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December 16, 1996

Hand Delivered

Michael E. Stogner
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

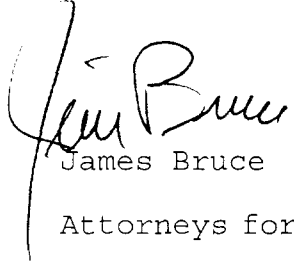
Re: Case 11665; Application of Exxon Corporation for a
Waterflood Project, etc.

Dear Mr. Stogner:

Enclosed is a proposed order in the above matter, together
with a disk containing the order and Exhibit A to the order. Exxon
is anxious to commence the project, and thus your attention to this
matter is appreciated.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY, L.L.P.


James Bruce

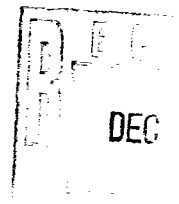
Attorneys for Exxon Corporation

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. 11665
Order No. R-_____

APPLICATION OF EXXON CORPORATION
FOR APPROVAL OF A WATERFLOOD
PROJECT AND TO QUALIFY SAID
PROJECT FOR THE RECOVERED OIL
TAX RATE PURSUANT TO THE
ENHANCED OIL RECOVERY ACT,
LEA COUNTY, NEW MEXICO.



(PROPOSED) ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 5, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of December, 1996, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Exxon Corporation, seeks authority to institute a cooperative lease waterflood project in the Oil Center - Blinbry Pool by the injection of produced water into said pool through selected perforated intervals from approximately 5800 feet to 6000 feet in two wells, which are to be drilled in Section 10, Township 26 South, Range 37 East, N.M.P.M.

(3) The applicant proposed that the project area consist of the following described fee leases and areas in Township 26 South, Range 37 East, N.M.P.M.:

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<u>Lease Name</u>	<u>Area</u>
Exxon J. D. Knox Lease	Section 10: E $\frac{1}{2}$
Exxon A. J. Adkins Lease	Section 10: S $\frac{1}{2}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, and SW $\frac{1}{4}$
Texaco A. J. Adkins Lease	Section 10: N $\frac{1}{2}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$

Although two leases cover the W $\frac{1}{2}$ of Section 10, royalty ownership is common thereunder

(4) Although Texaco will share in the benefits of the waterflood project, the applicant will bear the full cost of the project.

(5) The wells within the proposed project area are in an advanced state of depletion within the Oil Center-Blinebry Pool and should properly be classified as "stripper" wells.

(6) The proposed waterflood project should result in the recovery of otherwise unrecoverable oil within the Oil Center - Blinebry Pool, thereby preventing waste.

(7) The operator should take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

(8) Injection into each of the proposed injection wells should be accomplished through 2- $\frac{3}{8}$ inch internally plastic-lined tubing installed in a packer set approximately within 100 feet of the uppermost injection perforations; the casing-tubing annulus in each injection well should be filled with an inert fluid and a gauge or approved leak detection device should be attached to the annulus in order to determine leakage in the casing, tubing or packer.

(9) The injection wells or system should be equipped with a pressure control device or acceptable substitute which will limit the surface injection pressure to no more than 0.2 psi per foot of depth to the uppermost perforation. The Division Director should have the authority to administratively authorize a pressure limitation in excess of the above upon a showing by the operator that such higher pressure will not result in migration of waters from the Oil Center - Blinebry Pool.

(10) Prior to commencing injection operations into the proposed injection wells, the casing in each well should be pressure tested throughout the interval from the surface down to the proposed packer setting depth, to assure the integrity of such casing.

(11) The operator should give advance notification to the supervisor of the Hobbs district office of the Division of the date and time of the installation of injection equipment and of the mechanical integrity pressure tests in order that the same may be witnessed.

(12) The application should be approved and the project should be governed by the provisions of Rules 701 through 708 of the Oil Conservation Division Rules and Regulations.

(13) The applicant further requests that the subject waterflood project be approved by the Division as a qualified Enhanced Oil Recovery Project ("EOR") pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(14) The evidence presented indicates that the subject waterflood project meets all the criteria for EOR approval.

(15) The approved "project area" should comprise that area described in Finding Paragraph No. (3) above.

(16) To be eligible for the EOR credit, prior to commencing injection operations the operator must request from the Division a Certificate of Qualification, which Certificate will specify the proposed project area as described above.

(17) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the operator must apply to the Division for certification of a positive production response, which application shall identify the area actually benefitting from enhanced recovery operations, and identifying the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to the Department of Taxation and Revenue those lands and wells which are eligible for the credit.

(18) The injection authority granted herein for the proposed injection wells should terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject wells, provided, however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Exxon Corporation, is hereby authorized to institute a cooperative lease waterflood project in the Oil Center - Blinebry Pool by the injection of water into said pool through selected perforated intervals from approximately 5800 feet to 6000 feet in the two wells shown on Exhibit "A" attached hereto, located in Section 10, Township 26 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

(2) The project area shall consist of the following described leases and areas:

<u>Lease Name</u>	<u>Area</u>
Exxon J. D. Knox Lease	Section 10: E $\frac{1}{2}$
Exxon A. J. Adkins Lease	Section 10: S $\frac{1}{2}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, and SW $\frac{1}{4}$
Texaco A. J. Adkins Lease	Section 10: N $\frac{1}{2}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$

(3) The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or into the surface.

(4) Injection into the wells shown on Exhibit "A" shall be accomplished through 2- $\frac{3}{8}$ inch internally plastic-lined tubing installed in a packer set approximately within 100 feet of the uppermost injection perforations; the casing-tubing annulus in each injection well shall be filled with an inert fluid and a gauge or approved leak detection device should be attached to the annulus in order to determine leakage in the casing, tubing or packer.

(5) The injection wells or system shall be equipped with a pressure control device or acceptable substitute which will limit the surface injection pressure to no more than 0.2 psi per foot of depth to the uppermost perforation (as shown on Exhibit "A"). The

Division Director shall have the authority to administratively authorize a pressure limitation in excess of the above upon a showing by the operator that such higher pressure will not result in migration of waters from the Oil Center - Blinbry Pool.

(6) Prior to commencing injection operations into the wells shown on Exhibit "A", the casing in each well shall be pressure tested throughout the interval from the surface down to the proposed packer setting depth, to assure the integrity of such casing.

(7) The operator shall give advance notification to the supervisor of the Hobbs district office of the Division of the date and time of the installation of injection equipment and of the mechanical integrity pressure tests in order that the same may be witnessed.

(8) The operator shall immediately notify the supervisor of the Division's Hobbs district office of the failure of the tubing, casing, or packer in any of the injection wells, the leakage of water or oil from or around any producing well, or the leakage of water or oil from or around any plugged and abandoned well within the project area and shall take such steps as may be timely and necessary to correct such failure or leakage.

(9) The subject waterflood project is hereby designated the Exxon Knox-Adkins Cooperative Waterflood Project and shall be governed by the provisions of Rules 701 through 708 of the Division Rules and Regulations.

(10) Monthly progress reports of the waterflood project herein authorized shall be submitted to the Division in accordance with Rules 704 and 1120 of the Division Rules and Regulations.

FURTHERMORE:

(11) The subject waterflood project is hereby approved as an Enhanced Oil Recovery Project ("EOR") pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(12) The approved "project area" shall initially comprise that area described in Decretory Paragraph No. (2) above.

(13) To be eligible for the EOR credit, prior to commencing injection operations the operator must request from the Division a

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Order No. R- _____

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Certificate of Qualification, which certificate will specify the proposed project area as described above.

(14) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the operator must apply to the Division for certification of a positive production response, which application shall identify the area actually benefitting from enhanced recovery operations, and identifying the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented the Division will certify to the Department of Taxation and Revenue those lands and wells which are eligible for the credit.

(15) The injection authority granted herein for the proposed injection wells shall terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject wells, provided, however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

(16) Jurisdiction of this cause 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

(Seal)

EXHIBIT "A"

CASE NO. 11665
ORDER NO. R-_____

EXXON CORPORATION
PROPOSED WATER INJECTION WELLS
KNOX-ADKINS WATERFLOOD PROJECT

TOWNSHIP 26 SOUTH, RANGE 37 EAST, N.M.P.M.
LEA COUNTY, NEW MEXICO

<u>WELL NAME</u>	<u>LOCATION</u>	<u>PERFORATED INTERVAL</u>
J.D. Knox Well No. 14	2337' FSL+1543' FEL	5800-6000 feet
A.J. Adkins Well No. 11	1500' FNL+2266' FWL	5800-6000 feet