

(10) According to applicant's engineering evidence and testimony, the reservoir pressure within this isolated portion of the Teague (Simpson) Pool is approximately at bubble point pressure.

(11) Applicant testified that the initiation of pressure maintenance operations at this time should result in the recovery of an additional 400,000 barrels of secondary oil.

(12) Initial project costs are estimated to be approximately \$214,000.

(13) The proposed pressure maintenance project should result in the recovery of otherwise unrecoverable oil from this portion of the field, thereby preventing waste.

(14) The United States Bureau of Land Management (USBLM) has approved the applicant's proposed cooperative Federal lease pressure maintenance project.

(15) The pressure maintenance project area should be limited to the SE/4 of Section 34 and the SW/4 of Section 35.

(16) 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 perforations; the casing-tubing annulus in each well 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.

(17) Prior to commencing injection operations into the subject 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.

(18) The injection wells or pressurization system should be initially equipped with a pressure control device or acceptable substitute which will limit the surface injection pressure to no more than 1881 psi.

(19) The Division Director should have the authority to administratively authorize a pressure limitation in excess of the pressure limitation described above upon a showing by the operator that such higher pressure will not result in the fracturing of the injection formation or confining strata.

(20) 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.

(21) The proposed pressure maintenance project 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.

(22) The project allowable should be equal to top unit allowable for the Teague (Simpson) Pool (275 barrels of oil per day) times the number of developed (production or injection) proration units within the project area. Unless additional producing or injection wells are drilled within the project area, the allowable should be established at 1,375 barrels of oil per day.

(23) The transfer of allowable between wells within the project area should be permitted.

(24) The injection authority granted herein for the wells described in Finding No. (2) above should terminate one year after the effective date of this order if the operator has not commenced injection operations into these wells, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

(25) The applicant further requested that the subject pressure maintenance project be approved by the Division as a qualified "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(26) The evidence presented indicates that the subject pressure maintenance project meets all the criteria for approval.

(27) The approved "project area" should initially comprise the SE/4 of Section 34 and the SW/4 of Section 35.

(28) 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.

(29) 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.

