

(20) The proposed pressure maintenance project expansion should be approved and the project should be governed by the provisions of Rule Nos. 701 through 708 of the Oil Conservation Division Rules and Regulations.

(21) The project allowable should be equal to the top unit allowable for the Teague (Simpson) Pool (275 barrels of oil per day) times the number of developed (production or injection) proration units within the project area. Unless additional producing or injection wells are drilled within the project area, the allowable should be established at 2,475 barrels of oil per day.

(22) The transfer of allowable between wells within the project area should be permitted.

(23) The injection authority granted herein for the wells described in Finding No. (4) above should terminate one year after the effective date of this order if the operator has not commenced injection operations into these wells, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

(24) The applicant further requested that the pressure maintenance project expansion area be approved by the Division as a qualified "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(25) The evidence presented indicates that the pressure maintenance expansion area meets all the criteria for approval.

(26) The approved expansion area should initially comprise the S/2 NE/4 of Section 34 and the S/2 NW/4 of Section 35.

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

(28) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the applicant must apply to the Division for certification of positive production response, which application shall identify the area actually benefitting from enhanced recovery operations and the specific wells 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 that are eligible for the credit.

**IT IS THEREFORE ORDERED THAT:**

(1) The applicant, Plains Petroleum Operating Company, is hereby authorized to expand its Hill-Caylus McKee Pressure Maintenance Project to include the S/2 NE/4 of Section 34 and the S/2 NW/4 of Section 35, both in Township 23 South, Range 37 East, NMPM, Lea County, New Mexico.

(2) The applicant is further authorized to inject into the McKee formation through the following described wells:

<u>Well Name &amp; Number</u>	<u>Well Location</u>	<u>Injection Interval</u>	<u>Packer Depth</u>
E. C. Hill "B" Federal Well No. 6	1980' FNL & 810' FWL Unit E, Section 35	9,158'-9,332'	9,070'
E. C. Hill "D" Federal Well No. 1	2131' FNL & 660' FEL Unit H, Section 34	9,114'-9,264'	9,015'

(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 onto the surface from injection, production, or plugged and abandoned wells.

(4) The injection of water into the above-described injection wells shall be accomplished through 2 3/8 inch internally plastic-lined tubing installed in a packer set within 100 feet of the uppermost injection perforations; the casing-tubing annulus in each well 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.

(5) Prior to the commencement of injection operations into the E. C. Hill "B" Federal Well No. 6, the Blinbry perforated interval from 5,316 feet to 5,781 feet shall be effectively isolated by cement squeeze.

(6) Prior to the commencement of injection operations into the E. C. Hill "D" Federal Well No. 1, the Abo perforated interval from 6,638 feet to 6,714 feet and 6,958 feet to 7,014 feet, and the Devonian perforated interval from 7,184 feet to 7,256 feet shall be effectively isolated by cement squeeze.

(7) Subsequent to the performance of remedial cement operations on the E. C. Hill "B" Federal Well No. 6 and the E. C. Hill "D" Federal Well No. 1, and prior to the commencement of injection operations into these wells, 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.