

August 22, 2007

Mark E. Fesmire, P.E. Director Oil Conservation Division 1220 South Saint Francis Drive Santa Fe, New Mexico 87505

Re: <u>Case 13961</u>: Application of Chevron USA Inc. for Enhanced Oil Recovery Project Qualification for the Recovered Oil Tax Rate in the Vacuum Grayburg-San Andres Unit, Lea County, New Mexico.

Dear Mr. Fesmire:

Chevron USA Inc. ("Chevron") hereby makes application to qualify a portion of the Vacuum Grayburg San Andres Unit ("VGSAU") for the recovered oil tax rate authorized by the Enhanced Oil Recovery Act. Chevron plans to commence construction on delivery and gathering facilities, contract for delivery of injectants and upgrade existing installations in a timeline which will allow initiation of miscible Carbon Dioxide (CO2) flood during the second quarter of 2008. Chevron is making application pursuant to the rules promulgated by Oil Conservation Commission Order No. R-9708 entered on August 27, 1992.

In accordance with this Order, Chevron provides the following information:

A. Operator's name and address:

Chevron USA Inc. 15 Smith Road Midland, Texas 79705

- B. Description of the project area:
 - 1. Provide a plat outlining the project area:

See Exhibit 11, Case No. 13961 for a plat of the project area.

2. Describe the project area by section, township and range:

Township 18 South, Range 34 East, NMPM

Section 1: All

Section 2: All

Section 11: NE/4 NE/4 Section 12: N/2 NW/4

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. <u>13961</u>....Exhibit No. 1**5**Submitted by:
Chevron USA Inc.
Hearing Date: <u>August 23, 2007</u>



Application for Enhanced Oil Recovery Project Qualification Vacuum Grayburg San Andres Unit Page 2

Township 17 South, Range 34 East, NMPM Section 35: W/2 SW/4

The proposed project will only impact 86% of the VGSAU acreage and is more accurately identified as those injection patterns highlighted on Exhibit 11, Case No. 13691, which include those wells listed in Exhibit A to this application.

3. Total acres:

The VGSAU contains a total of 1,486 Acres(m/l) Chevron is targeting 1,280 Acres (m/l) for the CO2 project. The area is highlighted on Exhibit 11, Case No. 13691.

4. Provide the name of the subject pool and formation.

The VGSAU is within the Vacuum Pool. The VGSAU includes portions of the Grayburg and San Andres Formations. The type log identified in the Unit Agreement is Exhibit No. 6, Case No. 13961.

C. Status of operations in the project area:

1. Provide the name of the unit and the date and number of the Division Order approving the unit plan of operation:

The proposed CO2 project is at the Chevron operated Vacuum Grayburg San Andres Unit ("VGSAU").

The Commission approved the VGSAU on November 8, 1972 with Order No. R-4443.

The VGSAU pressure maintenance project has been approved and is governed by Order No. R-4433-A (11-08-72); R-4422 (11-27-72); R-6094 (09-01-79); and R-7010 (07-01-82).

D. Method of recovery to be used:

1. Identify fluids to be injected:

Recovery is to be enhanced with the introduction of CO2. Produced gases will be recycled (reinjected). Water will continue to be injected outside of the target area, and in the target area with alternating slugs with the CO2 in what the industry calls a WAG injection scenario.

2. If the Division has not approved the project, provide the date the application for approval was filed with the Division on Form C-108.



A Form C-108 is provided with this application dated January 15, 2001 (Exhibit No. 12, Case No. 13961) as supplemented and revised on August 15, 2007 (Exhibit No. 13, Case No. 13961).

E. Description of the project:

1. A list of producing wells:

See Exhibit A to this application for a list identifying producing wells within the project area.

2. A list of injection wells:

See Exhibit A for a list of the injection wells in the project target area. This list identifies all injection wells in the project area including the 25 injection wells and the one well to be converted to injection identified in the application in Case No. 13961.

3. Capital cost of additional facilities: (Current Cost)

Field Installations/Upgrades/Well remediation:

\$ 65.4 million

CO2 Injectant Purchase:

\$168.2 million

4. Total project cost:

The project will cost \$233.6 million inclusive of associated injectant expenses. Of this total, \$65.4 million will go toward facilities and well work on the VGSAU.

5. Provide the estimated total value of the additional production that will be recovered as a result of this project:

An additional 24.5 MMB of oil are anticipated to be recovered as a result of this project. Based on current capital of \$45/BO and \$30/BNGL, and the current CO2 Targeted Area, the estimated value of the hydrocarbons produced from the proposed project is \$504 million.

6. Provide anticipated date for commencement of injection:

The anticipated initial CO2 injection date is May, 2008.

7. What type of fluid will be injected and what are the anticipated volumes?

A total of 70 BCF of CO2 will be purchased for the project. Produced gases will be recycled back to the reservoir resulting an ultimate injection of 140 BCF of gas during a 50 year period. The recycled gas would consist of CO2, certain hydrocarbons that cannot be economically marketed, and associated non-



Application for Enhanced Oil Recovery Project Qualification Vacuum Grayburg San Andres Unit Page 4

hydrocarbon gases. The injection scheme to be employed is known as a WAG, or water-alternating-gas injection. Alternating slugs of gas and slugs of water would be introduced in varying volumes with the length of injection (time) dependent on reservoir response.

F. Production data: Provide graphs, charts and other supporting data to show the production history and production forecast of oil, gas, casinghead gas and water from the project area.

Exhibit B provides the VGSAU production and injection history along with the forecast of enhanced recovery due to the introduction of CO2.

Chevron requests that this application be approved.

Very truly yours,

Brent Brugger Chevron USA Inc.

VACUUM GRAYBURG SAN ANDRES UNIT

Wells within Proposed CO2 Target Area

| | | · | _ |
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Vacuum Grayburg San Andres Unit History

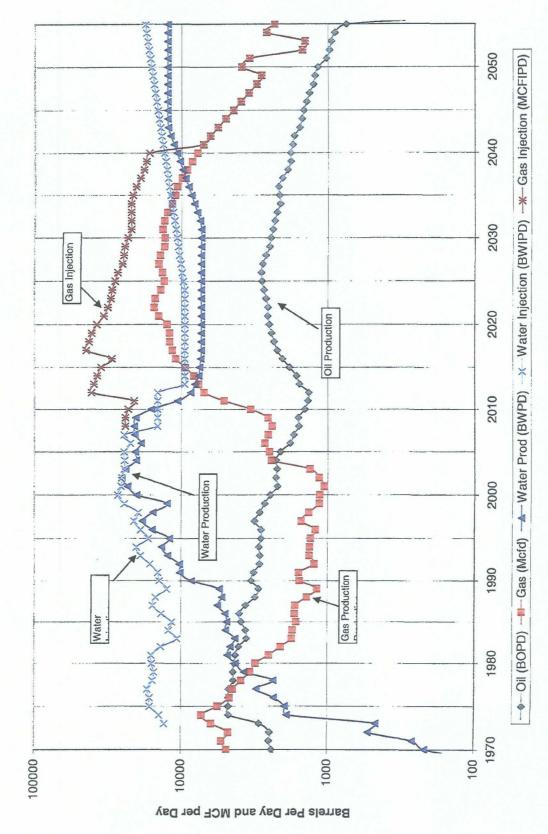


EXHIBIT B

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

NOTICE LIST

Offset Operators:

Brazos Limited Partnership P.O. Box 911 Breckenridge, TX 76424

BP America Production Co. P.O. Box 3092 Houston, TX 77253

ConocoPhillips Co. P.O. Box 7500 Bartlesville, OK 74005

Chase Oil Corp. P.O. Box 1210 Graham, TX 76046

Chase Oil Corp. P.O. Box 1767 Artesia, NM 88211

Dalport Oil Corp. 5646 Milton St. #413 Dallas, TX 75206

Douglas Oil & Gas LP 500 W. Texas Ave Ste 940 Midland, TX 79701 ExxonMobil Corp. P.O. Box 2305 Houston, TX 77252

David Gonzales P.O. Box 2475 Santa Fe, NM 87504-2475

Gordon M. Cove Estate P.O. Box 64244 Lubbock, TX 79424

Headington Oil Co. 7557 Rambles Rd. Suite 1150 Dallas, TX 75231

J.M. Leonard & BP Exploration, Inc. 1100 Penn Tower Oklahoma, OK 73118

Marathon Oil Company P.O. Box 2069 Houston, TX 77252

Mobil Producing Texas & New Mexico P.O. Box 2305 Houston, TX 77252 Nadel and Gussman Permian LLC 15 E. 5th St. Ste 3200 Tulsa, OK 74103

OXY USA WTP Limited Partnership P.O. Box 50250 Midland, TX 79710

Occidental Permian Limited Partnership P.O. Box 4294 Houston, TX 77210

Shinnery Oil Co., Inc. 606 W. Tennessee Ste 107 Midland, TX 79701

XTO Energy Inc. 810 Houston Street Fort Worth, TX 76192

Triple T Resources, LP 4809 Cole Ave Ste 108 Dallas, TX 75205

Surface Owners:

State of New Mexico Commissioner of Public Lands P.O. Box 1148 Santa Fe, NM 87504

Pearce Trust
Roy F. Pearce Sr & Roy Pearce Jr CoTrustees
1717 Jackson
Pecos, TX 79772

Lee Cattle Company L.P. HC 60 Box 465 Lovington, NM 88260

Hiles M. Lee and Joie A. Lee HC 60 Swamp Rd. Lovington, NM 88260



May 14, 2008

<u>CERTIFIED MAIL</u> RETURN RECEIPT REQUESTED

TO: ALL AFFECTED INTEREST OWNERS

REVISED REVISION

Re: 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.

Ladies and Gentlemen:

This letter is to advise you that Chevron U.S.A., Inc. has filed the enclosed application with the New Mexico Oil Conservation Division. You are the owner of an interest that may be affected by this application.

This application has been set for hearing before a Division Examiner at 8:15 AM on June 12, 2008. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-Hearing Statement with the Oil Conservation Division's Santa Fe office, four days in advance of a scheduled hearing, but at least on the Thursday preceding the hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

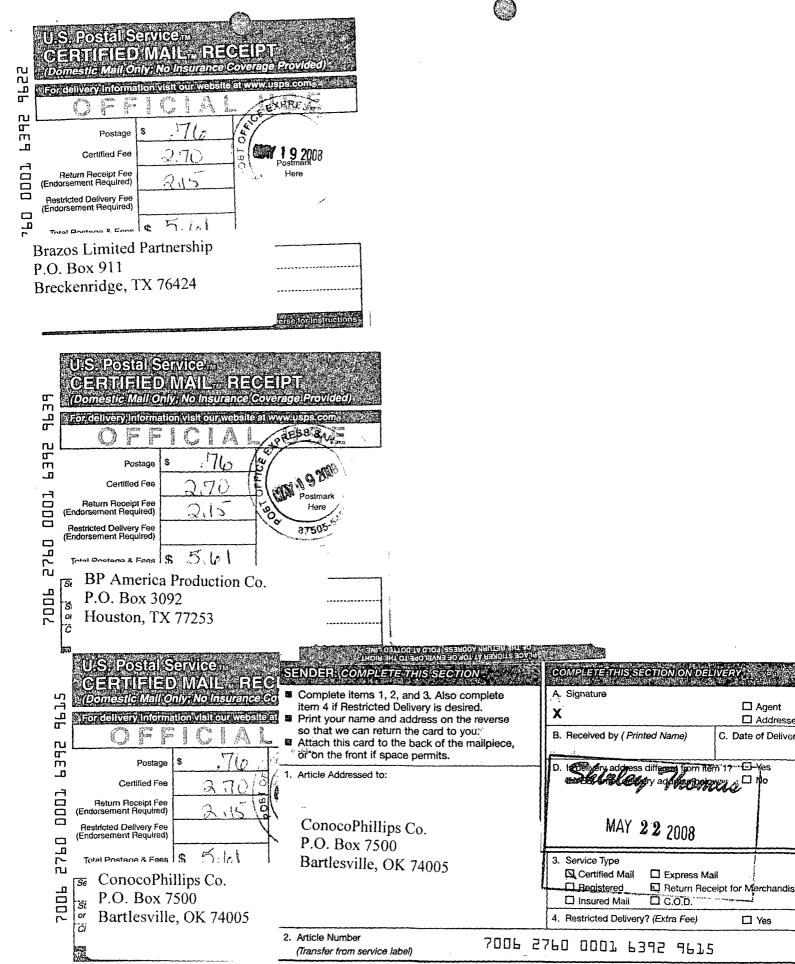
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Very truly yours.

William F. Carr

Attorney for Chevron U.S.A., Inc.

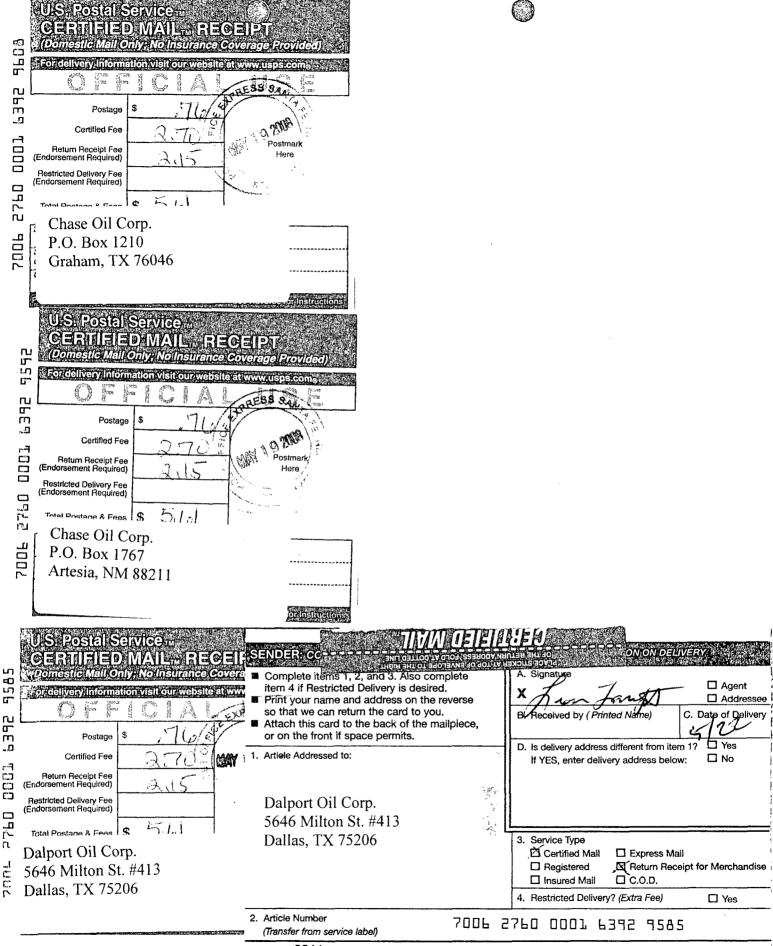
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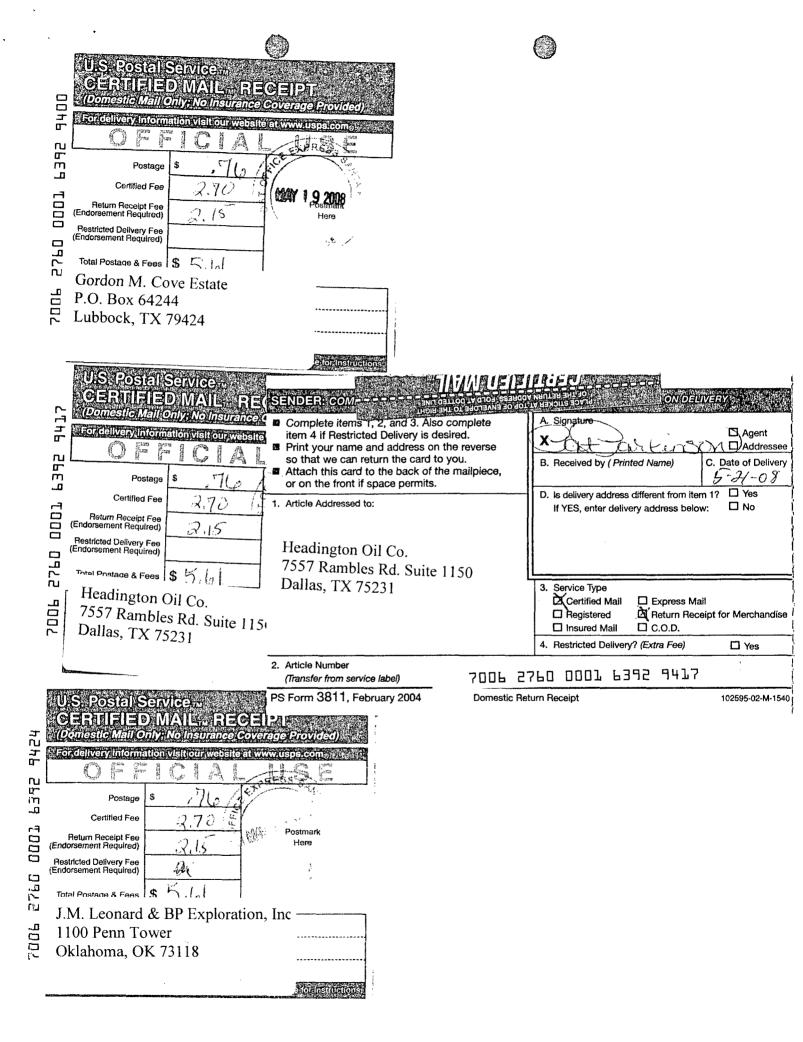
PS Form 3811, February 2004

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Affidavit of Publication

) ss.

STATE OF NEW MEXICO

COUNTY OF LEA

Joyce Clemens being first duly sworn on oath deposes and says that she is Advertisting Director of **THE LOVINGTON LEADER**, a daily newspaper of general paid circulation published in the English language at Lovington, Lea County, New Mexico; that said newspaper has been so published in such county continuously and uninterruptedly for a period in excess of Twenty-six (26) consecutive weeks next prior to the first publication of the notice hereto attached as hereinafter shown; and that said newspaper is in all things duly qualified to publish legal notices within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico.

That the notice which is hereto attached, entitled

Legal Notice.

was published in a regular and entire issue of THE LOV
INGTON LEADER and not in any supplement thereof, for one (1) day, beginning with the issue of May 17, 2008 and ending with the issue of May 17, 2008.

And that the cost of publishing said notice is the sum of \$ 64.49 which sum has been (Paid) as Court Costs.

Subscribed and sworn to before me this 22^{md} day of 100

Debbie Schilling

Notary Public, Lea County, New Mexico

My Commission Expires June 22, 2010

LEGAL NOTICE
NOTICE OF
PUBLICATION
STATE OF
NEW MEXICO
ENERGY, MINERALS
AND NATURAL
RESOURCES



The State of New Mexico

through : its , Oil: Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on June 12, 2008, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appoint. for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qulified sign language interpreter, or any other form of auxillary aid or service to attend or participate in the hearing, please contact: Florene Davidson at 505 476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by June 2, 2008. Public documents including the agenda and minutes, can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

STATE OF NEW MEXICO TO: All named parties and persons having any right, title, interest or claim in the following cases and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

CASE 14139:
Application of Chevron
U.S.A., Inc. for qualification of the Vacuum

Grayburg-San Andr Unit Tertiary Recove Project for the Recovere Oil Tax Rate Pursuant Enhanced the Act, Recovery County, New Mexic Applicant seeks to quali the Vacuum Graybur San Andres Unit Tertia Recovery Project for th recovered oil tax rate pu suant to the "New Mexic Enhanced Oil Recover Act" (Laws 1992, Chapte 38, Sections 1 through 5 The Vacuum Grayburd San Andres Unit Tertiar Recovery Project encom passes portions of Sectio 35 of Township 17 South Range 34 East and por tions of Sections 1, 2, 1 and 12 of Township 11 South Range 34 East N.M.P.M. Said unit is located approximately 22 miles northwest of Hobbs New Mexico.

Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 15th day May 2008.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION Mark E. Fesmire, P.E., Director Published in the Lovington Leader May 17, 2008