

**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. 13121
ORDER NO. R-12048**

**APPLICATION OF BENSON-MONTIN-GREER DRILLING CORPORATION
FOR QUALIFICATION OF CERTAIN ACREAGE WITHIN THE EAST
PUERTO CHIQUITO MANCOS UNIT FOR THE RECOVERED OIL TAX RATE
PURSUANT TO THE ENHANCED OIL RECOVERY ACT, RIO ARRIBA
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a. m. on August 21, 2003, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 7th day of November, 2003, the Division Director, having considered 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 its subject matter.

(2) The applicant, Benson-Montin-Greer Drilling Corporation ("BMG"), seeks an order qualifying a 6,300-acre area, described as follows, within the East Puerto Chiquito Mancos Unit, as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Sections 7-29A-1 through 7-29A-5 NMSA 1978).

Township 27 North, Range 1 West, NMPM

Section 13:	SE/4
Section 24:	E/2
Section 25:	E/2

Township 27 North, Range 1 East, NMPM

Section 16: S/2
Section 17: S/2
Section 18: S/2
Sections 19-21: All
Sections 28-30: All

Township 26 North, Range 1 East, NMPM

Sections 4-6: All

(3) By Order No. R-6409, issued in Case No. 6943 on August 5, 1980, the Division, upon the application of BMG, unitized 9,769.02 acres of Federal, Indian and fee lands for the purpose of instituting a pressure maintenance project. This unit was designated the East Puerto Chiquito Mancos Unit.

(4) By Order No. R-6448 issued in Case No. 6944 on August 26, 1980, the Division authorized BMG to institute pressure maintenance operations within the East Puerto Chiquito Mancos Unit area by the injection of gas, air, LPG, water or chemicals into the Mancos formation, East Puerto Chiquito-Mancos Pool, through seven initial injection wells.

(5) The applicant presented geologic and engineering evidence that demonstrates that:

- (a) the main producing intervals within the Mancos shale are the Niobrara "A" and "B" zones;
- (b) the subject reservoir is a gravity drainage system;
- (c) pressure maintenance operations within the subject unit commenced in 1980, and have been ongoing since that time. Pressure maintenance operations consisted primarily of injecting produced gas into select wells at the top of the Mancos structure, and injecting water into select wells at the down-dip portion of the structure;

- (d) BMG is proposing to initiate an alkaline-surfactant-polymer tertiary injection project within a portion of the East Puerto Chiquito Mancos Unit by the injection of chemicals for the purpose of reducing the residual oil saturation in the reservoir;
 - (e) BMG proposes to inject approximately 40 barrels of chemicals per day into ten injection wells. BMG will initially utilize three wells for production;
 - (f) project costs are estimated to be approximately \$950,000; and
 - (g) BMG estimates that implementing the proposed tertiary recovery project should result in the recovery of an additional 151,000 barrels of oil that may otherwise not be recovered from the unit area.
- (6) The evidence presented by BMG demonstrates that:
- (a) the proposed tertiary recovery operations 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 tertiary recovery techniques to maximize the ultimate recovery of crude oil; and
 - (c) the proposed tertiary recovery project is economically and technically feasible, and the application has not been prematurely filed.
- (7) The proposed tertiary recovery operations within the proposed project area meet all criteria for approval under the "Enhanced Oil Recovery Act" and Rule 30 (19 NMAC 15.A.30).
- (8) The proposed operations should be approved as a tertiary recovery project and comprise the project area described in Finding No. (2) above.

(9) To be eligible for the EOR tax rate, the operator should advise the Division of the date and time the chemical injection commences within the project area. At that time the Division will certify the project to the New Mexico Taxation and Revenue Department.

(10) At such time as a positive production response occurs from chemical injection operations and within seven 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 tertiary 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.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Benson-Montin-Greer Drilling Corporation, the following-described 6,300-acre project area within the East Puerto Chiquito Mancos Unit, Rio Arriba County, New Mexico, is hereby qualified as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Sections 7-29A-1 through 7-29A-5 NMSA 1978).

Township 27 North, Range 1 West, NMPM

Section 13: SE/4
Section 24: E/2
Section 25: E/2

Township 27 North, Range 1 East, NMPM

Section 16: S/2
Section 17: S/2
Section 18: S/2
Sections 19-21: All
Sections 28-30: All

Township 26 North, Range 1 East, NMPM

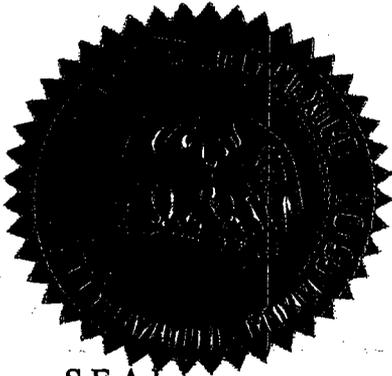
Sections 4-6: All

(2) To be eligible for the EOR tax rate, the operator should advise the Division of the date and time chemical injection commences within the project area. At that time the Division will certify the project to the New Mexico Taxation and Revenue Department.

(3) At such time as a positive production response occurs and within seven years from the date the project was certified to the New Mexico Taxation and Revenue Department, the operator 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.

(4) 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, reading "Lori Wrotenbery".

LORI WROTENBERY
Director