



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

August 12, 1997

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Attn: Mr. John Brown

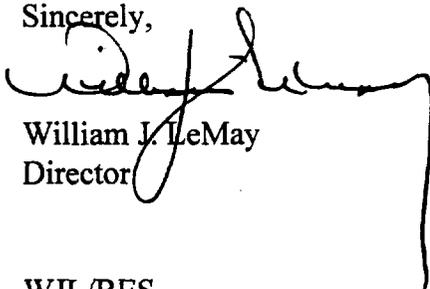
RE: Extension of Implementation Period for Administrative Order SWD-625.

Dear Mr. Brown:

Reference is made to your recent request for an extension period in which to implement operations as permitted by Division Order SWD-625. My staff has considered your request and we feel an extension is justified at this time.

Division Order SWD-625 is hereby extended for a period of six months. The permit will expire on February 15, 1998. During this extension period, please furnish drilling and/or any sundry reports to the Artesia district office of the Division.

Sincerely,



William J. LeMay
Director

WJL/BES

cc: Oil Conservation Division - Artesia
File: SWD-625 /

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

August 8, 1997

Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505

ATTENTION: Mr. Ben Stone

RE: Administrative Order SWD-625

Dear Ben:

Pursuant to our telephone conversation on August 7, 1997, I am writing to request that Administrative Order SWD-625 for the Kincaid Well No. 1 be reinstated. This order was issued on April 29, 1996, and expired on April 29, 1997.

When the C-108 was submitted in March, 1996, Yates Petroleum Corporation anticipated completing a SWD on this location within weeks. Almost immediately upon receiving the approved Administrative Order, we had to shut in some oil and gas production that resulted in a large reduction of produced water, and that in turn eliminated the need for the construction of an additional SWD. However, within the last few months, Yates Petroleum Corporation has drilled some additional wells and resumed production of the shut in wells. Once again, water disposal capacity presents a problem.

The Kincaid No. 1 Well remains an excellent candidate for a SWD. It is in a remote area and no changes have occurred within the 1/2 mile radius. Your concurrence and approval of this request will be certainly be appreciated. If you require further information, please do not hesitate to call me at 505-748-4219.

Thank you again for your assistance with this matter.

Sincerely,

A handwritten signature in black ink that reads 'John F. Brown'.

John F. Brown
Operations Engineer

JFB:rk

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TREASURER

January 16, 1998

Mr. Ben Stone
New Mexico Oil Conservation Division
2040 S. Pacheco Str.
Santa Fe, NM 87505-5472

Re: Kincaid No. 1 SWD - Administrative Order SWD-625

Dear Ben,

In August of 1997, we requested and were granted an extension of time for the installation of an SWD at the Kincaid No. 1 well. At that time, YPC and Agave Energy had submitted a revision of the Air Permit for the Agave Amine Plant that is located about a mile north of the Kincaid No. 1. Our plans are to permit an operation at the Kincaid No. 1 SWD that will include mixing acid gas with produced water, and then injecting it downhole. We anticipated that this Air Permit application would be reviewed and approved within the six month time frame of the extension you allowed us on Order No. SWD-625. However, the New Mexico Air Quality Bureau took issue with the permit revision and only last week, ruled the application complete. This means that they still have to review, check and approve the application. That process will probably take several more months to complete, which means that we will not start the SWD project until later this year.

My request to you is that instead of voiding the SWD permit or giving us another extension, you would allow the Order SWD-625 to remain dormant until such time that we have received an approved Air Permit and are ready to start the Injection Project.

Also, I need to know what you are going to require in order to approve the injection of acid gas mixed with produced water. Will this be a separate permit, or is it an amendment to the SWD Order? Your guidance on this issue will be appreciated.

Thank you for your assistance with this matter, and if you require further information, please do not hesitate to call me at (505) 748-4219.

Sincerely,

A handwritten signature in black ink, appearing to read 'John F. Brown', written over a horizontal line.

John F. Brown
Facilities Engineer