

**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. 12849
ORDER NO. R-11744-A**

APPLICATION OF APACHE CORPORATION TO AMEND ORDER NO. R-11744, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 18, 2002, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 3rd day of June, 2002, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.
- (2) By Order No. R-11744 issued in Case No. 12785 on March 11, 2002, the Division authorized Apache Corporation to institute a waterflood project on its Grizzell Lease by the injection of water into the Grayburg formation, Penrose Skelly (Grayburg) Pool, Lea County, New Mexico, within its Grizzell Well No. 11 (API No. 30-025-24972) located 1300 feet from the South line and 1139 feet from the East line (Unit P) of Section 8, Township 22 South, Range 37 East, NMPM.
- (3) The applicant, Apache Corporation ("Apache"), seeks to amend Order No. R-11744 to qualify its Grizzell Penrose Skelly Waterflood Project as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (NMSA 1978 Sections 7-29A-1 through 7-29A-5).
- (4) The evidence presented indicates that:

- a. The project should result in an increase in the amount of crude oil that may be ultimately recovered from the project area;
- b. The project area has been so depleted that it is prudent to apply enhanced recovery techniques to maximize the ultimate recovery of crude oil; and
- c. The project is economically and technically feasible, and the application has not been prematurely filed.

Accordingly, the proposed pressure maintenance project meets all criteria for approval under the Enhanced Oil Recovery Act and Rule 30.

- (5) The application should be approved.

IT IS THEREFORE ORDERED THAT:

- (1) The application of Apache Corporation to amend Division Order No. R-11744 is hereby approved.

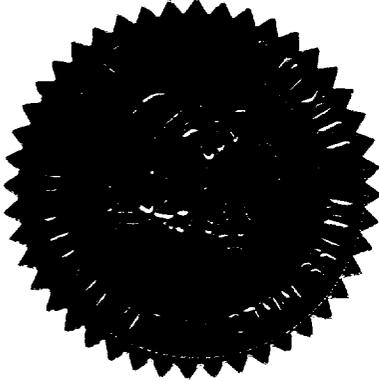
- (2) The Grizzell Penrose Skelly Waterflood Project, which currently comprises the SE/4 of Section 8, Township 22 South, Range 37 East, NMPPM, Lea County, New Mexico, is hereby qualified as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (NMSA 1978 Sections 7-29A-1 through 7-29A-5).

- (3) To be eligible for the EOR tax rate, the operator shall advise the Division of the date and time water injection commences within the waterflood project. At that time the Division will certify the project to the New Mexico Taxation and Revenue Department.

- (4) At such time as a positive production response occurs and within five years from the date the project was certified to the New Mexico Taxation and Revenue Department, the applicant must apply to the Division for certification of a positive production response. This application shall identify the area benefiting from enhanced recovery operations and the specific wells eligible for the EOR tax rate. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to the New Mexico Taxation and Revenue Department those wells that are eligible for the EOR tax rate.

(5) Jurisdiction of this case 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY
Director