

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

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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).

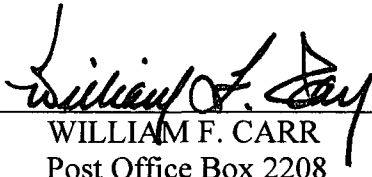
10. Notice of this application has been provided to all affected parties including all working interest owners in the East Vacuum Grayburg-San Andres Unit Area and the Central Vacuum Unit Area identified on Exhibit B to this application.

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: 
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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

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Magnum Hunter Production, Inc.
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