

**PECOS PETROLEUM ENGINEERING, Inc.**  
**P.O. BOX 1794**  
**SUITE 536, 200 W. FIRST ST.**  
**ROSWELL, NEW MEXICO 88202**  
**505-624-2800**

July 25, 2001

Mr. Chris Williams  
New Mexico Oil and Gas Conservation Division  
1625 N. French Dr.  
Hobbs, New Mexico 88240

Re: Strata Production Company  
CO<sub>2</sub> Injection Test  
Stivason Federal #4  
Section 28P-T19S-R34E  
Lea County, New Mexico

Dear Mr. Williams:

Enclosed is the information on the CO<sub>2</sub> injection test that is proposed for the Stivason Federal #4 that we discussed on Monday, July 23 rd. Per our discussion, Sandia National Laboratory and Los Alamos National Laboratory are conducting a research project for the Department of Energy. This project will study the sequestration of CO<sub>2</sub> in a depleted oil reservoir as it pertains to the long term storage of CO<sub>2</sub> to reduce the effects of greenhouse gasses. Strata Production Company has agreed to allow their Stivason Federal #4 well to be used for this injection test.

A Cross well Seismic survey was run last spring to determine the basic seismic and reservoir parameters, and a reservoir characterization study and simulation have been done to determine reservoir parameters and to match the existing history. Strata hopes to learn more about the effects of CO<sub>2</sub> on the Queen Formation in this area and determine an effective secondary/tertiary recover strategy that may result in additional production from the Queen formation in this area.

The next phase of the project involves the injection of 2,000 to 3,000 tons of CO<sub>2</sub> into the main Queen sand from 4508' to 4531' and then running a series of 3-D and 4-D seismic surveys to attempt to identify the plume as it is injected into the reservoir. The injection volume will be 11,143 barrels to 16,714 barrels of CO<sub>2</sub>, injected at +/- 200 barrels per day with the injection pressure maintained below the fracturing gradient. The injection phase will last approximately 30 to 60 days depending on rates and pressures.

The Stivason Federal #4 will be equipped with a CIBP at 4650' to isolate the lower two sets of perforations from injection, ceramic coated injection tubing with a coated packer will be run and