

# YATES DRILLING COMPANY

105 SOUTH FOURTH STREET — (505) 748-1471

FAX (505) 746-6480

TELEX 508891 (YPCART)

ARTESIA, NEW MEXICO 88210

OIL CONSERVATION DIVISION

RECEIVED

'94 MAY 23 AM 8 50

PEYTON YATES

PRESIDENT

S. P. YATES

VICE PRESIDENT

RANDY G. PATTERSON

SECRETARY

DENNIS G. KINSEY

TREASURER

May 19, 1994

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy  
Minerals and Natural Resources  
P. O. Box 2088  
Santa Fe, NM 87504-2088

**CERTIFIED MAIL**

**RETURN RECEIPT REQUESTED**

RE: Yates Drilling Company's Application for  
Positive Production Response Certification  
Cactus Queen (Voluntary) Unit  
Chaves County, New Mexico

Dear Mr. LeMay:

Yates Drilling Company hereby makes application for Certification of a Positive Production Response in its Cactus Queen (Voluntary) Unit. Attached hereto is Yates Drilling Company's report dated May 12, 1994, which complies with all requirements of Rule E2a of the Rules and Procedures for Qualifications of Enhanced Oil Recovery Projects and Certification for the Recovered Oil Tax Rate promulgated by Division Order No. R-9708 on August 27, 1992. As you will note, this report contains all required plats, graphs and supporting data and demonstrates that a positive production response to Yates Drilling Company's waterflood operations in this unit was achieved by November 1, 1993. Also enclosed are (1) a copy of Division Order No. R-9075-B-1, which approved this Enhanced Oil Recovery Project for the Recovered Oil Tax Rate, and (2) a draft of a Certification of Positive Production Response.

Yates Drilling Company requests that, pursuant to the provisions of Rule E2(3)c, the Division certify that the Positive Production Response has occurred in this unit and notify the Secretary of the Taxation and Revenue Department of this Certification of a Positive Production Response effective November 1, 1993.

Your attention to this application is appreciated.

Very truly yours,

YATES DRILLING COMPANY

Douglas W. Hurlbut  
Landman

DWH/jrw  
Enclosure

**YATES DRILLING COMPANY  
CACTUS QUEEN (VOLUNTARY) UNIT  
CERTIFICATION OF POSITIVE PRODUCTION RESPONSE**

**May 12, 1994**

The subject unit was originally defined by New Mexico Oil Conservation Division Order No. R-9075-B. The subsequent expansion of the unit was approved by NMOCD Order No. R-9075-B-1. The NMOCD also found that the expansion area should qualify as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Finding 11, Order No. R-9075-B-1). This project was certified by the NMOCD as an "Enhanced Oil Recovery Project" with an effective date of April 30, 1993.

The expansion area of the unit consists of five (5) injection wells and four (4) producing wells for a total of nine (9) wells. All of these wells had been drilled and were producing by the end of 1984, except for the No. 15 well, which first produced in August, 1993. The nine (9) wells are identified as wells 7 -15 on the attached map know as EXHIBIT - 1.

Injection began into each of the five (5) injection wells during the month of June, 1993. Each of the wells have been continuously utilized as injection wells since that time. Cumulative injection through March, 1994 totals 370,779 barrels of water, for an average of 74,156 barrels of water injected per injection well. A table containing the monthly and total water injection volumes, broken down by well, is attached and identified as EXHIBIT - 2.

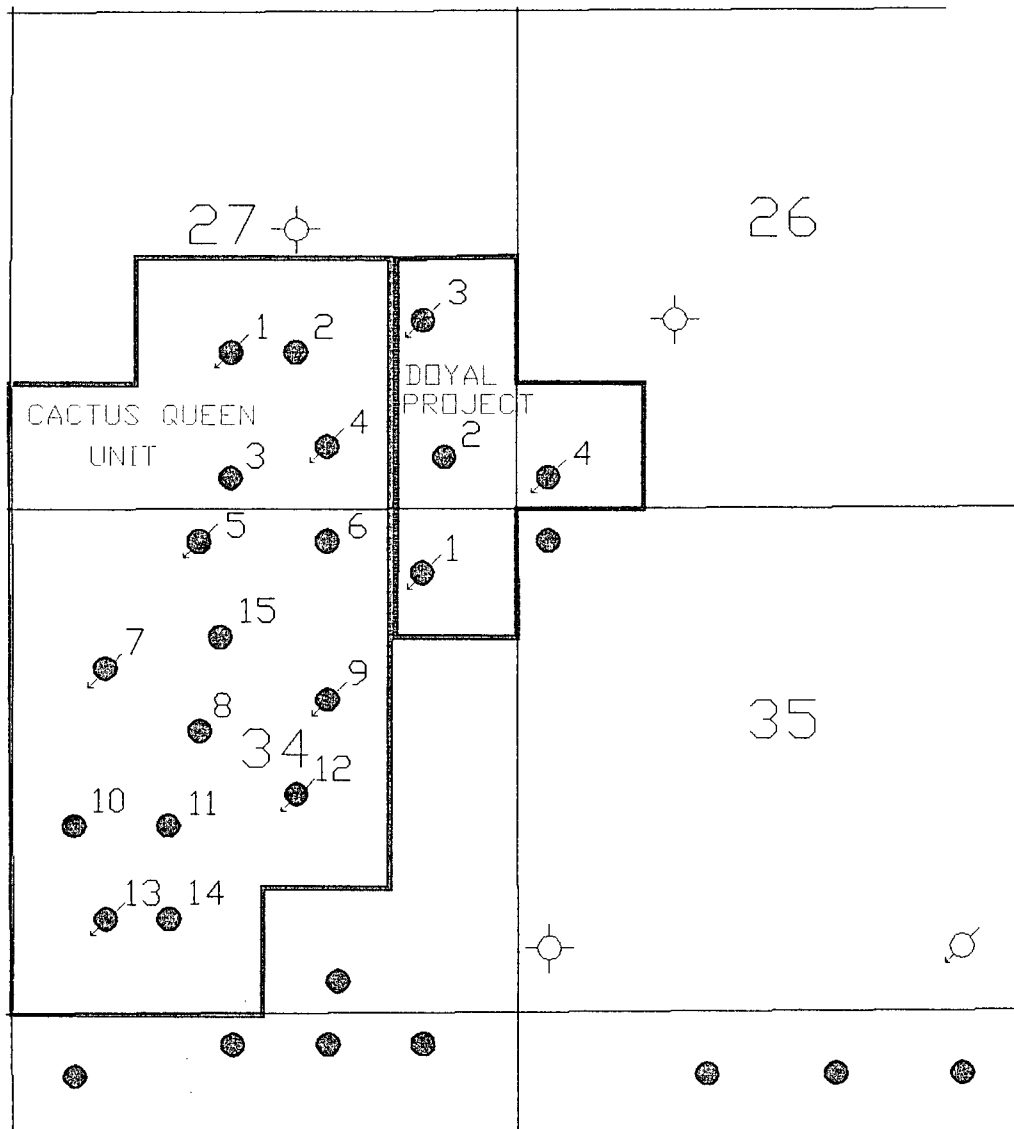
Production of oil from the expansion area has been continuos since the first well was drilled in 1983. Oil production from each of the original wells in this area declined as expected during primary production. Oil production peaked in 1984 while averaging 6,035 barrels per month. By 1992 the expansion area only averaged 340 barrels of oil per month. Production continued to decline after 1992, until it reached a low of 155 barrels for the month of June, 1993. Verification of the production decline and recent increase can be found in EXHIBIT - 3. This exhibit contains individual and summary oil production figures, by month, for each of the wells in the expansion area.

Significant positive production response, in each individual producing well, was first noticed during the period of September to November, 1993. In November, 1993 oil production from the area had increased to 1,361 barrels. Since November, 1993 production has continued to increase, evidenced by the 1,947 barrels of oil produced in March, 1994. A production curve identified as EXHIBIT - 4 is attached which shows the response that has been seen in the expansion area.

The data provided herein exhibits undeniable proof that the Cactus Queen (Voluntary) Unit has experienced positive production response. The project has been certified as an "Enhanced Oil Recovery Project." Accordingly, all oil production since November, 1993 should qualify for the "Recovered Oil Tax Rate" pursuant to the provisions of the "New Mexico Enhanced Oil Recovery Act."

Tobin L. Rhodes  
Petroleum Engineer

T-12-S R-31-E



YATES DRILLING COMPANY

EXHIBIT - 1

CACTUS QUEEN (VOLUNTARY) UNIT

Toby Rhodes		5/13/94
	1' = 2000'	

## EXHIBIT - 2

Cactus Queen (Voluntary) Unit  
Expansion Area Injection  
Barrels of Water Injected

	CQU #7	CQU #8	CQU #9	CQU #10	CQU #11	CQU #12	CQU #13	CQU #14	CQU #15	TOTAL
Jun-93	8,196	0	6,140	7,099	0	6,154	6,267	0	0	33,856
Jul-93	7,275	0	5,468	7,810	0	5,696	3,685	0	0	29,934
Aug-93	9,650	0	5,830	7,221	0	6,577	6,768	0	0	36,046
Sep-93	7,542	0	4,532	10,502	0	6,021	9,225	0	0	37,822
Oct-93	10,927	0	4,741	9,749	0	4,422	11,235	0	0	41,074
Nov-93	11,101	0	4,245	9,996	0	3,993	10,495	0	0	39,830
Dec-93	10,029	0	5,518	10,805	0	5,803	8,206	0	0	40,361
Jan-94	10,695	0	4,293	12,745	0	6,992	8,084	0	0	42,809
Feb-94	6,744	0	2,950	9,103	0	4,700	7,242	0	0	30,739
Mar-94	9,963	0	3,021	11,268	0	3,820	10,236	0	0	38,308
<b>TOTALS</b>	<b>92,122</b>	<b>0</b>	<b>46,738</b>	<b>96,298</b>	<b>0</b>	<b>54,178</b>	<b>81,443</b>	<b>0</b>	<b>0</b>	<b>370,779</b>

**EXHIBIT - 3**  
**Cactus Queen (Voluntary) Unit**  
**Expansion Area Production**  
**Barrels of Oil Produced**

	CQU #7	CQU #8	CQU #9	CQU #10	CQU #11	CQU #12	CQU #13	CQU #14	CQU #15	TOTAL
Jul-83	0	0	0	345	0	0	0	0	0	345
Aug-83	0	0	0	0	0	0	0	0	0	0
Sep-83	0	0	0	698	0	0	0	0	0	698
Oct-83	0	0	0	2	0	0	0	0	0	2
Nov-83	0	0	0	464	0	0	0	0	0	464
Dec-83	0	0	0	402	0	0	0	604	0	1,006
Jan-84	0	0	0	365	0	0	0	785	0	1,150
Feb-84	0	0	0	181	0	0	702	697	0	1,580
Mar-84	0	0	0	620	3,174	0	746	740	0	5,280
Apr-84	0	2,222	0	220	2,791	0	574	569	0	6,376
May-84	286	2,300	0	91	2,480	1,965	660	654	0	8,436
Jun-84	214	2,809	0	71	1,942	1,203	500	496	0	7,235
Jul-84	1,240	1,858	0	80	2,338	1,283	488	484	0	7,771
Aug-84	1,124	1,684	720	80	2,317	1,193	483	479	0	8,080
Sep-84	1,020	1,528	845	80	2,063	1,266	389	386	0	7,577
Oct-84	1,128	1,691	809	40	1,543	1,211	323	320	0	7,065
Nov-84	679	1,017	1,010	35	1,339	1,375	425	421	0	6,301
Dec-84	971	1,455	557	40	1,166	758	311	308	0	5,566
Jan-85	786	1,178	460	40	1,121	623	360	356	0	4,924
Feb-85	710	1,063	420	26	746	568	199	197	0	3,929
Mar-85	666	998	410	32	926	555	260	258	0	4,105
Apr-85	381	570	244	0	844	330	198	197	0	2,764
May-85	590	881	399	23	650	540	84	84	0	3,251
Jun-85	578	863	314	23	649	426	215	215	0	3,283
Jul-85	578	863	286	27	762	387	246	246	0	3,395
Aug-85	570	850	280	24	700	377	217	218	0	3,236
Sep-85	489	728	236	20	605	318	176	216	0	2,788
Oct-85	500	745	232	18	536	312	168	206	0	2,717
Nov-85	439	653	205	16	481	276	156	192	0	2,418
Dec-85	414	648	205	15	624	277	148	183	0	2,514
Jan-86	372	581	188	15	531	253	142	175	0	2,257
Feb-86	322	503	133	13	436	179	102	125	0	1,813
Mar-86	392	613	175	15	409	236	96	117	0	2,053
Apr-86	376	587	157	7	410	211	101	123	0	1,972
May-86	359	560	165	5	360	222	145	177	0	1,993
Jun-86	348	542	155	5	281	169	115	140	0	1,755
Jul-86	349	543	157	5	286	171	109	132	0	1,752
Aug-86	268	416	130	4	211	142	93	113	0	1,377
Sep-86	173	269	106	0	163	116	87	106	0	1,020
Oct-86	343	534	150	0	283	164	96	116	0	1,686
Nov-86	313	486	154	0	342	168	98	119	0	1,680
Dec-86	307	476	173	5	348	188	125	151	0	1,773
Jan-87	276	427	125	0	296	136	101	123	0	1,484
Feb-87	264	409	113	0	303	123	61	74	0	1,347
Mar-87	243	377	139	0	287	152	78	94	0	1,370
Apr-87	142	22	136	0	221	149	69	70	0	809
May-87	310	480	243	0	142	267	92	92	0	1,626
Jun-87	224	348	156	0	210	172	63	63	0	1,236

### EXHIBIT - 3

Cactus Queen (Voluntary) Unit  
Expansion Area Production  
Barrels of Oil Produced

	CQU #7	CQU #8	CQU #9	CQU #10	CQU #11	CQU #12	CQU #13	CQU #14	CQU #15	TOTAL
Jul-87	219	339	104	0	234	115	84	84	0	1,179
Aug-87	209	324	148	0	273	162	95	96	0	1,307
Sep-87	216	334	111	0	199	122	77	77	0	1,136
Oct-87	205	317	115	0	226	126	52	53	0	1,094
Nov-87	158	244	129	0	207	142	70	71	0	1,021
Dec-87	185	285	110	0	177	122	77	77	0	1,033
Jan-88	124	190	127	0	130	141	44	44	0	800
Feb-88	165	253	104	0	246	116	70	70	0	1,024
Mar-88	173	265	126	0	193	140	65	65	0	1,027
Apr-88	167	255	98	0	221	109	60	60	0	970
May-88	118	181	102	0	189	114	54	53	0	811
Jun-88	163	250	104	0	177	116	57	57	0	924
Jul-88	144	222	109	0	185	123	39	40	0	862
Aug-88	132	203	81	0	180	90	59	59	0	804
Sep-88	136	209	98	0	140	109	58	28	0	778
Oct-88	133	205	124	0	117	137	52	25	0	793
Nov-88	118	181	92	0	79	101	96	46	0	713
Dec-88	152	232	87	0	110	96	37	18	0	732
Jan-89	88	135	91	0	87	101	42	20	0	564
Feb-89	115	176	68	0	77	76	46	22	0	580
Mar-89	122	186	71	0	78	79	58	27	0	621
Apr-89	109	165	75	0	76	83	59	28	0	595
May-89	86	129	43	0	60	47	50	23	0	438
Jun-89	66	99	80	0	62	88	47	22	0	464
Jul-89	71	106	80	0	48	87	52	24	0	468
Aug-89	71	106	70	0	59	77	50	23	0	456
Sep-89	70	104	52	0	48	54	41	19	0	388
Oct-89	60	90	37	0	99	38	76	35	0	435
Nov-89	100	151	38	0	85	39	51	23	0	487
Dec-89	96	144	38	0	95	38	55	26	0	492
Jan-90	97	145	81	0	91	81	45	21	0	561
Feb-90	69	102	65	0	62	65	44	20	0	427
Mar-90	85	125	49	0	53	50	44	20	0	426
Apr-90	69	102	44	0	50	45	30	14	0	354
May-90	46	69	49	0	58	50	40	19	0	331
Jun-90	138	123	62	0	139	63	50	24	0	599
Jul-90	118	105	63	0	98	64	32	15	0	495
Aug-90	107	96	59	0	76	60	34	16	0	448
Sep-90	101	90	68	0	43	68	24	12	0	406
Oct-90	97	87	48	0	64	48	29	15	0	388
Nov-90	59	53	28	0	57	29	26	14	0	266
Dec-90	62	56	44	0	39	45	22	12	0	280
Jan-91	66	59	35	0	68	36	23	12	0	299
Feb-91	52	46	88	0	41	89	41	21	0	378
Mar-91	92	81	56	0	46	56	38	20	0	389
Apr-91	80	70	65	0	72	65	30	15	0	397
May-91	97	85	80	0	97	81	22	11	0	473
Jun-91	67	58	60	0	70	61	29	15	0	360

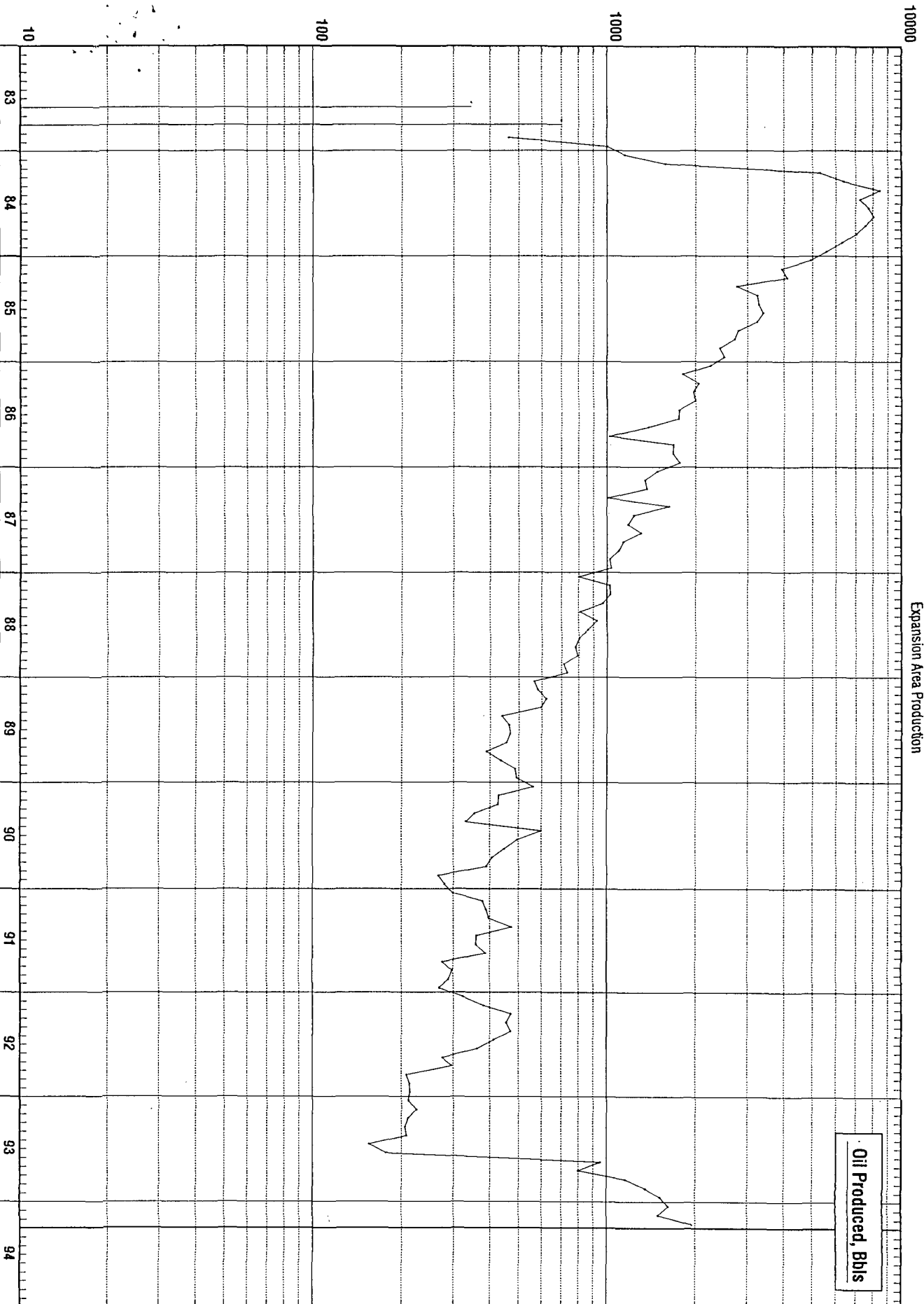
### EXHIBIT - 3

Cactus Queen (Voluntary) Unit  
Expansion Area Production  
Barrels of Oil Produced

	CQU #7	CQU #8	CQU #9	CQU #10	CQU #11	CQU #12	CQU #13	CQU #14	CQU #15	TOTAL
Jul-91	66	57	62	0	63	63	31	16	0	358
Aug-91	71	60	71	0	57	72	36	19	0	386
Sep-91	51	44	48	0	44	49	26	14	0	276
Oct-91	35	30	79	0	46	80	18	10	0	298
Nov-91	42	36	69	0	44	69	19	10	0	289
Dec-91	38	32	68	0	37	69	16	8	0	268
Jan-92	38	32	87	0	44	87	23	12	0	323
Feb-92	75	64	69	0	68	69	23	12	0	380
Mar-92	111	94	56	3	87	56	43	22	0	472
Apr-92	29	131	65	37	60	65	17	50	0	454
May-92	32	148	86	0	73	87	11	33	0	470
Jun-92	33	149	53	0	69	53	14	41	0	412
Jul-92	29	132	58	0	47	58	9	29	0	362
Aug-92	18	84	56	0	35	56	6	21	0	276
Sep-92	21	97	63	0	29	64	5	17	0	296
Oct-92	9	42	51	0	32	52	5	17	0	208
Nov-92	17	74	32	0	36	32	5	17	0	213
Dec-92	16	67	39	0	31	40	5	16	0	214
Jan-93	15	62	37	0	40	38	5	14	0	211
Feb-93	0	111	10	0	71	9	0	24	0	225
Mar-93	0	121	0	0	69	0	0	21	0	211
Apr-93	0	111	0	0	64	0	0	31	0	206
May-93	0	123	0	0	58	0	0	27	0	208
Jun-93	0	92	0	0	43	0	0	20	0	155
Jul-93	0	59	0	0	59	0	0	59	0	177
Aug-93	0	59	0	0	59	0	0	59	775	952
Sep-93	0	48	0	0	42	0	0	68	640	798
Oct-93	0	92	0	0	80	0	0	131	858	1,161
Nov-93	0	151	0	0	131	0	0	213	866	1,361
Dec-93	0	182	0	0	158	0	0	257	927	1,524
Jan-94	0	198	0	0	171	0	0	280	975	1,624
Feb-94	0	206	0	0	178	0	0	292	825	1,501
Mar-94	0	311	0	0	269	0	0	439	928	1,947
<b>TOTALS</b>	<b>24,963</b>	<b>45,708</b>	<b>15,302</b>	<b>4,192</b>	<b>43,091</b>	<b>23,673</b>	<b>12,494</b>	<b>15,531</b>	<b>6,794</b>	<b>191,748</b>

# EXHIBIT - 4

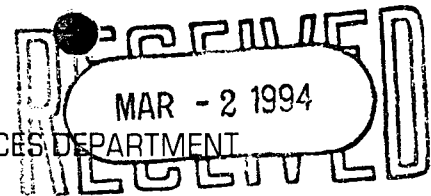
Cactus Queen (Voluntary) Unit  
Expansion Area Production







STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION



BRUCE KING  
GOVERNOR

ANITA LOCKWOOD  
CABINET SECRETARY

February 25, 1994

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

Yates Drilling Company  
105 South Fourth Street  
Artesia, NM 88210

Attention: Doug Hulbut  
Toby Rhodes

**CERTIFICATION OF ENHANCED OIL RECOVERY PROJECT  
FOR RECOVERED OIL TAX RATE**

The New Mexico Oil Conservation Division hereby certifies that the following Enhanced Oil Recovery Project has been approved by the Division as a secondary project, pursuant to the provisions of the *New Mexico Enhanced Oil Recovery Act* (Laws of 1992, Chapter 38). In order to qualify for the *Recovered Oil Tax Rate*, you must apply for certification of positive production response within five years from the date of this certification. Only production from that portion of the project area identified herein which is actually developed for enhanced recovery will qualify for the reduced tax rate.

If operation of this project is terminated for any reason, the operator of the project must notify this Division and the Secretary of the Taxation and Revenue Department not later than the thirtieth day after termination.

NAME OF PROJECT: Cactus Queen (Voluntary) Unit

OCD ORDER NO. R-9075-B-1

OPERATOR: Yates Drilling Company  
ADDRESS: 105 South Fourth Street  
Artesia, NM 88210

Attention: Doug Hulbut and

CERTIFICATION DATE: April 30, 1993

*EOR Project Certification*  
*Cactus Queen (Voluntary) Unit*

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PROJECT AREA:

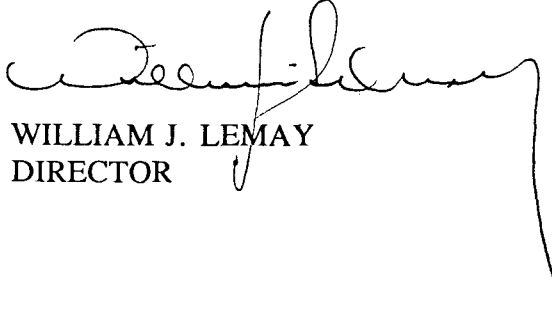
TOWNSHIP 12 SOUTH, RANGE 31 EAST, NMPM

Section 27: NE/4 SW/4, S/2 SW/4 and W/2 SE/4

Section 34: W/2, W/2 NE/4 and NW/4 SE/4

APPROVED BY:

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY  
DIRECTOR

S E A L

May 19, 1994

Attention: Doug Hurlbut  
Tobin L. Rhodes  
Yates Drilling Company  
105 South Fourth Street  
Artesia, NM 88210

**POSITIVE PRODUCTION RESPONSE CERTIFICATION  
CACTUS QUEEN (VOLUNTARY) UNIT**

The New Mexico Oil Conservation Division hereby certifies that a positive production response to waterflood operations was obtained in the Cactus Queen (Voluntary) Unit expansion area. Production from that portion qualifies for the Recovered Oil Tax Rate authorized by the New Mexico *Enhanced Oil Recovery Act* (Laws of 1992, Chapter 3)

If operation of this project is terminated for any reason, the operator of the project must notify this Division and the Secretary of the Taxation and Revenue Department not later than the thirtieth day after termination.

NAME OF PROJECT: Cactus Queen (Voluntary) Unit Project  
OCD ORDER NO: R-9075-B-1  
OPERATOR: Yates Drilling Company  
ADDRESS: 105 South Fourth Street  
Artesia, NM 88210  
Attn: Doug Hurlbut and Tobin L. Rhodes

POSITIVE PRODUCTION  
RESPONSE DATE: November 1, 1993

**PROJECT AREA**

Township 12 South, Range 31 East, NMPM  
Section 27: NE/4SW/4, S/2SW/4 and W/2SE/4  
Section 34: W/2, W/2NE/4 and NW/4SE/4

APPROVED BY: STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY  
Director

S E A L



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

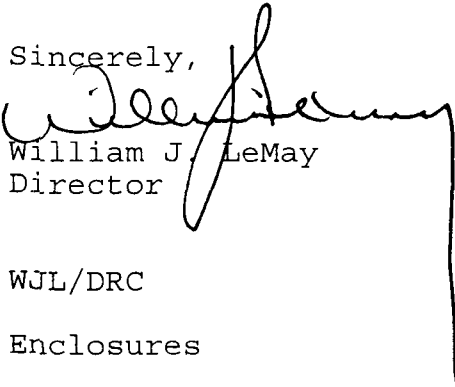
RE: Certification of a Positive  
Production Response,  
Yates Drilling Company  
Cactus Queen (Voluntary) Unit  
Waterflood Project Expansion Area

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

POSITIVE PRODUCTION RESPONSE DATA  
CACTUS QUEEN (VOLUNTARY) UNIT WATERFLOOD PROJECT EXPANSION AREA

NAME OF PROJECT

Cactus Queen (Voluntary) Unit Waterflood Project  
Expansion Area

OPERATOR

Yates Drilling Company  
105 South Fourth Street  
Artesia, New Mexico 88210  
Attention: Mr. Douglas W. Hurlbut

POOL

Southeast Chaves-Queen Gas Area Associated Pool

OCD ORDER NO. APPROVING WATERFLOOD PROJECT & DATE

R-9075-B-1, January 26, 1993

PROJECT AREA (EXPANSION AREA)

TOWNSHIP 12 SOUTH, RANGE 31 EAST, NMPM  
Section 34: SW/4, SW/4 NE/4, S/2 NW/4,  
and NW/4 SE/4

DATE WATER INJECTION COMMENCED

June, 1993

DATE CERTIFIED PROJECT TO TAXATION & REVENUE

February 25, 1994 (Effective Date: April 30, 1993)

DATE POSITIVE PRODUCTION RESPONSE OCCURRED

November 1, 1993

CURRENT NUMBER OF WELLS WITHIN PROJECT AREA

Injection: 5  
Production: 4

**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. 11223  
Order No. R-10346**

**APPLICATION OF YATES DRILLING COMPANY  
FOR CERTIFICATION OF A POSITIVE PRODUCTION  
RESPONSE PURSUANT TO THE "NEW MEXICO ENHANCED  
OIL RECOVERY ACT", CHAVES 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 Drilling Company, 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 the "Expansion Area" of the Cactus Queen (Voluntary) Unit Waterflood Project, Chaves County, New Mexico, hereinafter referred to as the Cactus Queen (Voluntary) Unit Waterflood Project Expansion Area or "Expansion Area".

(3) By Order No. R-9075-B-1, dated January 26, 1993, the Division:

- a) authorized Yates Drilling Company to expand its Cactus Queen (Voluntary) Unit Waterflood Project to include the "Expansion Area" described below:

- b) qualified the "Expansion Area" as an enhanced oil recovery project pursuant to "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

CACTUS QUEEN (VOLUNTARY) UNIT WATERFLOOD PROJECT  
EXPANSION AREA

TOWNSHIP 12 SOUTH, RANGE 31 EAST, NMPM

Section 34: SW/4, SW/4 NE/4, S/2 NW/4,  
NW/4 SE/4

(4) The Division certified that the Cactus Queen (Voluntary) Unit Waterflood Project Expansion Area was approved as a qualified secondary recovery project to the New Mexico Taxation and Revenue Department on February 25, 1994, with an effective date of April 30, 1993.

(5) Evidence and testimony presented by the applicant indicates that water injection commenced within the "Expansion Area" in June, 1993, through five initial injection wells.

(6) As of March, 1994, the water injection rate within the "Expansion Area" was approximately 1,235 barrels per day. Cumulative injection as of February, 1995, was approximately 794,000 barrels of water.

(7) The Cactus Queen (Voluntary) Unit Waterflood Project Expansion Area currently contains five injection wells and four producing wells.

(8) The production data submitted as evidence in this case indicates that a positive production response occurred within the Cactus Queen (Voluntary) Unit Waterflood Project Expansion Area on November 1, 1993.

(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 Drilling Company for certification of a positive production response within its Cactus Queen (Voluntary) Unit Waterflood Project Expansion Area, Chaves County, New Mexico, is hereby approved.

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

**CACTUS QUEEN (VOLUNTARY) UNIT WATERFLOOD PROJECT  
EXPANSION AREA**

**TOWNSHIP 12 SOUTH, RANGE 31 EAST, NMPM**

Section 34: SW/4, SW/4 NE/4, S/2 NW/4,  
NW/4 SE/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.



CASE NO. 11223  
Order No. R-10346  
Page -4-

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(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

CASE NO. 11223  
Order No. R-10346  
Page -5-

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EXHIBIT "A"  
CASE NO. 11223  
DIVISION ORDER NO. R-10346  
CACTUS QUEEN (VOLUNTARY) UNIT WATERFLOOD PROJECT  
EXPANSION AREA PRODUCING WELLS

<u>API NO.</u>	<u>COVUWPEA WELL NO.</u>	<u>WELL LOCATION - UL-S-T-R</u>
30-005-20952	8	F-34-12S-31E
30-005-20942	11	K-34-12S-31E
30-005-20920	14	N-34-12S-31E
30-005-21116	15	F-34-12S-31E



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

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

December 11, 1996

Yates Drilling Company  
105 South Fourth Street  
Artesia, New Mexico 88210

Attn: Ms. Karen J. Leishman

***RE: Injection Pressure Increase  
Cactus Queen Unit EOR Waterflood Project  
Lea County, New Mexico.***

Dear Ms. Leishman:

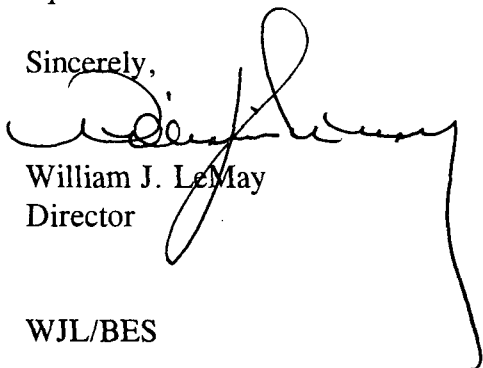
Reference is made to your request dated November 4, 1996 to increase the surface injection pressure on one well in the above referenced project. This request is based on a step rate test conducted on October 7, 1996 on this well. The results of the test have been reviewed by my staff and we feel an increase in injection pressures on this well is justified at this time.

You are therefore authorized to increase the surface injection pressure on the following well:

<i>Well and Location</i>	<i>Maximum Injection Surface Pressure</i>
Cactus Queen Unit Well No.14 Section 34, Township 12 South, Range 31 East, NMPM	1219 PSIG
Located in Chaves County, New Mexico.	

The Division Director may rescind this injection pressure increase if it becomes apparent that the injected water is not being confined to the injection zone or is endangering any fresh water aquifers.

Sincerely,



William J. LeMay  
Director

WJL/BES

cc: Oil Conservation Division - Artesia  
Files: Case File No.10642; EOR-4; PSI-X 1st QTR 97



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

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

December 4, 1996

Yates Drilling Company  
105 South Fourth Street  
Artesia, New Mexico 88210

Attn: Ms. Karen J. Leishman

**RE: Injection Pressure Increase  
Cactus Queen Unit EOR Waterflood Project  
Lea County, New Mexico.**

Dear Ms. Leishman:

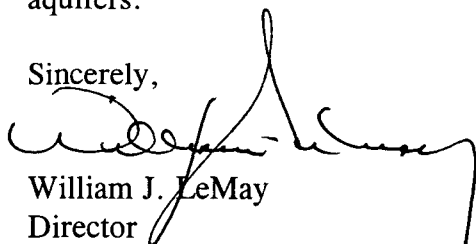
Reference is made to your request dated November 4, 1996 to increase the surface injection pressure on one well in the above referenced project. This request is based on a step rate test conducted on October 7, 1996 on this well. The results of the test have been reviewed by my staff and we feel an increase in injection pressures on this well is justified at this time.

You are therefore authorized to increase the surface injection pressure on the following well:

<i>Well and Location</i>	<i>Maximum Injection Surface Pressure</i>
Cactus Queen Unit Well No.2 Section 34, Township 12 South, Range 31 East, NMPM	1219 PSIG
Located in Chaves County, New Mexico.	

The Division Director may rescind this injection pressure increase if it becomes apparent that the injected water is not being confined to the injection zone or is endangering any fresh water aquifers.

Sincerely,

  
William J. LeMay  
Director

WJL/BES

cc: Oil Conservation Division - Artesia  
Files: Case File No.10642; EOR-4; PSI-X 1st QTR 97



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

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

ADMINISTRATIVE ORDER NO. WFX-691

**APPLICATION OF YATES DRILLING COMPANY TO EXPAND ITS WATERFLOOD  
PROJECT IN THE SOUTHEAST CHAVES-QUEEN GAS AREA ASSOCIATED POOL IN  
CHAVES COUNTY, NEW MEXICO**

**ADMINISTRATIVE ORDER  
OF THE OIL CONSERVATION DIVISION**

Under the provisions of Division Order No. R-9075-B, as amended, Yates Drilling Company has made application to the Division on July 17, 1996 for permission to expand its Cactus Queen (Voluntary) Unit Waterflood Project in the Southeast Chaves-Queen Gas Area Associated Pool in Chaves County, New Mexico.

**THE DIVISION DIRECTOR FINDS THAT:**

- (1) The application has been filed in due form.
- (2) Satisfactory information has been provided that all offset operators have been duly notified of the application.
- (3) No objection has been received within the waiting period as prescribed by Rule 701(B).
- (4) The proposed expansion of the above referenced waterflood project will not cause waste nor impair correlative rights.
- (5) The subject well is located within an approved Enhanced Oil Recovery Project area and shall qualify for applicable tax credits under such project.
- (6) The application should be approved.

**IT IS THEREFORE ORDERED THAT:**

The applicant, Yates Drilling Company, be and the same is hereby authorized to inject water into the Queen formation at approximately 2760 feet to approximately 2765 feet through 2 3/8-inch plastic lined tubing set in a packer located at approximately 2710 feet in the following described well for purposes of secondary recovery to wit:

**Cactus Queen Unit Well No.14**  
990' FSL and 1650' FWL - Unit Letter 'N',  
Section 34, Township 12 South, Range 31 East,  
Chaves County, New Mexico  
Maximum Injection Pressure: 552 psig

**IT IS FURTHER ORDERED THAT:**

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.

Prior to commencing injection operations into the well, the casing shall be pressure tested from the surface to the packer setting depth to assure the integrity of said casing.

The casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge at the surface or left open to the atmosphere to facilitate detection of leakage in the casing, tubing or packer.

The injection well or system shall be equipped with a pressure limiting device which will limit the wellhead pressure to no more than .2 psi per foot of depth to the uppermost injection interval.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the Queen formation. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

The operator shall notify the supervisor of the Hobbs district office of the Division of the date and time of the installation of injection equipment and of the mechanical integrity tests so that the same may be inspected and witnessed.

The operator shall immediately notify the supervisor of the Hobbs district office of the Division of the failure of the tubing, casing or packer in said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

The subject well shall be governed by all provisions of Division Order No. R-9075-B, as amended and Rules 702-706 of the Division Rules and Regulations not inconsistent herewith.

PROVIDED FURTHER THAT, jurisdiction of this cause is hereby retained by the Division for the entry of such further order or orders as may be deemed necessary or convenient for the prevention of waste and/or protection of correlative rights; upon failure of the operator to conduct operations in a manner which will ensure the protection of fresh water or in a manner inconsistent with the requirements set forth in this order, the Division may, after notice and hearing, terminate the injection authority granted herein.

The injection authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject well, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

DONE at Santa Fe, New Mexico, on this 26th day of August, 1996.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
WILLIAM J. LEMAY  
Director

S E A L

WJL/BES

cc: Oil Conservation Division - Hobbs  
File: Case No.9810; EOR-4



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



POSITIVE PRODUCTION RESPONSE DATA  
CACTUS QUEEN (VOLUNTARY) UNIT WATERFLOOD PROJECT EXPANSION AREA

NAME OF PROJECT

Cactus Queen (Voluntary) Unit Waterflood Project  
Expansion Area

OPERATOR

Yates Drilling Company  
105 South Fourth Street  
Artesia, New Mexico 88210  
Attention: Mr. Douglas W. Hurlbut

POOL

Southeast Chaves-Queen Gas Area Associated Pool

OCD ORDER NO. APPROVING WATERFLOOD PROJECT & DATE

R-9075-B-1, January 26, 1993

PROJECT AREA (EXPANSION AREA)

TOWNSHIP 12 SOUTH, RANGE 31 EAST, NMPM  
Section 34: SW/4, SW/4 NE/4, S/2 NW/4,  
and NW/4 SE/4

DATE WATER INJECTION COMMENCED

June, 1993

DATE CERTIFIED PROJECT TO TAXATION & REVENUE

February 25, 1994 (Effective Date: April 30, 1993)

DATE POSITIVE PRODUCTION RESPONSE OCCURRED

November 1, 1993

CURRENT NUMBER OF WELLS WITHIN PROJECT AREA

Injection: 5  
Production: 4

**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. 11223  
Order No. R-10346**

**APPLICATION OF YATES DRILLING COMPANY  
FOR CERTIFICATION OF A POSITIVE PRODUCTION  
RESPONSE PURSUANT TO THE "NEW MEXICO ENHANCED  
OIL RECOVERY ACT", CHAVES 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 Drilling Company, 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 the "Expansion Area" of the Cactus Queen (Voluntary) Unit Waterflood Project, Chaves County, New Mexico, hereinafter referred to as the Cactus Queen (Voluntary) Unit Waterflood Project Expansion Area or "Expansion Area".

(3) By Order No. R-9075-B-1, dated January 26, 1993, the Division:

- a) authorized Yates Drilling Company to expand its Cactus Queen (Voluntary) Unit Waterflood Project to include the "Expansion Area" described below:

- b) qualified the "Expansion Area" as an enhanced oil recovery project pursuant to "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

CACTUS QUEEN (VOLUNTARY) UNIT WATERFLOOD PROJECT  
EXPANSION AREA

TOWNSHIP 12 SOUTH, RANGE 31 EAST, NMPM

Section 34: SW/4, SW/4 NE/4, S/2 NW/4,  
NW/4 SE/4

(4) The Division certified that the Cactus Queen (Voluntary) Unit Waterflood Project Expansion Area was approved as a qualified secondary recovery project to the New Mexico Taxation and Revenue Department on February 25, 1994, with an effective date of April 30, 1993.

(5) Evidence and testimony presented by the applicant indicates that water injection commenced within the "Expansion Area" in June, 1993, through five initial injection wells.

(6) As of March, 1994, the water injection rate within the "Expansion Area" was approximately 1,235 barrels per day. Cumulative injection as of February, 1995, was approximately 794,000 barrels of water.

(7) The Cactus Queen (Voluntary) Unit Waterflood Project Expansion Area currently contains five injection wells and four producing wells.

(8) The production data submitted as evidence in this case indicates that a positive production response occurred within the Cactus Queen (Voluntary) Unit Waterflood Project Expansion Area on November 1, 1993.

(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 Drilling Company for certification of a positive production response within its Cactus Queen (Voluntary) Unit Waterflood Project Expansion Area, Chaves County, New Mexico, is hereby approved.

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

**CACTUS QUEEN (VOLUNTARY) UNIT WATERFLOOD PROJECT  
EXPANSION AREA**

**TOWNSHIP 12 SOUTH, RANGE 31 EAST, NMPM**

Section 34: SW/4, SW/4 NE/4, S/2 NW/4,  
NW/4 SE/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.

CASE NO. 11223  
Order No. R-10346  
Page -4-

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(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

CASE NO. 11223  
Order No. R-10346  
Page -5-

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EXHIBIT "A"  
CASE NO. 11223  
DIVISION ORDER NO. R-10346  
CACTUS QUEEN (VOLUNTARY) UNIT WATERFLOOD PROJECT  
EXPANSION AREA PRODUCING WELLS

<u>API NO.</u>	<u>CQVUWPEA WELL NO.</u>	<u>WELL LOCATION - UL-S-T-R</u>
30-005-20952	8	F-34-12S-31E
30-005-20942	11	K-34-12S-31E
30-005-20920	14	N-34-12S-31E
30-005-21116	15	F-34-12S-31E



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION



BRUCE KING  
GOVERNOR

February 25, 1994

ANITA LOCKWOOD  
CABINET SECRETARY

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

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

Attention: Dick Minzner, Secretary

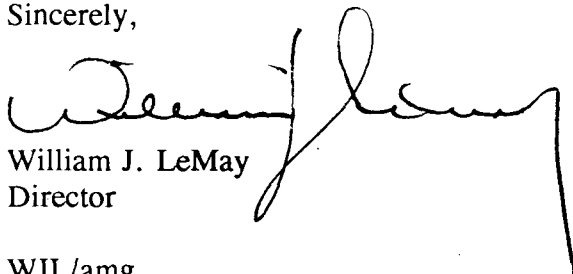
**RE:   *Certification of EOR Project  
Yates Drilling Company  
Cactus Queen (Voluntary) Unit***

Dear Secretary Minzner:

Enclosed is a copy of the certification issued to Yates Drilling Company for its Cactus Queen (Voluntary) Unit EOR project, certified by this Division on April 30, 1993, to be a qualified Enhanced Oil Recovery Project. If the operator applies for certification of positive production response within five years from that date, this project will be eligible for the *Recovered Oil Tax Rate* as provided in Laws of 1992, Chapter 38.

Only oil production from that portion of the lands identified in the certification which is actually developed for enhanced recovery will be eligible for the reduced tax rate. At the time positive production response is certified, we will identify for you the specific lands and wells within the project which qualify for the *Recovered Oil Tax Rate*.

Sincerely,



William J. LeMay  
Director

WJL/amg

Enclosures



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION



BRUCE KING  
GOVERNOR

February 25, 1994

ANITA LOCKWOOD  
CABINET SECRETARY

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

Yates Drilling Company  
105 South Fourth Street  
Artesia, NM 88210

Attention: Doug Hulbut  
Toby Rhodes

**CERTIFICATION OF ENHANCED OIL RECOVERY PROJECT  
FOR RECOVERED OIL TAX RATE**

The New Mexico Oil Conservation Division hereby certifies that the following Enhanced Oil Recovery Project has been approved by the Division as a secondary project, pursuant to the provisions of the *New Mexico Enhanced Oil Recovery Act* (Laws of 1992, Chapter 38). In order to qualify for the *Recovered Oil Tax Rate*, you must apply for certification of positive production response within five years from the date of this certification. Only production from that portion of the project area identified herein which is actually developed for enhanced recovery will qualify for the reduced tax rate.

If operation of this project is terminated for any reason, the operator of the project must notify this Division and the Secretary of the Taxation and Revenue Department not later than the thirtieth day after termination.

NAME OF PROJECT: Cactus Queen (Voluntary) Unit

OCD ORDER NO. R-9075-B-1

OPERATOR: Yates Drilling Company  
ADDRESS: 105 South Fourth Street  
Artesia, NM 88210

Attention: Doug Hulbut and

CERTIFICATION DATE: April 30, 1993



*EOR Project Certification*  
*Cactus Queen (Voluntary) Unit*

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PROJECT AREA:

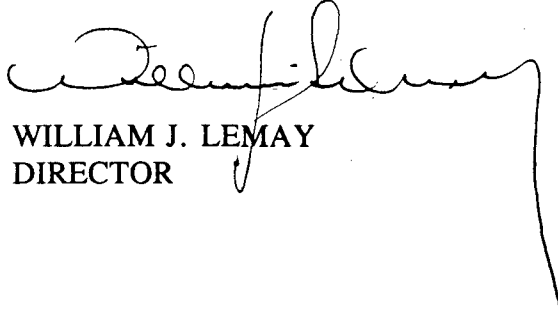
TOWNSHIP 12 SOUTH, RANGE 31 EAST, NMPM

Section 27: NE/4 SW/4, S/2 SW/4 and W/2 SE/4

Section 34: W/2, W/2 NE/4 and NW/4 SE/4

APPROVED BY:

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY  
DIRECTOR

S E A L

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
LAWYERS

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
WILLIAM P. SLATTERY

PATRICIA A. MATTHEWS  
MICHAEL H. FELDEWERT  
DAVID B. LAWRENZ  
TANYA M. TRUJILLO

JACK M. CAMPBELL  
OF COUNSEL

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

January 26, 1994

**HAND-DELIVERED**

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
State Land Office Building  
Santa Fe, New Mexico 87503

**JAN 26 1994**

Re: Yates Drilling Company's Cactus Queen (Voluntary) Unit Waterflood Project  
Area, Chaves County, New Mexico  
Certification of Qualification for EOR Credit Under the New Mexico  
Enhanced Oil Recovery Act

Dear Mr. LeMay:

On April 30, 1993 I wrote the Division on behalf of Yates Drilling Company concerning Certification of its Cactus Queen (Voluntary) Unit Waterflood Project for EOR Credit under the New Mexico Enhanced Oil Recovery Act. As you are aware, by Order No. R-9075-B-1 the Oil Conservation Division authorized Yates Drilling Company to expand its Cactus Queen (Voluntary) Waterflood Project as originally defined by Division Order No. R-9075-B and found that the expanded area should be qualified as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Finding 11, Order No. R-9075-B-1). This Order also provided that to be eligible for the EOR credit, prior to commencing injection operations Yates Drilling must request a "Certificate of Qualification" from the Division.

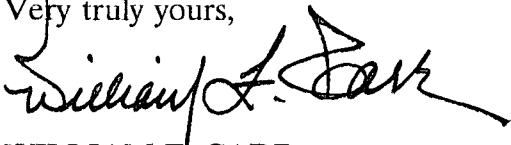
At the time my April 30, 1993 letter was delivered to you, there were discussions about the format to be used for certification of projects of this nature and we were advised that this project would be certified effective in late April or early May, although we would not receive the actual Certification until after that time.

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
January 26, 1994  
Page 2

Yates Drilling Company has contacted me concerning the status of this Certification. Pursuant to recent conversations with Bob Stovall, I am enclosing a draft of a Certification for this project which is modeled after other certifications issued by the Division in recent months. As you will note, this draft provides for a certification date of April 30, 1993 which was the date of my previous letter.

If you need anything further from Yates Drilling Company to proceed with this matter, please advise.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr", written over a horizontal line.

WILLIAM F. CARR  
ATTORNEY FOR YATES DRILLING COMPANY  
WFC:mlh  
Enclosures

cc: Doug Hurlbut (w/enclosures)  
Toby Rhodes

Yates Drilling Company  
105 South Fourth Street  
Artesia, New Mexico 88210  
Attn: Doug Hurlbut  
Toby Rhodes

**CERTIFICATION OF ENHANCED OIL RECOVERY PROJECT  
FOR RECOVERED OIL TAX RATE**

The New Mexico Oil Conservation Division hereby certifies that the following Enhanced Oil Recovery Project has been approved by the Division as a **secondary** project, pursuant to the provisions of the New Mexico *Enhanced Oil Recovery Act* (Laws of 1992, Chapter 38). In order to qualify for the *Recovered Oil Tax Rate*, you must apply for certification of positive production response within **five years** from the date of this certification. Only production from that portion of the project area identified herein which is actually developed for enhanced recovery will qualify for the reduced tax rate.

If operation of this project is terminated for any reason, the operator of the project must notify this Division and the Secretary of Taxation and Revenue not later than the thirtieth day after termination.

NAME OF PROJECT:	Cactus Queen (Voluntary) Unit
OCD ORDER NO.:	R-9075-B-1
OPERATOR:	Yates Drilling Company
ADDRESS:	105 South Fourth Street Artesia, New Mexico 88210 Attn: Doug Hurlbut Toby Rhodes
CERTIFICATION DATE:	April 30, 1993

EOR Project Certification  
Cactus Queen (Voluntary) Unit

PROJECT AREA

Township 12 South, Range 31 East, N.M.P.M.

Section 27: NE/4 SW/4, S/2 SW/4 and W/2 SE/4  
Section 34: W/2, W/2 NE/4 and NW/4 SE/4

APPROVED

William J. LeMay  
Director

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