

**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. 12592

**APPLICATION OF TEXACO EXPLORATION AND
PRODUCTION, INC. FOR AMENDMENT OF DIVISION
ORDER NO. R-4442, AS AMENDED, TO AUTHORIZE A
TERTIARY RECOVERY PROJECT BY THE INJECTION
OF CARBON DIOXIDE IN ITS VACUUM GRAYBURG-SAN
ANDRES UNIT AREA, APPROVAL OF AMENDMENT OF
THE COOPERATIVE WATER INJECTION AGREEMENT
BETWEEN THE CENTRAL VACUUM UNIT AND THE
VACUUM GRAYBURG-SAN ANDRES UNIT, AND
QUALIFICATION OF THE PROJECT FOR THE RECOVERED
OIL TAX RATE PURSUANT TO THE ENHANCED OIL
RECOVERY ACT, LEA COUNTY, NEW MEXICO.**

OIL CONSERVATION DIV
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PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Holland & Hart LLP and Campbell & Carr, as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Texaco Exploration and Production, Inc.
Attention: Britton McQuien
Post Office Box 3109
Midland, Texas 79702
(915) 688.4488

ATTORNEY

William F. Carr, Esq.
Holland & Hart LLP and
Campbell & Carr
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988.4421

STATEMENT OF CASE

APPLICANT

Application of Texaco Exploration and Production Inc. for amendment of Division Order No. R-4442, as amended, to authorize a tertiary recovery project by the injection of carbon dioxide in its Vacuum Grayburg-San Andres Pressure Maintenance Project Area, approval of amendment of the cooperative water injection agreement between the Central Vacuum Unit and the Vacuum Grayburg-San Andres Unit, and qualification of the project for the Recovered Oil Tax Rate pursuant to the Enhanced Oil Recovery Act, Lea County New Mexico. Applicant seeks approval to institute a tertiary recovery project in its Vacuum Grayburg-San Andres Unit Pressure Maintenance Project Area by the injection of carbon dioxide into the Grayburg and San Andres formations in the Vacuum Grayburg-San Andres Pool. The Vacuum Grayburg-San Andres Pressure Maintenance 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 35 East. Applicant also seeks to increase the approved surface injection pressure for carbon dioxide injection in this project area to 1850 pounds. Applicant further seeks to qualify the project area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). Said unit is located approximately 22 miles northwest of Hobbs, New Mexico.

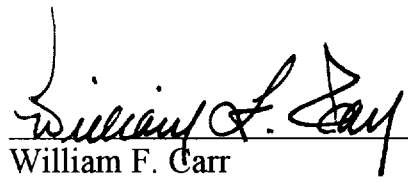
PROPOSED EVIDENCE

APPLICANT

| WITNESSES (Name and expertise) | EST. TIME | EXHIBITS |
|---------------------------------------|--------------------|-----------|
| Britton McQuien (Petroleum Engineer) | Approx. 25 Minutes | Approx. 9 |
| Darrell Carriger (Petroleum Engineer) | Approx. 15 Minutes | Approx. 1 |
| Steve Quillot (Petroleum Engineer) | Approx. 10 Minutes | Approx. 2 |

PROCEDURAL MATTERS

Texaco Exploration and Production, Inc. has none at this time.



William F. Carr
ATTORNEY FOR TEXACO EXPLORATION
AND PRODUCTION, INC.