



October 13, 2009

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 14402

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Re: Application of Chevron U.S.A. Inc. for amendment of Division Order No. R-4442, as amended, to revise the injection well completion requirements and to change the basis for the calculation of the authorized injection pressure for carbon dioxide from surface pressure to the average reservoir pressure in its previously approved tertiary recovery project in the Vacuum Grayburg-San Andres Pressure Maintenance Project, Lea County, New Mexico.

Dear Mr. Fesmire:

Enclosed in triplicate is the Application of Chevron U.S.A. Inc. in the above-referenced case as well as a copy of a legal advertisement. Chevron requests that this matter be set for hearing before a Division Examiner on November 13, 2009.

Very truly yours,

William F. Carr

Enclosures

cc: Gail MacQuesten, Esq.

Mr. Scott Ingram (w/enclosures)
Chevron U.S.A. Inc.

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

IN THE MATTER OF THE APPLICATION OF CHEVRON U.S.A., INC. FOR AMENDMENT OF DIVISION ORDER NO. R-4442, AS AMENDED, TO REVISE THE INJECTION WELL COMPLETION REQUIREMENTS AND TO CHANGE THE BASIS FOR THE CALCULATION OF THE AUTHORIZED INJECTION PRESSURE FOR CARBON DIOXIDE FROM SURFACE PRESSURE TO THE AVERAGE RESERVOIR PRESSURE IN ITS PREVIOUSLY APPROVED TERTIARY RECOVERY PROJECT IN THE VACUUM GRAYBURG-SAN ANDRES PRESSURE MAINTENANCE PROJECT, LEA COUNTY, NEW MEXICO.

CASE NO. 14402

APPLICATION

CHEVRON U.S.A. INC. ("Chevron") through its attorneys, Holland & Hart LLP makes application for an order amending Oil Conservation Division Order No. R-4442, as amended, to revise the injection well completion requirements and amend the basis for the calculation of the authorized injection pressure for carbon dioxide from surface pressure to the average reservoir pressure in its previously approved tertiary recovery project in the Vacuum Grayburg-San Andres Pressure Maintenance Project, and in support of its application states:

1. By Order No. R-4433, dated November 8, 1972, the Division granted the application of Texaco, Inc. ("Texaco") for approval of the Vacuum Grayburg-San Andres Unit. This unit was expanded in 1981 and is currently comprised of approximately 1,486 acres, more or less. The unit boundaries include the following acreage in Lea County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, N.M.P.M.

Section 35:	W/2 SW/4
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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. Pursuant to the provisions of Division Order No. R-4442 dated November 27, 1972, as amended, Chevron, as successor to Texaco, operates the Vacuum Grayburg-San Andres

Pressure Maintenance Project in the Vacuum Grayburg-San Andres Unit for the injection of water and carbon dioxide into the Grayburg and San Andres formations, Vacuum-Grayburg-San Andres Pool (62180).

3. Order No. R-4442-B authorizes tertiary recovery operations within the Vacuum Grayburg-San Andres Unit Pressure Maintenance Project and specifically provides:

Enhanced tertiary injection operations shall be accomplished through internally coated tubing installed in a packer set within approximately 100 feet of the uppermost injection perforations or casing shoe; the casing-tubing annulus shall be filled with an inert fluid and a gauge or approved leak-detection device shall be attached to the annulus in order to determine leakage in the casing; tubing or packer. (Order Paragraph 4, Order no. R-4442-B)

4. The following approved injection wells in the Vacuum Grayburg-San Andres Pressure Maintenance Project located in Section 2, Township 18 South, Range 34 East, NMPM, failed mechanical integrity surveys:

VGSAU Well No. 17 (API No. 30-25-24316) in January 2007

VGSAU Well No. 47 (API No. 30-25-24365) in October, 2007

5. Following the same remedial procedure that had been pre-approved by the Oil Conservation Division's District I Office for Chevron's remedial work in its Central Vacuum Unit, Chevron proposed and received pre-approval to remediate the casing problem in the VGSAU #17 by cementing the casing-tubing annulus and injecting down the casing. Chevron utilized the same remedial procedure in the VGSAU #47 well. The Division subsequently approved a Form C-103 (Sundry Notice and Report on Wells) for each well.

6. On June 5, 2009, Chevron filed a Subsequent Report providing the Division with additional information accidentally omitted from the July, 22, 2008 Sundry Notice filed on the VGSAU Well No. 47.

7. This Sundry Notice was denied by the Division on June 23, 2009 and on August 4, 2009, the Oil Conservation Division's Santa Fe Office through its Compliance and Enforcement Manager, wrote Chevron and instructed it to "comply with the existing orders as

written, or it may seek to amend the orders through the hearing process.”

8. Chevron ceased injection in the VGSAU #47 on May 22, 2009 following the verbal request of the Division’s District I Office. On July 15, 2009, via telephone conversation, Mr. Will Jones of the Division’s Santa Fe Office instructed Mr. Scott Ingram of Chevron that the other subject wells could remain active pending a hearing.

9. Since that time, Chevron has reviewed its New Mexico properties and located all wells that use this wellbore configuration. Chevron has identified these wells to the Division and has also conducted blanking plug tests of the tubing in each well to confirm its current integrity. These tests were coordinated with the Division. The first test was witnessed by Division I field representatives and the same process has been followed in conducting all subsequent tests.

10. Chevron seeks amendment of Order No. R-4442, as amended, to authorize the injection of fluids in this pressure maintenance project by cementing the casing-tubing annulus and injecting through the tubing.

11. Chevron further seeks amendment of the provisions in Order No. R-4442, as amended, to base the authorized injection pressure for carbon dioxide in this tertiary project on average reservoir pressure, like other tertiary recovery units in these formations, instead of the currently authorized surface pressure.

12. While reviewing its records, Chevron recognized that over time it had requested and received Division District I Office verbal approval to set the injection packer in certain wells more than 100 feet above the uppermost injection perforations or casing shoe.

13. In each case, prior to setting packers at these depths, Chevron reviewed the setting depth with the Division’s District I office and received the District Offices’ approval of the setting depth on a Division Sundry Notice Form.

14. Chevron seeks an exception to the provisions of Order No. R-4442, as amended, to authorize the setting depths of these packers.

15. Chevron will provide notice of this application pursuant to Oil Conservation Division rules and regulations.

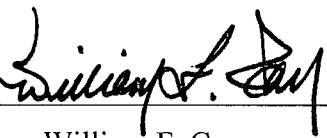
16. Approval of this application will afford Chevron the opportunity to produce its

just and equitable share of the remaining reserves in the Vacuum Grayburg-San Andres Unit Area and will otherwise be in the best interest of the conservation, the protection of correlative rights and the prevention of waste.

WHEREFORE, Chevron U.S.A. Inc. requests that this matter be set for hearing before a duly appointed Examiner of the Oil Conservation Division on November 13, 2009 and after notice and hearing as required by law, the Division enters its Order granting this application.

Respectfully submitted,

HOLLAND & HART LLP

By: 

William F. Carr
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Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR CHEVRON U.S.A. INC.

CASE 14402:

Application of Chevron U.S.A. Inc. for amendment of Division Order No. R-4442, as amended, to revise the injection well completion requirements and to change the basis for the calculation of the authorized injection pressure for carbon dioxide from surface pressure to the average reservoir pressure in its previously approved tertiary recovery project in the Vacuum Grayburg-San Andres Pressure Maintenance Project, Lea County, New Mexico. The Vacuum Grayburg-San Andres Tertiary Recovery Project encompasses portions of Section 35 of Township 17 South, Range 34 East and portions of Sections 1, 2, 11 and 12 of Township 18 South Range 34 East, N.M.P.M. Said unit is located approximately 22 miles northwest of Hobbs, New Mexico.