

**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. 11222
Order No. R-10345**

**APPLICATION OF YATES PETROLEUM CORPORATION
FOR CERTIFICATION OF A POSITIVE PRODUCTION
RESPONSE PURSUANT TO THE "NEW MEXICO ENHANCED
OIL RECOVERY ACT", LEA COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 6, 1995, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 13th day of April, 1995, 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, Yates Petroleum Corporation, seeks certification, pursuant to the Rules and Procedures for Qualifications of Enhanced Oil Recovery Projects and Certification for the Recovered Oil Tax Rate, as promulgated by Division Order No. R-9708, of a positive production response within its Sanmal Queen Unit Waterflood Project, Lea County, New Mexico.

(3) By Order No. R-9961, dated September 10, 1993, the Division:

- a) authorized Yates Petroleum Corporation to institute a waterflood project in its Sanmal Queen Unit Area which currently comprises the area described below;
- b) qualified the Sanmal Queen Unit Waterflood Project as an enhanced oil recovery project pursuant to "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

SANMAL QUEEN UNIT WATERFLOOD PROJECT AREA

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM

Section 1: SW/4, W/2 SE/4, NE/4 SE/4, and
S/2 NE/4

Section 12: N/2 NW/4

(4) The Division certified that the Sanmal Queen Unit Waterflood Project was approved as a qualified secondary recovery project to the New Mexico Taxation and Revenue Department on December 6, 1993.

(5) Evidence and testimony presented by the applicant indicates that water injection commenced within the project in August, 1994, through three initial injection wells.

(6) As of February, 1995, the water injection rate within the project was approximately 1,386 barrels per day. Cumulative injection as of February, 1995, was approximately 750,000 barrels of water.

(7) The Sanmal Queen Unit Area currently contains three injection wells and seven producing wells. The evidence presented indicates that the applicant is contemplating adding two additional injection wells within the project area.

(8) The production data submitted as evidence in this case indicates that a positive production response occurred within the Sanmal Queen Unit Waterflood Project on September 1, 1994.

(9) The positive production response has occurred within the five year time limit described in Division Order No. R-9708.

(10) The producing wells shown on Exhibit "A" attached hereto should be eligible for the reduced tax rate.

(11) The applicant should be required to notify the Division:

- a) of the change in status of any of the producing wells shown on Exhibit "A";
- b) in the event new producing wells are drilled within the unit;
- c) of changes in operations within the unit which may affect the certification and resulting reduced tax rate granted herein.

(12) Pursuant to the provisions of Division Order No. R-9708, the Division Director should notify the Secretary of the New Mexico Taxation and Revenue Department of the certification granted herein.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the Rules and Procedures for Qualifications of Enhanced Oil Recovery Projects and Certification for the Recovered Oil Tax Rate, as promulgated by Division Order No. R-9708, the application of Yates Petroleum Corporation for certification of a positive production response within its Sanmal Queen Unit Waterflood Project is hereby approved.

(2) All Sanmal-Queen Pool producing wells within the following described area, which currently number seven, as shown on Exhibit "A" attached hereto, shall be eligible for the recovered oil tax rate:

SANMAL QUEEN UNIT WATERFLOOD PROJECT AREA

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM

Section 1: SW/4, W/2 SE/4, NE/4 SE/4, and
S/2 NE/4

Section 12: N/2 NW/4

(3) Pursuant to the provisions of Division Order No. R-9708, the Division Director shall notify the Secretary of the New Mexico Taxation and Revenue Department of the certification granted herein.

(4) The applicant shall notify the Division:

- a) of the change in status of any of the producing wells shown on Exhibit "A";
- b) in the event new producing wells are drilled within the unit;
- c) of changes in operations within the unit which may affect the certification and resulting reduced tax rate granted herein.

(5) Jurisdiction is hereby 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 / by MES
WILLIAM J. LEMAY
Director

S E A L

EXHIBIT "A"
CASE NO. 11222
DIVISION ORDER NO. R-10345
SANMAL QUEEN UNIT PRODUCING WELLS

<u>API NO.</u>	<u>SQU WELL NO.</u>	<u>WELL LOCATION - UL-S-T-R</u>
30-025-29761	1	H-1-17S-33E
30-025-30175	2	L-1-17S-33E
30-025-29851	3	K-1-17S-33E
30-025-29685	4	J-1-17S-33E
30-025-29948	6	M-1-17S-33E
30-025-29860	7	N-1-17S-33E
30-025-29977	9	D-12-17S-33E