

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

**APPLICATION OF CHEVRON, U.S.A., INC.
FOR QUALIFICATION OF THE VACUUM
GRAYBURG-SAN ANDRES UNIT TERTIARY
RECOVERY PROJECT FOR THE RECOVERED
OIL TAX RATE PURSUANT TO THE
ENHANCED OIL RECOVERY ACT,
LEA COUNTY, NEW MEXICO.**

CASE NO. 14139

AFFIDAVIT OF SCOTT M. INGRAM

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

I, Scott M. Ingram, being first duly sworn on oath, states as follows:

1. My name is Scott Ingram. I reside in Midland, Texas. I am the earth scientist/project manager employed by Chevron U.S.A., Inc. ("Chevron") who is responsible for the Vacuum Grayburg-San Andres Unit ("the Unit") which is comprised of 1485.64 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico. The horizontal limits of said Unit Area are described as follows:

Township 17 South, Range 34 East, N.M.P.M.

Section 35: W/2 SW/4

Township 18 South, Range 34 East, N.M.P.M.

Sections 1 and 2: All
Section 11: NE/4 NE/4
Section 12: N/2 NW/4

2. In Orders No. R-4433 and R-4442, both dated November 1, 1972, the Division approved the Vacuum Grayburg-San Andres Unit and a pressure maintenance project by water injection in the Vacuum Grayburg-San Andres Pressure Maintenance Project in the Unit.

3. Division Order No. R-4442-B, dated December 11, 2007, granted Chevron's application for an enhanced oil tertiary recovery project by combining or alternating injection of water, carbon dioxide and other produced gases into the Grayburg and San Andres formations in the Vacuum Grayburg-San Andres Unit Tertiary Recovery Project in the Unit. Finding 12 of the Order stated: " Chevron did present an exhibit and testimony toward qualifying this project for the recovered Oil Tax Rate; however the request for qualification was not included in this case as advertised and Chevron asked it to be considered at a future time."

4. Attachment A to the Affidavit is a copy of Chevron's letter application to the Division which contains all the information required by Division rules to qualify this project under the Enhanced Oil Recovery Act. This letter was previously admitted into evidence as Chevron's Exhibit 15 in Case No. 13961 (held on August 23, 2007).

5. As indicated in Attachment A, Chevron estimates the capital costs for additional facilities to be \$64.5 million for field installations, upgrades and well remediation and \$168.2 million for CO2 injectant purchase for a total project cost of \$233.6 million.

6. It is estimated that an additional 24.5 MMB of oil will be recovered as a result of this project.

7. Since Attachment A was originally submitted, Chevron has commenced construction on the delivery and gathering facilities, contracted for the delivery of injectants and is upgrading existing installations. Chevron plans to initiate carbon dioxide injection during the third quarter of 2008.

8. Division Order No. R-4442-C, dated May 30, 2008, granted Chevron's application to expand the vertical limits of the Unit to include a residual oil zone in the Grayburg-San Andres formation and authorizing 13 additional carbon dioxide injection wells in the Tertiary Recovery Project Area.

9. In Case Nos. 13961 & 14114, Chevron offered evidence that showed that the project area had been depleted and that proposed enhanced recovery techniques should result in an increase in the amount of crude oil that may be ultimately recovered therefrom. Chevron also showed that the application was economically and technically reasonable and was not prematurely filed.

10. The methods that Chevron has proposed to utilize in its tertiary recovery operations will prevent waste of oil and gas and with a reasonable probability substantially increase the amount of hydrocarbons produced from the reservoir.

11. Attachment B to this affidavit is the list of interested parties sent notice of this application in accordance with Division rules.

12. Attachment C is the Affidavit of Publication showing notice of this

application was also published in the newspaper.

13. Chevron therefore seeks certification from the Division that the Tertiary Recovery Project is an "Enhanced Oil Recovery Project" pursuant to the Enhanced Oil Recovery Act, N.M.S.A. 1978 7-29A-1 through 7-29A-6.

14. Approval of this application is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

FURTHER AFFIANT SAYETH NOT.

Scott M. Ingram

Scott Ingram

SUBSCRIBED AND SWORN before me on this 11th day of June, 2008.

M J Huddleston
Notary Public

My Commission Expires:

3/16/2012

