



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

April 28, 1995

Department of Taxation and Revenue
P.O. Box 630
Santa Fe, New Mexico 87509-0630

Attention: Mr. John Chavez, Secretary

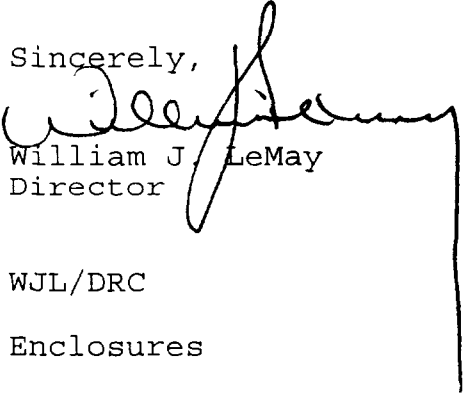
RE: Certification of a Positive
Production Response,
Yates Drilling Company
Cactus Queen (Voluntary) Unit
Waterflood Project Expansion Area

Dear Secretary Chavez:

Enclosed is a copy of Division Order No. R-10346 which was issued on April 13, 1995. This order certifies that a positive production response has occurred within the Cactus Queen (Voluntary) Unit Waterflood Project Expansion Area which is currently operated by Yates Drilling Company. In addition, this positive production response has occurred within the five year time limit as described within the "New Mexico Enhanced Oil Recovery Act". The Division has determined that all wells within the Expansion Area producing from the Southeast Chaves-Queen Gas Area Associated Pool are eligible for the recovered oil tax rate. These wells are shown on Exhibit "A" to Order No. R-10346.

For your convenience we have also enclosed a summary page showing all pertinent data. If additional information is required please advise.

Sincerely,


William J. LeMay
Director

WJL/DRC

Enclosures