

Entered February 13, 1984
JGR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 8064
Order No. R-7182-A

APPLICATION OF CONOCO INC.
FOR A TERTIARY OIL RECOVERY
PROJECT, LEA COUNTY, NEW
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on February 15, 1984, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 17th day of February, 1984, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Conoco Inc., seeks authority to convert the State H-35 Pressure Maintenance Project (water injection) to a polymer-augmented waterflood, and pursuant to Section 212.78 of the United States Department of Energy Regulations and Section 4993 of the Internal Revenue Code seeks certification of said project as a Qualified Tertiary Oil Recovery Project.

(3) That said pressure maintenance project lies within the Vacuum Grayburg-San Andres Pool, Lea County, New Mexico.

(4) That said pool was discovered in May, 1929, by Socony Vacuum Oil Company and experienced substantial development thereafter with waterflooding being initiated during 1958.

(5) That the Conoco Inc. State H-35 Pressure Maintenance Project (water injection) consisting of approximately 240

acres was approved by Division Order No. R-7182 on January 12, 1983, and water injection was commenced within said project beginning in November, 1982, into injection lease-line wells owned jointly by Conoco Inc. and the Texaco Operated Central Vacuum Unit.

(6) That the applicant now seeks approval for certification of its State H-35 Vacuum Pressure Maintenance Project as a polymer-augmented waterflood, and pursuant to Section 212.78 of the United States Department of Energy and Section 4993 of the Internal Revenue Code, seeks certification of said project as a qualified tertiary oil recovery project.

(7) That the New Mexico Oil Conservation Division has been designated by the Governor of the State of New Mexico as the appropriate agency to approve Qualified Tertiary Recovery Projects in New Mexico for the purpose of the Crude Oil Windfall Profits Tax Act of 1980.

(8) That the proposed Qualifying Tertiary Project Area (QTP Area) lies wholly within said State H-35 Project in the Vacuum Grayburg-San Andres Pool and consists of the following described acreage:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
Section 35: NE/4 and E/2 NW/4

Containing 240 acres, more or less.

(9) That the proposed project utilizes a tertiary recovery method described in Section 212.78 (c) of the Department of Energy Regulations and as defined in Section 4993 of the Internal Revenue Code.

(10) That the proposed Tertiary Recovery Project is expected to result in the recovery of at least an additional 144,000 barrels of incremental tertiary crude oil which the Division finds is more than an insignificant increase in the ultimate recovery of crude oil.

(11) That the injection of polyacrylamide polymers will improve mobility ratio and vertical conformance, and the Conoco QTP Area project is designed, and will be operated, in accordance with sound engineering principles.

(12) That the entire State H-35 Pressure Maintenance Project is adequately delineated and will be affected.

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(13) That the QTP Area tertiary recovery operations beginning date is after May, 1979, with polymer injection beginning during March, 1983, into jointly owned lease line wells.

(14) That past production from the Vacuum Grayburg-San Andres Pool underlying the QTP Area is 3,378,596 barrels through November, 1983; future recovery thereafter without the proposed tertiary recovery project is estimated to be 1,997,600 barrels of oil; and with the proposed tertiary recovery project an additional 144,000 barrels of incremental tertiary oil will be recovered resulting in a future total production of 2,141,600 barrels of oil.

(15) That the State H-35 project presently has thereon eight producing wells and nine lease line injection wells.

(16) That all lease line injection wells bordering the State H-35 Lease will receive polymer-augmented injection for an extended period of time (estimated to be from 20 to 26 months), until a 12.8 percent pore volume of polymer/water solution is injected.

(17) That the projected future expense for the proposed tertiary project is \$344,000 for the cost of the polymer and associated chemicals and polymer handling equipment.

(18) That the proposed tertiary recovery operations within said QTP Area meets all requirements of Section 4993(c) (2) (A), (B) and (C) of the Internal Revenue Code.

(19) That the approval of this application will prevent waste, protect correlative rights and promote conservation, provided however, that the production allowable provisions of Division Order No. R-7182, dated January 12, 1984, should remain in effect.

IT IS THEREFORE ORDERED:

(1) That effective February, 1984, the Qualifying Tertiary Recovery Project Area, described in Finding No. (8) of this Order, being the Conoco Inc. State H-35 Project, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, is hereby approved as a Qualified Tertiary Recovery Project under the Crude Oil Windfall Profits Tax Act of 1980.

(2) That the applicant, Conoco Inc., is hereby authorized to inject water and polyacrylamide polymers into approved

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injection wells in this project, and that Division Order No. R-7182 dated January 12, 1983, is hereby amended to allow the injection of said polymers.

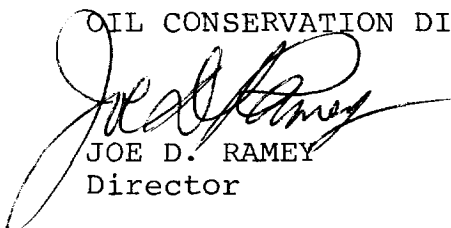
IT IS FURTHER ORDERED:

(1) That the production allowable provisions of Rules of Division Order No. R-7182 shall remain in full force and effect until further order of the Division.

(2) That 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



JOE D. RAMEY
Director

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