

Case 10867

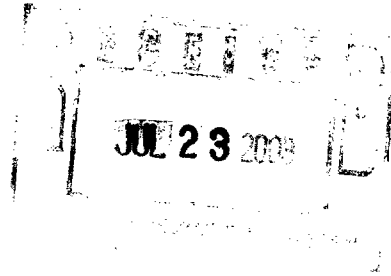


Occidental Permian Ltd.

580 WestLake Park Blvd.
Houston, TX 77079
PO Box 4294
Houston, TX 77210-4294
281-552-1000

July 21, 2003

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



Attention: David Catanach

Re: Occidental Permian Limited Partnership
East Eumont Unit Waterflood (Northern Portion)
EOR Project R-2901-A, March 16, 1994
Annual Status Report

In accordance with the New Mexico Enhanced Oil Recovery Tax Incentive Rule 19.15.1.30 F(1) attached is the annual report to confirm the East Eumont Unit Waterflood (Northern Portion) EOR Project R-2901-A is still a viable EOR project as approved March 16, 1994.

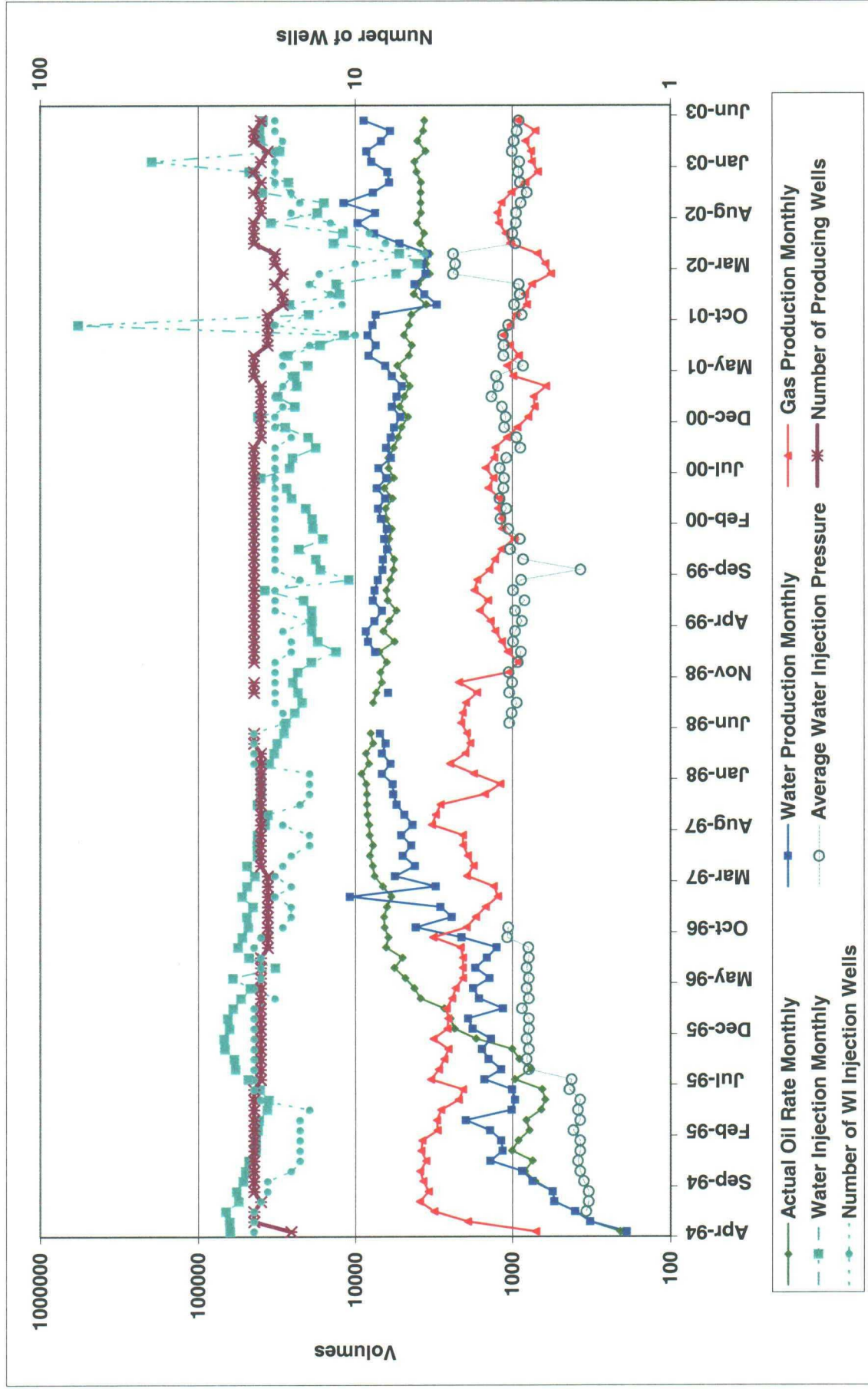
If you have any questions, please contact Karen Ellis at 281-552-1161.

Sincerely,

Karen Ellis
Tax Incentive Analyst – Regulatory Affairs
281-552-1161
email karen_ellis@oxy.com

Attachment

EAST EUMONT UNIT WATERFLOOD
 (Northern Portion)
 MARCH 16, 1994
 EOR PROJECT R-2901-A
 APRIL 1994-MAY 2003



EAST EUMONT UNIT WATERFLOOD
(Northern Portion)
MARCH 16, 1994
EOR PROJECT R-2901-A
APRIL 1994-MAY 2003

Month/Yr	Actual Oil Rate BOPD	Actual Oil Rate Monthly	Water Production BWPD	Water Production Monthly	Gas Prod MCFD	Gas Prod Monthly	Water Injection BWPD	Water Injection Monthly	Number of Producing Wells	Number of WI Injection Wells	Average Water Injection Pressure	Cum Oil
Apr-94	7	208	6	189	24	709	2094	62819	16	21	N/A	
May-94	10	322	10	322	62	1919	2035	63099	21	21	N/A	
Vol Inj/Yr		530						125918				
Jun-94	13	401	13	401	105	3155	2225	66739	21	21	340	
Jul-94	18	544	18	544	125	3885	1778	55119	20	20	329	
Aug-94	18	556	18	556	111	3426	1833	56832	21	19	329	
Sep-94	24	723	25	747	123	3701	1725	51755	21	19	353	
Oct-94	27	837	28	867	125	3883	1610	49924	21	16	372	
Nov-94	25	746	46	1382	118	3542	1581	47442	21	15	384	
Dec-94	33	1009	37	1154	123	3804	1383	42880	21	15	372	
Jan-95	30	917	38	1182	121	3753	1382	42842	21	15	372	
Feb-95	28	781	50	1387	107	2992	1490	41730	21	15	412	
Mar-95	26	819	64	1983	98	3027	1321	40955	21	15	372	
Apr-95	22	658	34	1010	95	2848	1208	36254	21	14	384	
May-95	20	622	31	963	71	2203	1143	35448	21	20	372	
Vol Inj/Yr		8613						567920				
Jun-95	22	649	34	1006	69	2065	1344	40326	21	21	436	
Jul-95	31	965	49	1505	106	3296	1549	48012	20	21	422	
Aug-95	25	761	38	1179	95	2947	1862	57719	20	21	787	
Sep-95	30	906	47	1419	91	2722	1962	58859	20	21	813	
Oct-95	32	1006	50	1559	83	2562	2185	67720	20	21	787	1006
Nov-95	57	1698	46	1367	106	3179	2281	68436	20	21	813	2704
Dec-95	76	2341	58	1790	84	2591	2040	63225	20	21	787	5045
Jan-96	80	2488	62	1911	83	2568	2088	64739	20	21	787	7533
Feb-96	97	2716	41	1148	94	2621	2136	59801	20	21	871	10249
Mar-96	124	3854	53	1632	78	2423	1725	53460	20	18	787	14103
Apr-96	141	4216	59	1774	77	2303	1550	46491	20	21	813	18319
May-96	155	4800	45	1399	67	2067	1936	60024	20	20	787	23119
Vol Inj/Yr		26400						688812				
Jun-96	188	5649	57	1717	69	2069	1073	32184	20	20	813	28768
Jul-96	161	4997	47	1455	67	2063	1531	47476	20	20	787	33765
Aug-96	206	6381	41	1258	69	2142	1798	55741	19	21	794	40146

EAST EUMONT UNIT WATERFLOOD
(Northern Portion)
MARCH 16, 1994
EOR PROJECT R-2901-A
APRIL 1994-MAY 2003

Month/Yr	Actual Oil		Water Production BWPD	Water Production Monthly	Gas Prod MCFD	Gas Prod Monthly	Water Injection BWPD	Water Injection Monthly	Number of Producing Wells	WI Injection Wells	Average Water Injection Pressure	Cum Oil
	Rate BOPD	Rate Monthly										
Sep-96	205	6144	70	2106	107	3200	1744	52331	19	20	1081	46290
Oct-96	210	6510	133	4113	63	1959	1549	48011	19	17	1065	52800
Nov-96	219	6561	81	2434	57	1705	1634	49006	19	16	N/A	59361
Dec-96	203	6298	93	2868	48	1480	1447	44858	19	16	N/A	65659
Jan-97	190	5902	350	10857	40	1235	1691	52409	19	18	N/A	71561
Feb-97	239	6678	110	3067	47	1314	1745	48858	19	16	N/A	78239
Mar-97	244	7560	180	5593	63	1950	1404	43537	19	18	N/A	85799
Apr-97	258	7747	139	4158	59	1760	1628	48832	20	17	N/A	93546
May-97	261	8084	161	4978	62	1918	1349	41804	20	16	N/A	101630
Vol In/Yr		78511						565047				
Jun-97	257	7714	147	4400	69	2061	1398	41931	20	14	N/A	109344
Jul-97	261	8099	164	5082	67	2064	1343	41633	20	14	N/A	117443
Aug-97	264	8175	139	4314	105	3249	1208	37439	20	17	N/A	125618
Sep-97	279	8365	162	4856	102	3067	1200	35999	20	19	N/A	133983
Oct-97	272	8426	176	5453	93	2873	1349	41818	20	15	N/A	142409
Nov-97	281	8438	191	5720	50	1493	1333	39999	20	14	N/A	150847
Dec-97	275	8532	186	5770	38	1193	1290	39977	20	14	N/A	159379
Jan-98	295	9141	218	6744	57	1754	1295	40130	20	14	N/A	168520
Feb-98	292	8183	213	5952	89	2493	1261	35313	20	21	N/A	176703
Mar-98	276	8568	218	6753	64	1991	1059	32831	20	21	N/A	185271
Apr-98	257	7705	213	6399	62	1851	1047	31424	21	21	N/A	192976
May-98	258	7992	224	6954	63	1950	915	28374	21	21	N/A	200968
Vol In/Yr		99338						446868				
Jun-98	N/A	N/A	N/A	N/A	71	2121	920	27589	N/A	17	1048	200968
Jul-98	N/A	N/A	N/A	N/A	67	2071	782	24233	N/A	17	1013	200968
Aug-98	248	7700	N/A	N/A	64	1980	703	21797	N/A	18	940	208668
Sep-98	245	7364	206	6173	56	1674	773	23195	21	18	1047	216032
Oct-98	219	6779	N/A	N/A	71	2191	805	24964	21	18	1005	222811
Nov-98	231	6918	N/A	N/A	35	1049	776	23280	0	18	1055	229729
Dec-98	203	6305	N/A	N/A	29	914	614	19048	21	18	924	236034
Jan-99	228	7059	241	7479	35	1071	427	13245	21	16	882	243093
Feb-99	201	5627	296	8292	42	1166	620	17349	21	16	991	248720

EAST EUMONT UNIT WATERFLOOD
(Northern Portion)
MARCH 16, 1994
EOR PROJECT R-2901-A
APRIL 1994-MAY 2003

Month/Yr	Actual Oil		Actual Oil Rate Monthly	Water		Water		Gas		Gas		Water		Water		Number of		Average	
	BOPD	Rate		Production BWPD	Production Monthly	Prod MCFD	Prod Monthly	Injection BWPD	Injection Monthly	Prod MCFD	Prod Monthly	Injection BWPD	Injection Monthly	Producing Wells	Injection Wells	Water Pressure	Water Injection	Cum Oil	
Mar-99	214		6644	277	8572	41	1286	610	18925					21	17	961	255364		
Apr-99	203		6097	251	7543	46	1377	626	18790					21	14	872	261461		
May-99	176		5459	218	6753	52	1610	611	18926					21	18	961	266920		
Vol Inj/Yr			65952						251341										
Jun-99	208		6232	257	7724	48	1427	712	21362					21	18	838	273152		
Jul-99	204		6323	243	7521	56	1747	1211	37540					21	18	991	279475		
Aug-99	193		5973	231	7176	54	1669	354	10985					21	15	880	285448		
Sep-99	190		5712	223	6703	47	1404	556	16683					21	18	370	291160		
Oct-99	183		5661	215	6655	42	1290	575	17811					21	18	856	296821		
Nov-99	205		6149	209	6268	39	1173	765	22938					21	18	1036	302970		
Dec-99	197		6092	211	6536	31	971	519	16091					21	18	896	309062		
Jan-00	189		5850	203	6281	38	1165	601	18625					21	18	1061	314912		
Feb-00	227		6363	245	6851	42	1162	672	18806					21	18	1190	321275		
Mar-00	207		6407	231	7163	40	1231	667	20662					21	18	1092	327682		
Apr-00	193		5792	215	6458	40	1205	847	25408					21	18	1207	333474		
May-00	211		6537	235	7282	46	1423	881	27299					21	18	1140	340011		
Vol Inj/Yr			73091						254210										
Jun-00	190		5686	211	6333	44	1319	1332	39971					21	18	1128	345697		
Jul-00	198		6124	230	7115	48	1477	843	26142					21	18	1202	351821		
Aug-00	198		6146	191	5918	42	1306	810	25101					21	18	1092	357967		
Sep-00	190		5686	212	6359	43	1282	595	17843					21	18	891	363653		
Oct-00	172		5326	192	5942	35	1082	644	19953					20	16	943	368979		
Nov-00	169		5074	189	5659	31	930	927	27800					20	18	1128	374053		
Dec-00	149		4625	166	5155	26	792	1341	41559					20	18	1104	378678		
Jan-01	169		5227	188	5826	23	723	780	24178					20	17	1164	383905		
Feb-01	174		4874	195	5448	26	732	1110	31090					20	18	1356	388779		
Mar-01	146		4514	163	5045	20	610	758	23507					20	17	1230	393293		
Apr-01	164		4908	195	5842	33	988	806	24183					21	16	1269	398201		
May-01	174		5397	207	6420	35	1081	646	20025					21	17	854	403598		
Vol Inj/Yr			63587						321352										

EAST EUMONT UNIT WATERFLOOD
(Northern Portion)
MARCH 16, 1994
EOR PROJECT R-2901-A
APRIL 1994-MAY 2003

Month/Yr	Actual Oil Rate		Water Production		Gas Prod		Water Injection		Number of Wells		Average	
	BOPD	Monthly	BWPD	Monthly	MCFD	Monthly	BWPD	Monthly	Producing	Injection	Pressure	Cum Oil
Jun-01	152	4561	274	8209	30	910	898	26950	21	17	1137	408159
Jul-01	141	4369	238	7388	33	1035	539	16720	19	14	1136	412528
Aug-01	158	4889	268	8314	37	1139	379	11761	19	10	1146	417417
Sep-01	152	4555	258	7736	34	1025	19150	574513	19	18	1059	421972
Oct-01	142	4388	239	7397	31	948	636	19713	19	14	869	426360
Nov-01	118	3538	101	3021	27	807	871	26124	17	11	973	429898
Dec-01	137	4233	117	3617	27	832	405	12559	17	12	894	434131
Jan-02	128	3980	135	4187	24	749	426	13201	18	14	910	438111
Feb-02	120	3360	127	3561	20	569	195	5467	17	13	2382	441471
Mar-02	114	3545	120	3724	20	617	129	3997	18	10	2303	445016
Apr-02	112	3345	116	3466	23	691	174	5225	18	6	2380	448361
May-02	125	3861	168	5200	33	1030	443	13736	21	8	2303	452222
Vol Inj/Yr		48624						729966				
Jun-02	121	3643	252	7548	37	1104	398	11943	21	9	996	455865
Jul-02	131	4050	311	9629	39	1215	1109	34391	21	12	947	459915
Aug-02	123	3815	240	7444	40	1241	562	17419	20	16	944	463730
Sep-02	128	3830	396	11876	39	1170	526	15786	20	15	882	467560
Oct-02	124	3839	248	7690	33	1012	1255	38892	21	16	808	471399
Nov-02	127	3821	202	6072	28	825	883	26503	20	18	892	475220
Dec-02	132	4081	200	6212	22	688	1518	47044	21	18	919	479301
Jan-03	135	4194	254	7877	24	752	6324	196054	20	18	903	483495
Feb-03	128	3572	303	8479	27	759	1080	30239	19	18	1003	487067
Mar-03	130	4015	220	6831	27	825	1287	39898	21	17	975	491082
Apr-03	123	3699	199	5971	24	711	1352	40573	21	18	936	494781
May-03	117	3634	284	8815	30	919	1248	38700	20	18	909	498415
Vol Inj/Yr		46193						537442				

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:

APPLICATION OF OXY USA, INC. TO AMEND DIVISION
ORDER NO. R-2901 AND TO EITHER INSTITUTE A NEW
WATERFLOOD PROJECT OR RENEW AUTHORITY TO
INJECT INTO A PORTION OF AN EXISTING WATERFLOOD
PROJECT, LEA COUNTY, NEW MEXICO.

Case No. 10866

APPLICATION OF OXY USA, INC. TO QUALIFY A PORTION
OF ITS EAST EUMONT UNIT WATERFLOOD PROJECT FOR
THE RECOVERED OIL TAX RATE PURSUANT TO THE "NEW
MEXICO ENHANCED OIL RECOVERY ACT," LEA COUNTY,
NEW MEXICO.

Case No. 10867

Order No. R-2901-A

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 18, 1993, December 16, 1993, and on January 6, 1994 at Santa Fe, New Mexico, before Examiner Michael -E. Stogner.

NOW, on this 15th day of February, 1994, 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) By Order No. R-2894, issued in Case No. 3233 and dated April 21, 1965, the Division approved the application of Tidewater Oil Company for unitization of the following described 5,535.06 acres, more or less, of State, Federal and Fee lands in Lea County, New Mexico, also known as the East Eumont Unit Area:

TOWNSHIP 18 SOUTH, RANGE 37 EAST, NMPM

Section 33: S/2 NE/4, SE/4 NW/4, NE/4 SW/4, S/2 SW/4, and SE/4
Section 34: SW/4 SW/4

TOWNSHIP 19 SOUTH, RANGE 37 EAST, NMPM

Section 3: Lot 4 (NW/4 NW/4 equivalent), S/2 NW/4 and SW/4
Section 4: Lots 1 through 4 (N/2 N/2 equivalent), S/2 N/2 and E/2 SE/4
Section 9: N/2 NE/4
Section 10: NW/4 NE/4 and W/2
Section 15: W/2
Section 16: E/2 NE/4, NE/4 SE/4 and S/2 SE/4
Section 21: E/2 E/2
Section 22: W/2 and S/2 SE/4
Section 26: SW/4 NW/4, W/2 SW/4, SE/4 SW/4 and SW/4 SE/4
Section 27: N/2, E/2 SW/4 and SE/4
Section 28: E/2 NE/4
Section 34: N/2 NE/4, SE/4 NE/4 and NE/4 NW/4
Section 35: N/2, E/2 SW/4 and SE/4
Section 36: SW/4 NW/4, W/2 SW/4, SE/4 SW/4

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM

Section 1: Lots 2, 3, and 4, SW/4 NE/4, S/2 NW/4, SW/4 and W/2 SE/4
Section 2: Lots 1, 2, and 3, S/2 NE/4, SE/4 NW/4, E/2 SW/4, and SE/4
Section 11: NE/4 NE/4
Section 12: W/2 NE/4, N/2 NW/4 and SE/4 NW/4

(3) By Order No. R-2901, issued in Case No. 3234 and dated May 4, 1965, the Division further authorized Tidewater Oil Company to institute a waterflood project (therein designated the East Eumont Unit Waterflood Project) by the injection of water into the Eumont-Yates-Seven Rivers-Queen (Oil) Pool, herein referred to as the Eumont (Oil) Pool, on the above-described Unit, Lea County, New Mexico. Said Order initially authorized sixty-nine injection wells within said project.

(4) The current operator of said Unit and Waterflood project is OXY USA, Inc. ("Oxy"), who is also the applicant in both Case Nos. 10866 and 10867.

(5) In Case No. 10866 Oxy seeks an amendment to said Order No. R-2901 for renewal of authority to inject water into the Eumont (Oil) Pool within that portion of the East Eumont Unit in Sections 33 and 34, Township 18 South, Range 37 East, NMPM and Sections 3, 4, 9, and 10 and the NW/4 of Section 15 and the E/2 NE/4 of Section 16, NMPM, Lea County, New Mexico, being everything in said Unit Area lying

north of the half-section lines that divide said Sections 15 and 16. The applicant proposes to utilize twenty-one existing wells for water injection and to drill one new injection well, all further described in Exhibit "A", attached hereto and made a part hereof.

(6) In Case No. 10867 Oxy seeks an order pursuant to the Rules and Procedures for Qualification of Enhanced Oil Recovery Projects and Certification for the Recovered Oil Tax Rate, as promulgated by Division Order No. R-9708, qualifying this "renewed area" in the northern portion of the East Eumont Unit Waterflood Project Area, Eumont (Oil) Pool, Lea County, New Mexico, for the recovered oil tax rate pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). The portion of the East Eumont Unit to be included is as follows:

LEA COUNTY, NEW MEXICO

TOWNSHIP 18 SOUTH, RANGE 37 EAST, NMPM

Section 33: S/2 NE/4, SE/4 NW/4, NE/4 SW/4, S/2 SW/4, and SE/4

Section 34: SW/4 SW/4

TOWNSHIP 19 SOUTH, RANGE 37 EAST, NMPM

Section 3: Lot 4 (NW/4 NW/4 equivalent), S/2 NW/4 and SW/4

Section 4: Lots 1 through 4 (N/2 N/2 equivalent), S/2 N/2 and E/2 SE/4

Section 9: N/2 NE/4

Section 10: NW/4 NE/4 and W/2

Section 15: NW/4

Section 16: E/2 NE/4.

(7) Both Case Nos. 10866 and 10867 were consolidated at the time of the hearing for the purpose of presenting testimony.

(8) Geologic testimony describes the Eumont Pool as a relatively large anticlinal feature and the East Eumont Unit was created on the northeastern "oil rim" of this anticline. Said Unit was designed to waterflood the oil lying between the water bearing down-dip portion of this structure to the east and the gas cap positioned up-dip of this oil rim to the west.

(9) Testimony presented by the applicant indicates that the entire Unit had ultimate primary production from the Eumont (Oil) Pool of approximately 3.27 million barrels of oil and ultimate secondary production in excess of 3.0 million barrels of oil, with total production from the Unit as of October 1, 1993 being 6.3 million barrels of

oil. Currently, production from the Unit is approximately two barrels of oil per day and one barrel of water from two wells, both of which are located in the "southern" or unaffected portion of the East Eumont Area. Further testimony indicates that under current conditions the remaining production of recoverable reserves is zero.

(10) In the subject "northern portion" of this Unit, all wells are currently inactive. Further evidence indicates that even though said Order No. R-2901 authorized all of the subject injection wells listed on Exhibit "A", the operator of the Unit never caused these wells to either be converted to injection wells or in the case of the proposed well in Unit K of Section 3, Township 19 South, Range 37 East, NMPM, Lea County, New Mexico (East Eumont Unit Well No. 133), to be drilled for injection purposes.

(11) Subsequent to the time said Order R-2901 was issued in 1965, the "Safe Drinking Water Act" (Public Law 93-523) was signed into federal law on December 16, 1974; said Act provides that any injection well must have a permit. The "Safe Drinking Water Act" required the Administrator of the Environmental Protection Agency ("EPA") to adopt minimum regulations for State programs to control the underground injection of fluids to protect underground sources of drinking water. The final EPA regulations were published in the spring of 1980.

(12) In order for the State of New Mexico through the Oil Conservation Division to apply for and obtain primary enforcement authority for control of oil and gas related injection wells in New Mexico under the Safe Drinking Water Act, it was necessary for the Division to amend its permitting procedures and to require all injection wells to be permitted for disposal under the EPA approved procedures.

(13) On March 7, 1982, The EPA granted primacy to the State of New Mexico.

(14) Since injection into the twenty-two wells listed in Exhibit "A" never occurred under the applicable rules for water injection for the purpose of secondary recovery at the time said Order R-2901 was released, the injection authority for said wells should be considered null and void, therefore making it necessary for the Unit operator to resubmit for approval to inject water into these wells under the EPA approved procedures.

(15) Oxy is proposing to initiate an 80-acre five-spot injection pattern in this "northern" portion of the East Eumont Unit utilizing the aforementioned twenty-two injection wells. In addition the applicant's plans include the drilling and equipping of two

producers, the reactivation of twenty-one producers, and the upgrading of existing battery and injection facilities. The capital expenditure is expected to be approximately \$3,765,000.00.

(16) At the hearing, the applicant testified that an estimated 775,000 barrels of oil from the Eumont (Oil) Pool could be obtained by initiating the proposed injection activity, resulting in the recovery of additional oil which would not otherwise be recovered.

(17) The Unit operator should take all steps necessary to ensure that the injected water enters and remains confined to only the proposed injection interval and is not permitted to escape into other formations or onto the surface from injection, production or plugged and abandoned wells.

(18) The injection of water into the proposed injection wells should be accomplished through 2-3/8 inch internally plastic-lined tubing installed in a packer set within 100 feet of the uppermost injection perforation; the casing-tubing annulus should be filled with an inert fluid and a gauge or approved leak-detection device should be attached to the annulus in order to determine leakage in the casing, tubing or packer.

(19) Prior to commencing injection operations into the proposed injection wells, the casing in each well should be pressure tested throughout the interval from the surface down to the proposed packer setting depth, to assure the integrity of such casing.

(20) The injection wells or pressurization system for each of the proposed injection wells should be so equipped at this time as to limit injection pressure at the wellhead to no more than 750 psi; however the operator should have the opportunity to request, at a later date, an increase in the injection pressure limitation placed upon any well upon a proper showing by the operator that such higher pressure will not result in the migration of the injected water from its respective interval or fracture the confining strata. Such authorization will however remain with the Division Director.

(21) The operator should give advance notification to the supervisor of the Hobbs District Office of the Division of the date and time of the installation of injection equipment and of the mechanical integrity pressure-tests in order that the same may be witnessed.

(22) No offset operator or interested party appeared at the hearing in opposition to this application.

(23) The proposed waterflood in the "northern portion" of the East Eumont Unit is in the best interest of conservation and will serve to protect correlative rights, therefore this application should be approved and the project should be governed by the provisions of Rule Nos. 701 through 708 of the Oil Conservation Division Rules and Regulations.

(24) Further, the evidence presented by the applicant indicates that the area herein authorized for waterflood meets all the criteria for approval as a qualified "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(25) The approved "EOR area", located within the confines of the East Eumont Unit Area Waterflood Project, should only comprise that area described in Finding Paragraph No. (6), above.

(26) To be eligible for the EOR credit, prior to commencing injection operations, the operator must request from the Division a Certificate of Qualification, which certificate will specify the proposed project area as described above.

(27) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the applicant must apply to the Division for certification of positive production response, which application shall identify the area actually benefitting from enhanced recovery operations, and identifying the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to The Department of Taxation and Revenue those lands and wells which are eligible for the credit.

(28) The injection authority granted herein for each of the proposed injection wells should terminate one year after the date of this order if the operator has not commenced injection operation into the particular well by that date, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

(29) The previous injection authority granted by the Division for each of the proposed 22 injection wells, listed on the attachment designated as Exhibit "A", by said Division Order No. R-2901 should be superseded by this order at this time. All other provisions of said Order No. R-2901 may remain in full force and effect.

IT IS THEREFORE ORDERED THAT:

(1) The applicant in both Case Nos. 10866 and 10867, OXY USA, Inc. ("Oxy"), is hereby authorized in commence water injection into the Eumont-Yates-Seven Rivers-Queen (Oil) Pool, herein referred to as the Eumont (Oil) Pool, for the purpose of re-instituting the East Eumont Unit Waterflood project, originally authorized by Division Order No. R-2901, issued in Case No. 3234 and dated May 4, 1965, within the following described "northern" portion of the East Eumont Unit:

LEA COUNTY, NEW MEXICO

TOWNSHIP 18 SOUTH, RANGE 37 EAST, NMPM

Section 33: S/2 NE/4, SE/4 NW/4, NE/4 SW/4, S/2 SW/4, and SE/4

Section 34: SW/4 SW/4

TOWNSHIP 19 SOUTH, RANGE 37 EAST, NMPM

Section 3: Lot 4 (NW/4 NW/4 equivalent), S/2 NW/4 and SW/4

Section 4: Lots 1 through 4 (N/2 N/2 equivalent), S/2 N/2 and E/2 SE/4

Section 9: N/2 NE/4

Section 10: NW/4 NE/4 and W/2

Section 15: NW/4

Section 16: E/2 NE/4

The applicant is authorized to utilize 21 existing wells and to drill an additional well for the purpose of injection, all of which are further described in Exhibit "A", attached hereto and made a part hereof.

(2) The applicant must take all steps necessary to ensure that the injected water only enters and remains confined to the proposed injection interval and is not permitted to escape to other formations or onto the surface from injection, production, or plugged and abandoned wells.

IT IS FURTHER ORDERED THAT:

(3) Injection shall be accomplished through 2-3/8 inch internally plastic-lined tubing installed in a packer set approximately within 100 feet of the uppermost injection perforation; the casing-tubing annulus in each well shall be filled with an inert fluid and equipped with an approved pressure gauge or attention-attracting leak detection device.

(4) The injection wells or pressurization system for each injection well shall be so equipped as to limit injection pressure at the wellhead to no more than 750 psi.

(5) The Division Director shall have the authority to administratively authorize an increase in the injection pressure limitation placed upon any well upon a proper showing by the operator that such higher pressure will not result in the migration of the injected water from its respective interval or fracture the confining strata.

(6) Prior to commencing injection operations, the casing in each injection well shall be pressure-tested throughout the interval from the surface down to the proposed packer setting depth, to assure the integrity of such casing.

(7) The applicant shall immediately notify the supervisor of the Hobbs District Office of the Division of the failure of the tubing, casing or packer in any of the injection wells, the leakage of water or oil from or around any producing well, or the leakage of water or oil from any plugged and abandoned well within the project area, and shall take such steps as may be timely and necessary to correct such failure or leakage.

(8) The subject waterflooding of the "northern portion" of the East Eumont Unit shall be conducted in accordance with Division Rule Nos. 701 through 708 and the operator shall submit monthly progress reports in accordance with Division Rule Nos. 706 and 1115.

FURTHERMORE:

(9) The subject waterflood activity in the "northern portion" of the East Eumont Unit, as described in Decretory Paragraph No. (1), above, is hereby approved as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(10) To be eligible for the EOR credit, prior to commencing injection operations, the operator must request from the Division a Certificate of Qualification, which certificate will specify the proposed EOR area as described above.

(11) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the applicant must apply to the Division for certification of positive production response, which application shall identify the area actually benefitting from enhanced recovery operations, and identifying the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to The Department of Taxation and Revenue those lands and wells which are eligible for the credit.

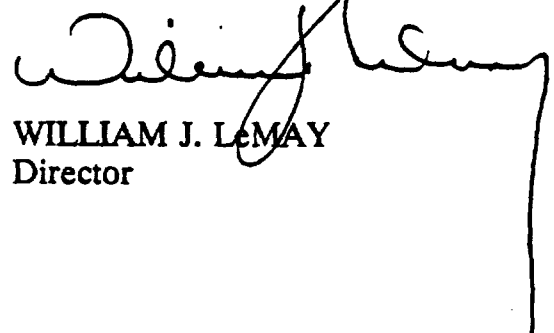
(12) The injection authority granted herein for the proposed injection wells shall terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject wells, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

(13) The previous injection authority granted by the Division for each of the proposed 22 injection wells, listed on the attachment designated as Exhibit "A", by said Division Order No. R-2901 shall be superseded by this order at this time. All other provisions of said Order No. R-2901 shall remain in full force and effect until further notice.

(14) 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

Exhibit "A"
Case Nos. 10866 and 10867
Order No. R-2901-A

East Eumont Unit "North Segment"
Waterflood Project Area

East Eumont Unit Well No.	Original Operator, Well Name and No.	Footage Location	Unit	S-T-R	API No.	Injection Perforations (feet)
2	Antweil Lowe State "B" No. 2	2310' FNL - 1980' FEL	G	33-18S-37E	30-025-05527	3808-3993
4	Continental State "C-33" No. 3	1980' FS & WL	K	33-18S-37E	30-025-05534	3751-3940
6	Continental State "C-33" No. 1	1980' FSL - 660' FEL	I	33-18S-37E	30-025-05531	3838-3999
7	Schermerhorn Linam "B" No. 1	880' FSL - 660' FWL	M	33-18S-37E	30-025-05536	3716-3910
9	Aztec State "E-33-A" No. 2	660' FSL - 1650' FEL	O	33-18S-37E	30-025-05530	3799-3962
11	Tidewater State "AH" No. 1	660' FS & WL	M	34-18S-37E	30-025-05538	3797-3970
12	Schermerhorn Linam "F" No. 1	273' FNL - 2400' FWL	C	4-19S-37E	30-025-05551	3765-3950
14	Texaco Saunders Federal No. 1	660' FN & EL	A	4-19S-37E	30-025-05557	3793-3958
16	Schermerhorn Linam No. 1	2144' FNL - 589' FWL	E	4-19S-37E	30-025-05549	3720-3956
18	Atlantic Federal "A" No. 2	1837' FNL - 1650' FEL	G	4-19S-37E	30-025-05547	3753-3916
20	Aztec State "E-3" No. 1	2064' FNL - 660' FWL	E	3-19S-37E	30-025-09878	3775-3954
22	Texaco Z.A. McMillan "B" No. 2	1983' FSL - 660' FEL	I	4-19S-37E	30-025-05553	3750-3919
25	Texaco Z.A. McMillan "A" No. 2	660' FS & WL	M	3-19S-37E	30-025-05544	3748-3936
28	Tidewater State "AD" No. 1	660' FN & EL	A	9-19S-37E	30-025-05583	3782-3954
30	Aztec State "E-10" No. 2	690' FNL - 1950' FWL	C	10-19S-37E	30-025-05586	3768-3960

East Eumont Unit Well No.	Original Operator, Well Name and No.	Footage Location	Unit	S-T-R	API No.	Injection Perforations (feet)
32	Gulf F.W. Kutter (NCT-E) No. 2	1980' FNL - 660' FWL	E	10-19S-37E	30-025-05588	3773-3940
35	Humble New Mexico State "E" No. 4	1980' FS & WL	K	10-19S-37E	30-025-05591	3835-4018
36	Humble New Mexico State "E" No. 2	660' FS & WL	M	10-19S-37E	30-025-05590	3781-3955
37	Continental State "KU-16" No. 3	660' FNL - 990' FEL	A	16-19S-37E	30-025-05607	3765-3934
39	Tidewater State "AI" No. 4	660' FNL - 1980' FWL	C	15-19S-37E	30-025-05602	3845-3998
41	Tidewater State "AI" No. 2	1980' FNL - 660' FWL	E	15-19S-37E	30-025-05600	3784-3951
133*	Proposed Injection Well (R-2091)	1980' FS & WL	K	3-19S-37E	Unassigned	3700-4000

* Proposed Well