



State of New Mexico  
Commissioner of Public Lands

RAY POWELL, M.S., D.V.M.  
COMMISSIONER

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July 27, 1995

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JUL 31 1995

Campbell, Carr & Berge, P.A.  
P.O. Box 2208  
Santa Fe, New Mexico 87504-2208

Attn: Mr. William F. Carr

Re: Oil Conservation Division Case No. 11322  
Application of Yates Petroleum Corporation for Underground Gas Storage  
Chaves County, New Mexico

Dear Mr. Carr:

The Commissioner of Public Lands has reviewed your application, on behalf of Yates Petroleum Corporation, to temporarily inject and store casinghead gas which is attributable to production from the Quincy AMQ State wells, into the existing Trailblazer ANL State Well No. 2.

It is understood that all casinghead gas from the Quincy AMQ lease wells will be metered in accordance with OCD rules and that royalty will be paid to the State Land Office based upon these metered volumes and under the appropriate state lease pertinent to the Quincy AMQ well(s). It is also understood that upon completion of a gas (sales) tie-in, that the injected volume will be recovered, metered and sold, and that once the cumulative injected volume is recovered, royalty will commence and be paid on the metered volume of gas attributable to the Trailblazer well under its appropriate state lease. In addition, upon connection of a gas (sales) tie-in, casinghead gas attributable to the Quincy AMQ wells will be metered, as before, and sold via their gas (sales) tie-ins.

Also, it should be understood by the parties involved that the injected gas volume/production from the Trailblazer well will not categorize the well as producing or classify its lease as held by production (HBP) while the volume of injected gas from the Quincy AMQ wells is being recovered, regardless if native formation gas is actually accounting for a portion of the total volume. This condition will exist until the entire injected volume from the Quincy AMQ wells has been recovered.

In order to maintain an accurate volume assessment of the injected gas, copies of NMOC form C-115 for the Quincy AMQ wells must be filed with the Commissioner of Public Lands throughout the injection phase of this proposal. Upon completion of a gas (sales) tie-in to the Trailblazer ANL well, copies of its C-115 must be filed with the Commissioner until the total injected volume has been recovered.

Contingent upon the applicant meeting the conditions and criteria as set-out above, the Commissioner of Public Lands has no objection to this proposal.

If we may be of further service, please contact Jeff Albers at (505) 827-5759.

Sincerely,

Ray Powell, M.S., D.V.M.  
Commissioner of Public Lands

By:   
Jami Bailey, Deputy Director  
Oil, Gas & Minerals Division  
(505) 827-5745  
RP/jb/ja

cc: Yates Petroleum Corporation  
New Mexico Oil Conservation Division  
Royalty Management Division