 13: S/2
Section 18: SW/4 SW/4
Section 23: S/2 SE/4
Section 24: All
Section 25: N/2
Section 26: NE/4 NE/4

Township 24 South, Range 37 East, NMPM

Section 19: W/2
Section 30: NW/4

comprising 1920 acres, more or less, provided however, the Phase I, II and III areas within the project may be independently certified by the Division to the New Mexico Taxation and Revenue Department.

(3) To be eligible for the Enhanced Oil Recovery tax credit, the operator shall advise the Division prior to the date on which water injection commences in Phase I, II and III of the project and at such time(s), request the Division certify Phase I, II or III to the New Mexico Taxation and Revenue Department.

(4) The Phase I, II and III areas within the project and/or the producing wells within such areas eligible for the recovered oil tax rate may be contracted and reduced dependent upon the evidence presented by the applicant in its demonstration of the occurrence of a positive production response.

(5) Jurisdiction of this cause 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LeMAY
Director

S E A L

COOPER JAL UNIT
CURRENT AND PROPOSED WELL STATUS
ENHANCED RECOVERY PROJECT AREA

WELL	LOCATION	SECTION-T-R	CURRENT POOL	CURRENT STATUS	PROPOSED POOL	PROPOSED STATUS
107	1980' FWL, 1650' FEL	13-24S-36E	LANGLIE-MATTIX	INJECTOR	JALMAT\LANGLIE-MATTIX	INJECTOR
112	330' FSL, 990' FWL	13-24S-36E	LANGLIE-MATTIX	INJECTOR	JALMAT\LANGLIE-MATTIX	INJECTOR
113	4950' FNL, 2970' FEL	13-24S-36E	LANGLIE-MATTIX	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
114	330' FSL, 2310' FEL	13-24S-36E	LANGLIE-MATTIX	INJECTOR	LANGLIE-MATTIX	INJECTOR
115	900' FSL, 990' FEL	13-24S-36E	JALMAT\LANGLIE-MATTIX	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
116	660' FSL, 660' FWL	18-24S-37E	LANGLIE-MATTIX	INJECTOR	LANGLIE-MATTIX	INJECTOR
120	660' FNL, 1980' FWL	24-24S-36E	LANGLIE-MATTIX	INJECTOR	LANGLIE-MATTIX	INJECTOR
121	990' FNL, 1650' FWL	24-24S-36E	JALMAT\LANGLIE-MATTIX	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
122	330' FNL, 990' FEL	24-24S-36E	LANGLIE-MATTIX	INJECTOR	JALMAT\LANGLIE-MATTIX	INJECTOR
123	330' FNL, 990' FWL	19-24S-37E	JALMAT\LANGLIE-MATTIX	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
124	660' FNL, 1917' FWL	19-24S-37E	LANGLIE-MATTIX	INJECTOR	LANGLIE-MATTIX	INJECTOR
125	1650' FNL, 2310' FWL	24-24S-36E	JALMAT\LANGLIE-MATTIX	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
126	1650' FNL, 2310' FEL	24-24S-36E	JALMAT\LANGLIE-MATTIX	PRODUCER	JALMAT\LANGLIE-MATTIX	INJECTOR
127	1650' FNL, 990' FEL	24-24S-36E	LANGLIE-MATTIX	INJECTOR	JALMAT	PRODUCER
128	1650' FEL, 330' FWL	19-24S-37E	JALMAT\LANGLIE-MATTIX	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
129	1650' FNL, 1587' FWL	19-24S-37E	JALMAT\LANGLIE-MATTIX	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
130	1650' FSL, 1650' FWL	24-24S-36E	LANGLIE-MATTIX	INJECTOR	JALMAT	PRODUCER
132	990' FEL,2310' FSL	24-24S-36E	LANGLIE-MATTIX	PRODUCER	LANGLIE-MATTIX	INJECTOR
133	1980' FSL, 1917' FWL	19-24S-37E	LANGLIE-MATTIX	INJECTOR	LANGLIE-MATTIX	INJECTOR
134	330' FSL, 1650' FWL	24-24S-36E	JALMAT\LANGLIE-MATTIX	PRODUCER	JALMAT\LANGLIE-MATTIX	INJECTOR
135	990' FSL, 1980' FEL	24-24S-36E	JALMAT\LANGLIE-MATTIX	PRODUCER	JALMAT\LANGLIE-MATTIX	INJECTOR
136	990' FSL, 990' FEL	24-24S-36E	LANGLIE-MATTIX	INJECTOR	JALMAT	PRODUCER
137	990' FNL, 330' FWL	25-24S-36E	LANGLIE-MATTIX	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
138	840' FNL, 1650' FWL	25-24S-36E	JALMAT\LANGLIE-MATTIX	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
139	2310' FEL, 330' FNL	25-24S-36E	LANGLIE-MATTIX	INJECTOR	JALMAT	PRODUCER
140	990' FNL, 990' FEL	25-24S-36E	JALMAT\LANGLIE-MATTIX	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
141	330' FNL, 330' FWL	30-24S-37E	LANGLIE-MATTIX	INJECTOR	JALMAT	PRODUCER
143	2310' FNL, 1650' FWL	25-24S-36E	LANGLIE-MATTIX	INJECTOR	JALMAT\LANGLIE-MATTIX	INJECTOR
146	1650' FSL, 990' FEL	13-24S-36E	LANGLIE-MATTIX	INJECTOR	LANGLIE-MATTIX	INJECTOR
147	2310' FNL, 330' FWL	19-24S-37E	LANGLIE-MATTIX	INJECTOR	LANGLIE-MATTIX	INJECTOR
148	2310' FSL, 2310' FEL	24-24S-36E	LANGLIE-MATTIX	INJECTOR	JALMAT	PRODUCER
150	1650' FSL, 990' FWL	19-24S-37E	JALMAT\LANGLIE-MATTIX	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
151	170' FEL, 771' FNL	24-24S-36E	LANGLIE-MATTIX	PRODUCER	LANGLIE-MATTIX	INJECTOR
152	660' FNL, 660' FWL	24-24S-36E	LANGLIE-MATTIX	PRODUCER	LANGLIE-MATTIX	PRODUCER
153	280' FWL, 1400' FSL	19-24S-37E	JALMAT\LANGLIE-MATTIX	PRODUCER	JALMAT\LANGLIE-MATTIX	INJECTOR
154	1550' FNL, 2400' FEL	24-24S-36E	LANGLIE-MATTIX	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
201	660' FNL, 330' FEL	24-24S-36E	JALMAT	INJECTOR	JALMAT	INJECTOR
202	990' FNL, 330' FWL	19-24S-37E	JALMAT	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
203	1980' FNL, 760' FWL	24-24S-36E	JALMAT	INJECTOR	JALMAT\LANGLIE-MATTIX	INJECTOR
204	1980' FNL, 1980' FWL	24-24S-36E	JALMAT	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER

EXHIBIT "A"

COOPER JAL UNIT
CURRENT AND PROPOSED WELL STATUS
ENHANCED RECOVERY PROJECT AREA

WELL	LOCATION	SECTION-T-R	CURRENT POOL	CURRENT STATUS	PROPOSED POOL	PROPOSED STATUS
205	1980' FNL, 1650' FEL	24-24S-36E	JALMAT	INJECTOR	JALMAT\LANGLIE-MATTIX	INJECTOR
206	1980' FNL, 330' FEL	24-24S-36E	JALMAT	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
207	2310' FNL, 330' FWL	19-24S-37E	JALMAT	INJECTOR	JALMAT	INJECTOR
208	2310' FNL, 1650' FEL	19-24S-37E	JALMAT	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
209	660' FWL, 2080' FSL	24-24S-36E	JALMAT\LANGLIE-MATTIX	INACTIVE PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
210	1980' FSL, 660' FWL	24-24S-36E	JALMAT	PRODUCER	JALMAT	INACTIVE PRODUCER
211	2310' FSL, 2310' FWL	24-24S-36E	JALMAT	INJECTOR	JALMAT\LANGLIE-MATTIX	INJECTOR
213	1980' FSL, 660' FEL	24-24S-36E	JALMAT	INJECTOR	JALMAT	INJECTOR
215	660' FSL, 660' FEL	23-24S-36E	JALMAT	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
216	4620' FNL, 4620' FEL	24-24S-36E	JALMAT	INJECTOR	JALMAT\LANGLIE-MATTIX	INJECTOR
217	990' FSL, 2310' FWL	24-24S-36E	JALMAT	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
218	330' FSL, 1650' FEL	24-24S-36E	JALMAT	INJECTOR	JALMAT\LANGLIE-MATTIX	INJECTOR
219	330' FSL, 660' FEL	24-24S-36E	JALMAT	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
220	628' FWL, 660' FSL	19-24S-37E	JALMAT	INJECTOR	JALMAT\LANGLIE-MATTIX	INJECTOR
221	660' FSL, 1917' FWL	19-24S-37E	JALMAT\LANGLIE-MATTIX	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
222	330' FNL, 330' FEL	26-24S-36E	JALMAT	INJECTOR	JALMAT\LANGLIE-MATTIX	INJECTOR
223	330' FNL, 990' FWL	25-24S-36E	JALMAT	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
224	330' FNL, 2310' FWL	Z5-24S-36E	JALMAT	INJECTOR	JALMAT\LANGLIE-MATTIX	INJECTOR
225	660' FNL, 1650' FEL	25-24S-36E	JALMAT	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
226	330' FNL, 330' FEL	25-24S-36E	JALMAT	INJECTOR	JALMAT\LANGLIE-MATTIX	INJECTOR
227	660' FNL, 660' FWL	30-24S-37E	JALMAT	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
228	660' FNL, 1917' FWL	30-24S-37E	JALMAT	INJECTOR	JALMAT\LANGLIE-MATTIX	INJECTOR
229	990' FWL, 1650' FNL	25-24S-36E	JALMAT	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
230	1650' FNL, 2310' FWL	25-24S-36E	JALMAT	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
231	1650' FNL, 330' FEL	25-24S-36E	JALMAT	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
232	1980' FNL, 1896' FWL	30-24S-37E	JALMAT	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
233	1650' FSL, 990' FEL	13-24S-36E	JALMAT	INJECTOR	JALMAT	INJECTOR
234	330' FSL, 1650' FEL	13-24S-36E	JALMAT	INJECTOR	JALMAT	INJECTOR
235	660' FSL, 660' FWL	18-24S-37E	JALMAT	INJECTOR	JALMAT	INJECTOR
236	660' FNL, 1980' FWL	24-24S-36E	JALMAT	INJECTOR	JALMAT	INJECTOR
237	660' FSL, 1980' FEL	23-24S-36E	JALMAT	INJECTOR	JALMAT\LANGLIE-MATTIX	INJECTOR
238	1980' FNL, 330' FWL	25-24S-36E	JALMAT	INJECTOR	JALMAT\LANGLIE-MATTIX	INJECTOR
239	1980' FNL, 660' FWL	30-24S-37E	JALMAT	INJECTOR	JALMAT\LANGLIE-MATTIX	INJECTOR
240	1980' FSL, 1917' FWL	19-24S-37E	JALMAT	INJECTOR	JALMAT	INJECTOR
241	1650' FNL, 1650' FEL	25-24S-36E	JALMAT	INJECTOR	JALMAT\LANGLIE-MATTIX	INJECTOR
242	990' FNL, 1587' FWL	19-24S-37E	JALMAT	INJECTOR	JALMAT	INJECTOR
245	1980' FSL, 1980' FEL	24-24S-36E	JALMAT	PRODUCER	JALMAT\LANGLIE-MATTIX	PRODUCER
303	2310' FSL, 2310' FWL	13-24S-36E	JALMAT	INACTIVE PRODUCER	JALMAT	PRODUCER
304	1650' FSL, 1650' FEL	13-24S-36E	JALMAT	INACTIVE PRODUCER	JALMAT	PRODUCER

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

BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

October 6, 1993

CAMBELL, CARR, BERGE
& SHERIDAN
Attorneys at Law
P. O. Box 2208
Santa Fe, New Mexico 87504

RE: CASE NO. 10798
ORDER NO. R-9983

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Sally E. Martinez
Administrative Secretary

cc: BLM Carlsbad Office
Rick Brown - OCD
David Abbey