

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

RECEIVED

JUL 29 2003

Oil Conservation Division
IN THE MATTER OF THE APPLICATION OF CONOCOPHILLIPS COMPANY FOR
APPROVAL OF A COOPERATIVE LEASE LINE INJECTION AGREEMENT FOR AN
"EXPANDED USE AREA" WITHIN THE EAST VACUUM GRAYBURG-SAN ANDRES
UNIT PRESSURE MAINTENANCE PROJECT AREA AND QUALIFICATION OF THE
ACREAGE WITHIN THE "EXPANDED USE AREA" FOR THE RECOVERED OIL
TAX RATE PURSUANT TO THE NEW MEXICO ENHANCED OIL RECOVERY ACT,
LEA COUNTY, NEW MEXICO.

CASE NO. 13134

APPLICATION

ConocoPhillips Company, ("ConocoPhillips") through its undersigned attorneys, hereby makes application for an order approving a cooperative lease line injection agreement for an "Expanded Use Area" within the within the East Vacuum Grayburg-San Andres Unit Pressure Maintenance Project Area, Vacuum Grayburg-San Andres Pool, comprised of certain lands in the SE/4 of Section 31 and the SW/4 of Section 32 of Township 17 South, Range 35 East, NMPM and the NW/4 of Section 5, Township 5, Township 18 South, Range 35 East, NMPM, and qualification of the acreage within this "Expanded Use Area" of the East Vacuum Grayburg-San Andres Unit for the Recovered Oil Tax Rate pursuant to the New Mexico Enhanced Oil Recovery Act, and in support of its application states:

1. ConocoPhillips is the operator of the East Vacuum Grayburg-San Andres Unit that was formed pursuant to the New Mexico Statutory Unitization Act and approved by Oil Conservation Division Order No. R-5871 dated November 11, 1978. The unit includes approximately 7,025.3 acres, more or less, of State lands located in Lea County, New Mexico that are described as follows:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM

Section 24: SE/4

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM

Section 18:	W/2 SW/4, SE/4 SW/4
Section 19:	W/2, S/2 NE/4, SE/4
Section 20:	W/2 NW/4, SE/4 NW/4, SW/4, SW/4 NE/4, W/2 SE/4, SE/4 SE/4
Section 21:	SW/4 SW/4, E/2 SW/4, SE/4
Section 22:	SW/4, W/2 SE/4, SE/4 SE/4
Section 23:	S/2 SW/4
Section 24:	SW/4 SW/4
Section 25:	W/2 NW/4
Section 26:	N/2, SW/4, W/2 SE/4, NE/4 SE/4
Sections 27, 28, 29:	All
Section 31:	N/2 SE/4, SE/4 SE/4
Sections 32, 33:	All
Section 34:	N/2, SW/4, NW/4 SE/4
Section 35:	N/2 NW/4

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM

Section 4:	N/2 NW/4, NW/4 NE/4
Section 5:	N/2, NW/4 SW/4

2. Pressure maintenance operations by water injection in the East Vacuum Grayburg-San Andres Unit Area were approved by Division Order No. R-5897, dated January 16, 1979 (Case No. 6367). Although some of the proposed injection wells were at unorthodox well locations along the unit boundary, the Division found that these well locations were in accordance with lease-line injection agreements with the operators of offsetting lands and that correlative rights would therefore be protected. The project area for the East Vacuum Grayburg-San Andres Unit Pressure Maintenance Project was defined by the Division to include "...those proration units within the boundaries of the East Vacuum Grayburg-San Andres Unit upon which is located an injection well and any directionally offsetting proration unit which contains a producing well."

3. Division Order No. R-6856, dated December 16, 1981, (Case No. 7426) authorized the injection of Carbon Dioxide along with water through 45 Wells within the

following described project area therein designated a “Qualified Tertiary Recovery Project Area” that lies within the East Vacuum Grayburg-San Andres Unit Pressure Maintenance Project Area comprised of the following described lands:

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM

Section 26:	N/2 SW/4, N/2 SE/4, SW/4 SE/4
Sections 27, 28 29:	All
Section 31:	N/2 SE/4, SE/4 SE/4
Section 32, 33:	All
Section 34:	N/2, SW/4, NW/4 SE/4
Section 35:	N/2 NW/4

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM

Section 4:	Lots 2, 3, and 4 (NW/4 NE/4 and N/2 NW/4 equivalent)
Section 5:	Lots 1 through 4 and S/2 S/2 (N/2 equivalent) and NW/4 SW/4

4. Division Order No. R- 6856-A dated September 19, 1990, issued in Case 7426 (reopened), authorized the re-injection of hydrocarbon contaminated carbon dioxide in the Qualified Tertiary Project Area.

5. Five “Expanded Use Areas” located within the “Qualified Tertiary Project Areas” within the Vacuum Grayburg-San Andres Unit Pressure Maintenance Project, Vacuum Grayburg-San Andres Pool, were qualified as “Enhanced Oil Recovery Projects” pursuant to the New Mexico Enhanced Oil Recovery Act by Order No. R-6856-B dated November 12, 1993 (Case No. 10779). The “Expanded Use Areas” approved by Order No. R- 5897 do not include the acreage that is the subject of this application.

6. ConocoPhillips now seeks to implement carbon dioxide gas injection in an additional Expanded Use Area within the Qualified Tertiary Recovery Area of the Grayburg-San Andres Unit Pressure Maintenance Project Area to include the following 156 acres, more or less:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM

Section 31: NW/4 SE/4 equivalent, W/2 NE/4 SE/4 equivalent, NE/4 NE/4 SE/4 equivalent, NW/4 SE/4 SE/4 equivalent, and the S/2 SE/4 SE/4 equivalent

Section 32: SW/4 SW/4 NW/4 equivalent, NW/4 NW/4 SW/4 equivalent, SW/4 SW/4 SW/4 equivalent

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM

Section 5: NW/4 NW/4 NW/4

This acreage has not previously been included in an Expanded Use Area nor has there been any carbon dioxide injection activity in the new Expanded Use Area.

7. The proposed Current Expanded Use Area is contiguous with the ChevronTexaco operated Central Vacuum Unit. The Central Vacuum Unit was created pursuant to the Statutory Unitization Act and approved by Division Order No. R-5496 entered on August 9, 1977 (Case No. 5970). Pressure maintenance operations were approved by Division Order No. R-5530 entered on September 20, 1977 (Case No. 6008). Carbon Dioxide Injection was authorized in the Central Vacuum Unit by Order No. R-5530-E dated April 30, 1997 (Case No. 11650).

8. ConocoPhillips proposes to inject carbon dioxide in eight injection wells at the unorthodox locations along the boundary between the East Vacuum Grayburg-San Andres Unit and the Central Vacuum Unit pursuant to a Cooperative Lease Line Injection Agreement entered with Chevron Texaco that supercedes and adds to prior cooperative lease line agreements entered between the operators of these units. These injection wells have previously been approved by Division Administrative Order No. PMX-203, dated March 27, 2000, and permits PMX-101, PMX-95, PMV-88, PMX-90, PMX-91 and PMX-95 dated November 28, 2001. The locations of these injection wells are shown on the plat attached hereto as Exhibit A,

ConocoPhillips seeks approval of this lease line agreement as a proper and effective way to protect the correlative rights of the owners of interest in both units.

9. ConocoPhillips also seeks to qualify the 156-acre new Expanded Use Area within the East Vacuum Grayburg-San Andres Unit Pressure Maintenance Project for the Recovered Oil Tax Rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

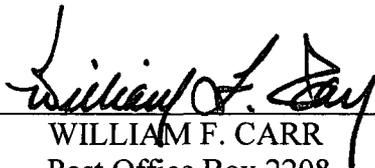
10. Notice of this application has been provided to all affected parties including all working interest owners in the East Vacuum Grayburg-San Andres Unit Area and the Central Vacuum Unit Area identified on Exhibit B to this application.

11. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, ConocoPhillips Company requests that this application be set for hearing before an Examiner of the Oil Conservation Division on August 21, 2003 and, after notice and hearing as required by law, the Division enter its order approving the cooperative lease line injection agreement between ConocoPhillips and ChevronTexaco for the new "Expanded Use Area" for carbon dioxide injection within the East Vacuum Grayburg-San Andres Unit Pressure Maintenance Project Area, and qualifying the acreage within the proposed Expanded Use Area of the East Vacuum Grayburg-San Andres Unit Area for the Recovered Oil Tax Rate pursuant to the New Mexico Enhanced Oil Recovery Act.

Respectfully submitted,

HOLLAND & HART LLP

By: 
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR CONOCOPHILLIPS COMPANY

EXHIBIT B

**APPLICATION OF CONOCOPHILLIPS COMPANY
FOR APPROVAL OF A
COOPERATIVE LEASE LINE INJECTION AGREEMENT FOR AN "EXPANDED USE
AREA" WITHIN THE EAST VACUUM GRAYBURG-SAN ANDRES UNIT
PRESSURE MAINTENANCE PROJECT AREA AND
QUALIFICATION OF THE ACREAGE WITHIN THE "EXPANDED USE AREA"
FOR THE RECOVERED OIL TAX RATE
PURSUANT TO THE NEW MEXICO ENHANCED OIL RECOVERY ACT,
LEA COUNTY, NEW MEXICO.**

NOTICE LIST

ARCO Permian (Production Reports Only)
Attn: Randy Jindra
PricewaterhouseCoopers
509 South Boston
Tulsa, Oklahoma 74103

AYCO Energy, L.L.C.
16360 Park Ten Plaza, Suite 115
Houston, Texas 77084

BP America Production Company
Permian Basin Performance Unit (SENM)
Post Office Box 3092
Houston, Texas 77253-3092

Betelgeuse Petroleum
Post Office Box
Fredericksburg, Texas 78624

H. M. Bettis Inc.
Post Office Box 1240
Graham, Texas 76450

W. T. Boyle & Co.
Post Office Box 57
Graham, Texas 76450-0057

Madelon L. Bradshaw
2120 Ridgemar Blvd., Suite 12
Fort Worth, Texas 76116

John R. Bryant
911 West Silver
Hobbs, New Mexico 88240

Ann McBee Buell
11241 Russwood Circle
Dallas, Texas 75229

Bright Hawk/Burkard Venture
c/o Bright Hawk Resources, Inc.
Post Office Box 79790
Houston, Texas 77279-9790

ChevronTexaco PBBU
Attn: NOJV Manager
15 Smith Road
Midland, Texas 79705

Davoil, Inc.
Post Office Box 122269
Fort Worth, Texas 76121-2269

ENAQ, Inc.
Post Office Box 73406
Houston, Texas 77273-3406

ExxonMobil
Attn: Greg Stoute
Post Office Box 4707
Houston, Texas 77210-4707

Frisco Energy LLC
Attn: Butch Smith
2431 East 51st Street
Tulsa, Oklahoma 74105

Great Western Drilling Co.
Attn: Joint Venture Group
Post Office Box 1659
Midland, Texas 79701

Larry O. Hulsey
Post Office Box 1143
Graham, Texas 76450

Boyd Laughlin Management Trust
Marion Gardiner Miller Suc. Tr. Acct 20-0973-00,
300 N. Marienfeld, Suite 102
Midland, Texas 79701

The Josephine Laughlin Living Trust
Josephine Laughlin, Trustee
13505 McCall Court, N. E.
Albuquerque, New Mexico 87123-1468

Martha Leonard Revocable Trust
Bank One Texas, NA, Trustee
Post Office Box 2605
Fort Worth, Texas 76113-2605

Martha Leonard Trust 75-6356886
Bank One Texas, NA, Trustee
Post Office Box 2050
Fort Worth, Texas 76113

Mary Leonard Children's Trust
Bank One Texas, NA, Trustee
Post Office Box 2605
Fort Worth, Texas 76113-2605

Mary Leonard Children's Trust 75-6412990
Bank One Texas, NA, Trustee
Post Office Box 2050
Fort Worth, Texas 76113

Miranda Leonard Revocable Trust
Bank One Texas, NA, Trustee
Post Office Box 2605
Fort Worth, Texas 76113-2605

Miranda Leonard Trust 75-6356894
Bank One Texas, NA, Trustee
Post Office Box 2050
Fort Worth, Texas 76113

T. W. Little Estate
Attn: Belva Little
2513 Boyd Avenue
Fort Worth, Texas 76109

MVP Production Inc.
2003 Diamond Blvd.
Concord, California 94520

Magnum Hunter Production, Inc.
Attn: Earl Krieg
600 East Las Colinas Blvd., Suite 1100
Irving, Texas 75039

Magnum Hunter Production, Inc.
Attn: Land Department
3500 William D. Tate Ave., Suite 200
Grapevine, Texas 76051

Marathon Oil Company
Attn: Joint Interest Manager
Post Office Box 552
Midland, Texas 79702

McBee Operating Company LLC
3738 Oak Lawn LB 200
Dallas, Texas 75219

William D. McBee, Jr.
5942 Averill Way
Dallas, Texas 75225

McRae Management
Post Office Box 5401
Midland, Texas 79704

OBO, Inc.
c/o Lowell S. Dunn II
Post Office Box 2577
Hialeah, Florida 33012

OXY USA Inc.
Attn: Joint Venture manager
Post Office Box 50250
Midland, Texas 79710

Davis Payne
Post Office Box 1749
Midland, Texas 79702

S. B. Street & Company
Post Office Box 206
Graham, Texas 76046

Patricia Penrose Schieffer, Test. Tr.
Bank of America, N.A., Agent
Post Office Box 2546
Fort Worth, Texas 76113-2546

C. W. Seely
815 West 10th Street
Fort Worth, Texas 76102

Norman D. Stovall, Jr.
Post Office Box 10
Graham, Texas 76046

Texaco Exploration & Production Inc.
2003 Diamond Blvd.
Concord, California 94520-0000

Toreador Exploration and Production
Attn: Ed Marhenka
4809 Cole Avenue, Suite 108
Dallas, Texas 75267

Turnco Inc.
Post Office Box 1240
Graham, Texas 76450-1240

Mary D. Fleming Walsh
Attn: Gary F. Goble
500 West Seventh St., Suite 1007
Fort Worth, Texas 76102