

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

March 18, 2002

**HAND DELIVERED**

Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

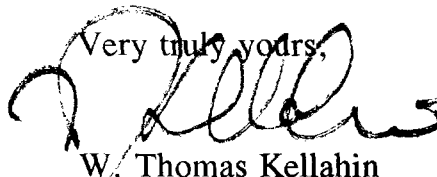
*Case 12849*

**Re: Application of Apache Corporation  
to amended Order R-11744 and to qualify  
this Grizzell Waterflood Project for the  
Enhanced Oil Tax credit.  
Lea County, New Mexico**

Dear Ms. Wrotenbery:

On behalf of Apache Corporation, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for April 18, 2002. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Apache Corporation  
Attn: Mark McClelland

**CASE 2849:** Application of Apache Corporation to Amend Order R-11744, Lea County, New Mexico. Applicant seeks to amend Order R-11744 to qualify this project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act. This project is it Grizzell Lease waterflood project located in SE/4 of Section 8, Township 22 South, Range 37 East, for the injection of water into the Grayburg formation of the Penrose Skelly Grayburg Pool from its Grizzell Well No. 11 located 1300 feet from the south line and 1139 feet from the east line of Section 8 through a perforated interval from 3580 feet to 3816 feet. The well is located approximately 3 miles south-southwest from Eunice, New Mexico.

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

**IN THE MATTER OF THE APPLICATION  
OF APACHE CORPORATION TO AMENDED  
ORDER R-11744 TO QUALIFY ITS GRIZZELL  
LEASE WATERFLOOD PROJECT FOR THE  
RECOVERED OIL TAX RATE PURSUANT  
TO THE "NEW MEXICO ENHANCED OIL  
RECOVERY ACT," LEA COUNTY, NEW MEXICO**

CASE NO 12849

**A P P L I C A T I O N**

Comes now APACHE CORPORATION ("Apache"), by its attorneys, Kellahin & Kellahin, and pursuant to the New Mexico "Enhanced Oil Recovery Act" and to Division Rule 701(G) seek to amend Order R-11744 to qualify its Grizzell Lease Waterflood Project for the recovered oil tax rate for enhanced oil recovery for the expanded use of enhanced oil recovery technology within this waterflood project:

And in support states:

(1) Apache is the current operator of the Grizzell Lease which includes the SE/4 of Section 8, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

(2) Apache proposes to institute waterflood operations for the Grizzell Lease:

(a) by injecting water into the Grayburg formation of the Penrose Skelly Grayburg Pool from its Grizzell Well No. 11, located 1300 feet from the south line and 1139 feet from the east line of Section 8, through a perforated interval from 3580 feet to 3816 feet; and

(b) increasing the recovery from:

Grizzell Well No. 01 (Unit J)  
Grizzell Well No. 02 (Unit I)  
Grizzell Well No. 03 (Unit O)  
Grizzell Well No. 04 (Unit p)

(3) Ultimate primary oil recovery from the Original Project Area has been 413,000 barrels of oil from 4 wells.

(4) The Project is currently producing at 2 BOPD from 1 active producer. Approximately 1450 barrels of oil remain to be recovered under the current mode of operations.

(5) The estimated amount of recoverable oil attributable to a Positive Production Response enhanced oil recovery technology for this Project Area is 100,000 barrels of additional oil.

(6) In accordance with Division Rule 701, Apache has submitted Division Form C-108.

(7) In accordance with Division Order R-9708, the following is submitted:

a. Operator's name and address:

Apache Corporation  
2000 Post Oak Boulevard Suite 100  
Houston, Texas 77056-4400

b. Description of the Project Area:

(1) Plat outlining Project Area:

See Exhibit "A"

(2) Description of the Project Area:

T22S, R37E NMPM  
Sec 8: SE/4

(3) Total acres in Project Area:

160 acres, more or less

(4) Name of the subject Pool and formation:

Grayburg formation of  
the Penrose Skelly Grayburg Pool

c. Status of operations in the project area:

(1) N/A

[if unitized, name of unit, date of unit approval  
and order number]

(2) N/A

[if application for unit approval pending supply  
date of filing]

d. Method of recovery to be used:

(1) injected fluids: water

(2) N/A

[approved water injection for original project  
area]

(3) December 18, 2001

[if project not approved provide date application  
was filed]

e. Description of the Project Area:

(1) a list of producing wells:

Grizzell Wells No. 1, 2, 3, 4

(2) a list of injection wells:

Grizzell Well No. 11

(3) Capital cost of additional facilities:

\$40,000

(4) Total Project Costs:

\$239,700

(5) Estimated total value of the additional  
production that will be recovered as a result of  
this Project Area:

An additional 100,000 barrels of oil with a  
current undiscounted value of \$490,000 dollars

(6) Anticipated date of commencement of injection:

as soon as possible after  
OCD approval, if granted.

(7) the type of fluid to be injected and the anticipated volumes:

water injected at an estimated  
rate of 500 to 1000 BWPD

(8) Explanation of changes in technology:

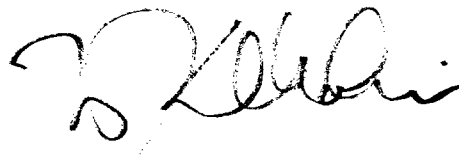
conversion from primary recovery  
to secondary (waterflood)  
recovery.

f. Production data:

Presented in Case 12785

Wherefore, Applicant requests that this application be set for hearing and that after  
said hearing, the Division enter its order approving this application.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized flourish at the end.

W. Thomas Kellahin  
KELLAHIN & KELLAHIN  
P.O. Box 2265  
Santa Fe, New Mexico 87504  
(505) 982-4285