

OIL CONSERVATION DIVISION

August 10, 1995

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

Attn: Ms. Theresa Sloan

Re: EOR Project Certification on the 'AL' Creek Federal Shugart Waterflood

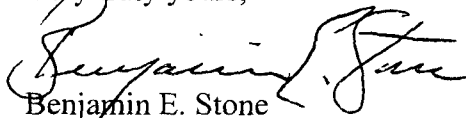
Dear Ms. Sloan,

The Oil Conservation Division has recently been reviewing and updating many of our files. During this process, the file containing information on the above referenced EOR project was reviewed and there was no associated *Certification Date*. The Certification Date is that date which identifies when injection operations have been initiated on the subject project so that the Division may certify this occurrence to the Taxation and Revenue Department. So that the subject project may be credited when that time comes, please inform this office at your earliest convenience, which of the following applies:

- 1) The subject project has not yet had injection operations initiated.
- 2) The subject project has initiated injection and will upon receipt of this letter, request that certification be made to Taxation and Revenue.
- 3) Injection has been initiated, a Certification Date has been issued for the subject project and a copy of such certification is being supplied in response to this request.

We apologize for any confusion regarding the situation and we appreciate your cooperation. Please direct replies or question to me at (505)827-8186.

Very truly yours,

  
Benjamin E. Stone  
UIC Administrator

/BES



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 11, 1995

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

Re: Yates Petroleum Corporation's Request for Extension of Implementation Period  
for the Creek "AL" Federal Waterflood Project - Division Order R-9896

Dear Mr. Carr:

Reference is made to your recent request to extend the implementation period for the above captioned project. My staff has reviewed your request and it appearing that all conditions of the project area are essentially the same, approval is hereby granted to extend the termination date of Division Order R-9896 to April 15, 1996.

Sincerely,

William J. LeMay  
Director

WJL/BES

cc: Oil Conservation Division - Artesia  
Case File No.10711

CAMPBELL, CARR & BERGE, P.A.

LAWYERS

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
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SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
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April 10, 1995

HAND-DELIVERED

**RECEIVED**

APR 10 1995

*Oil Conservation Division*

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: Case 10711: Application of Yates Petroleum Corporation for Approval of a  
Waterflood Project and Qualification for the Recovered Oil Tax Rate, Eddy  
County, New Mexico

Dear Mr. LeMay:

By Order No. R-9896 entered on May 18, 1993 in the above-referenced case, Yates Petroleum Corporation was authorized to institute a waterflood project on its Creek "AL" Federal Lease in portions of Sections 23, 24 and 25 of Township 18 South, Range 30 East, N.M.P.M., Eddy County, New Mexico. This waterflood project is to be operated in conjunction with the offsetting Hanson Operating Company Shugart Unit Waterflood Project. Both projects involve the injection of water into the Queen and Grayburg formations, Shugart-Yates-Seven Rivers-Queen-Grayburg Pool.

Paragraph 15 of Order R-9896 provides that the injection authority granted by this order will terminate after one year unless it is extended for good cause shown. Yates has twice requested and been granted extensions of this order. The current extension ends on May 15, 1995.

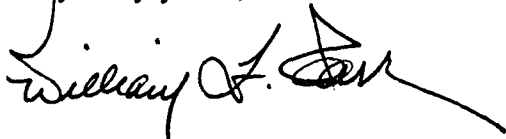
William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
April 10, 1995  
Page 2

To implement this waterflood project, Yates has drilled one well and recompleted two others, however, additional drilling and recompletions need to be done and a water line needs to be constructed. Although low oil prices have caused our efforts to progress more slowly than originally anticipated, Yates intends to complete this work and implement this waterflood project.

The additional work on this project will not be completed by May 15, 1995. Accordingly, Yates requests an extension of the provisions of Order No. R-9896 until December 15, 1995.

Your attention to this request is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr", with a long, sweeping horizontal line extending to the right.

WILLIAM F. CARR

ATTORNEY FOR YATES PETROLEUM CORPORATION

WFC:mlh

cc: Theresa Sloan



ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

BRUCE KING  
GOVERNOR

November 9, 1994

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

Mr. William F. Carr  
Campbell, Carr, Berge & Sheridan  
Attorneys at Law  
Post Office Box 2208  
Santa Fe, New Mexico 87504-2208

Dear Mr. Carr:

Based upon the reasons stated in your letter of November 8, 1994, and in accordance with the provisions of Division Order No. R-9896, Yates Petroleum Corporation is hereby granted a further extension of time until May 15, 1995, in which to commence injection operations in the waterflood project approved by said order.

Sincerely,

A handwritten signature in black ink, appearing to read "William J. Lemay", with a long, sweeping line extending from the end of the signature down towards the bottom right of the page.

WILLIAM J. LEMAY  
Director

fd/

cc: ✓ Case No. 10711  
OCD - Artesia



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING  
GOVERNOR

ANITA LOCKWOOD  
CABINET SECRETARY

April 14, 1994

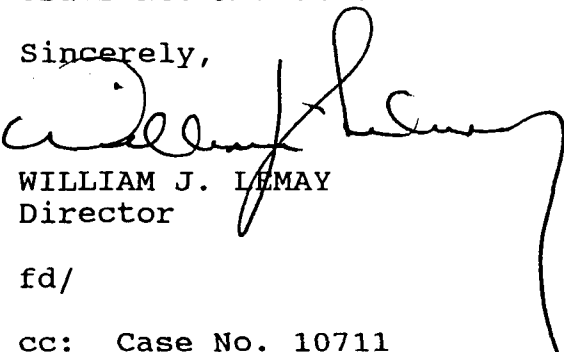
POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

Mr. William F. Carr  
Campbell, Carr, Berge, & Sheridan  
Attorneys at Law  
Post Office Box 2208  
Santa Fe, New Mexico 87504-2208

Dear Mr. Carr:

Based upon the reasons stated in your letter of April 12, 1994, and in accordance with the provisions of Division Order No. R-9896, Yates Petroleum Corporation is hereby granted a six-month extension of time in which to commence injection operations pursuant to said Order No. R-9896 until November 18, 1994.

Sincerely,



WILLIAM J. LEMAY  
Director

fd/

cc: Case No. 10711  
OCD - Artesia

**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. 10711  
Order No. R-9896

**APPLICATION OF YATES PETROLEUM CORPORATION  
FOR APPROVAL OF A WATERFLOOD PROJECT AND  
QUALIFICATION FOR THE RECOVERED OIL TAX  
RATE, EDDY COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on April 8, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 18th day of May, 1993, 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 authority to institute a waterflood project on its Creek "AL" Federal Lease comprising the E/2 SE/4 of Section 23, the NW/4 SW/4 and S/2 S/2 of Section 24, and the NW/4 and E/2 NE/4 of Section 25, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico, by the injection of water into the Queen and Grayburg formations, Shugart-Yates-Seven Rivers-Queen-Grayburg Pool, through the gross perforated interval from approximately 3,150 feet to 3,554 feet in the following described wells:

**WELL NAME & NUMBER**

**WELL LOCATION**

Creek "AL" No. 6  
Creek "AL" No. 7  
Creek "AL" No. 9

660' FNL & 990' FWL (Unit D) Section 25  
330' FSL & 990' FWL (Unit M) Section 24  
1650' FNL & 990' FWL (Unit E) Section 25

(3) The applicant further seeks to establish an administrative procedure whereby additional wells may be approved for injection and/or production within the project area without the necessity for further hearings.

(4) Such provisions and procedures are currently contained within the Oil Conservation Division Rules and Regulations and it is unnecessary to duplicate such provisions within this order.

(5) The proposed project area is wholly comprised of the Creek "AL" Federal Lease. The applicant has consulted with the Bureau of Land Management (BLM), and, according to applicant's testimony, the BLM has no objection to the proposed waterflood project.

(6) The wells within the proposed project area are in an advanced state of depletion and should therefore be properly classified as "stripper wells".

(7) The proposed waterflood project should result in the recovery of otherwise unrecoverable oil, thereby preventing waste.

(8) According to applicant's testimony, the subject waterflood project will be operated in conjunction with the proposed Hanson Operating Company Shugart Unit Waterflood Project (being the subject of Division Case Nos. 10685 and 10686, heard on March 18, 1993) which is proposed to comprise portions of Sections 25 and 26, Township 18 South, Range 30 East, and a portion of Section 30, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico.

(9) At the request of the applicant, the record in Case No. 10686 was incorporated in the immediate case.

(10) There is a temporarily abandoned well within the "area of review" of all of the proposed injection wells, this being the Creek "AL" Well No. 10 located in Unit P of Section 23, Township 18 South, Range 30 East, NMPM, which is not currently completed in such a manner which will prevent the migration of fluid from the proposed injection zone.

(11) According to applicant's testimony, it will re-enter and complete the Creek "AL" Well No. 10 as a producing well within the proposed waterflood project.

(12) Prior to commencing injection operations into the proposed injection wells, the applicant should be required to re-enter and case and cement the Creek "AL" Well No. 10 in such a manner which will prevent the migration of fluid from the proposed injection zone and as approved by the supervisor of the Division's Artesia District Office.

(13) The injection of water into the proposed injection wells should be accomplished through 2 3/8 inch internally plastic-lined tubing installed in a packer set within 100 feet of the uppermost injection perforation; the casing-tubing annulus should be filled with an inert fluid and a gauge or approved leak-detection device should be attached to the annulus in order to determine leakage in the casing, tubing or packer.

(14) Prior to commencing injection operations into the proposed injection wells, the casing in each well should be pressure tested throughout the interval from the surface down to the proposed packer setting depth, to assure the integrity of such casing.

(15) The injection wells or pressurization system should be initially equipped with a pressure control device or acceptable substitute which will limit the surface injection pressure to no more than 630 psi.

(16) The Division Director should have the authority to administratively authorize a pressure limitation in excess of the pressure limitation described above upon a showing by the operator that such higher pressure will not result in the fracturing of the injection formation or confining strata.

(17) The operator should give advance notification to the supervisor of the Artesia District Office of the Division of the date and time of the conductance of re-entry operations on the Creek "AL" Well No. 10, and the installation of injection equipment and of the mechanical integrity pressure tests of the injection wells in order that the same may be witnessed.

(18) The proposed waterflood project should be approved and the project should be governed by the provisions of Rule Nos. 701 through 708 of the Oil Conservation Division Rules and Regulations.

(19) The applicant further requests that the subject waterflood project be approved by the Division as a qualified "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(20) The evidence presented indicates that the subject waterflood project meets all the criteria for approval.

(21) The approved "project area" should initially comprise the E/2 SE/4 of Section 23, the NW/4 SW/4 and S/2 S/2 of Section 24, and the NW/4 and E/2 NE/4 of Section 25, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico.

(22) To be eligible for the EOR credit, prior to commencing injection operations, the operator must request from the Division a Certificate of Qualification, which certificate will specify the proposed project area as described above.

(23) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the applicant must apply to the Division for certification of positive production response, which application shall identify the area actually benefitting from enhanced recovery operations, and identifying the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to the Department of Taxation and Revenue those lands and wells which are eligible for the credit.

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

**IT IS THEREFORE ORDERED THAT:**

(1) The application of Yates Petroleum Corporation for authority to institute a waterflood project on its Creek "AL" Lease comprising the E/2 SE/4 of Section 23, the NW/4 SW/4 and S/2 S/2 of Section 24, and the NW/4 and E/2 NE/4 of Section 25, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico, by the injection of water into the Queen and Grayburg formations, Shugart-Yates-Seven Rivers-Queen-Grayburg Pool, through the gross perforated interval from approximately 3,150 feet to 3,554 feet in the following described wells located in Sections 24 and 25 is hereby approved:

**WELL NAME & NUMBER**

**WELL LOCATION**

Creek "AL" No. 6

660' FNL & 990' FWL (Unit D) Section 25

Creek "AL" No. 7

330' FSL & 990' FWL (Unit M) Section 24

Creek "AL" No. 9

1650' FNL & 990' FWL (Unit E) Section 25

(2) Prior to commencing injection operations into the aforesaid injection wells, the applicant shall re-enter and case and cement the Creek "AL" Well No. 10, located in Unit P of Section 23, Township 18 South, Range 30 East, NMPM, in such a manner which will prevent the migration of fluid from the proposed injection zone and as approved by the supervisor of the Division's Artesia District Office.

(3) The applicant 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 from injection, production, or plugged and abandoned wells.

(4) Injection shall be accomplished through 2 3/8-inch plastic-lined tubing installed in a packer set within 100 feet of the uppermost injection perforation; the casing-tubing annulus in each well shall be filled with an inert fluid and equipped with an approved pressure gauge or attention-attracting leak detection device.

(5) The injection wells or pressurization system shall be equipped with a pressure control device or acceptable substitute which will limit the surface injection pressure to no more than 630 psi.

(6) The Division Director shall have the authority to administratively authorize a pressure limitation in excess of the above upon a showing by the operator that such higher pressure will not result in the fracturing of the injection formation or confining strata.

(7) Prior to commencing injection operations, the casing in each injection well shall be pressure-tested throughout the interval from the surface down to the proposed packer setting depth, to assure the integrity of such casing.

(8) The operator shall give advance notification to the supervisor of the Artesia District Office of the Division of the date and time of the conductance of re-entry operations on the Creek "AL" Well No. 10, and the installation of injection equipment and of the mechanical integrity pressure tests of the injection wells in order that the same may be witnessed.

(9) The applicant shall immediately notify the supervisor of the Artesia District Office of the Division of the failure of the tubing, casing or packer in any of the injection wells, the leakage of water or oil from or around any producing well, or the leakage of water or oil from any plugged and abandoned well within the project area, and shall take such steps as may be timely and necessary to correct such failure or leakage.

(10) The subject waterflood project is hereby designated the Creek "AL" Federal Shugart Waterflood Project, and the applicant shall conduct injection operations in accordance with Division Rule Nos. 701 through 708 and shall submit monthly progress reports in accordance with Division Rule Nos. 706 and 1115.

(11) The subject waterflood project is hereby approved as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(12) The approved "project area" shall initially comprise the E/2 SE/4 of Section 23, the NW/4 SW/4 and S/2 S/2 of Section 24, and the NW/4 and E/2 NE/4 of Section 25, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico.

(13) To be eligible for the EOR credit, prior to commencing injection operations, the operator must request from the Division a Certificate of Qualification, which certificate will specify the proposed project area as described above.

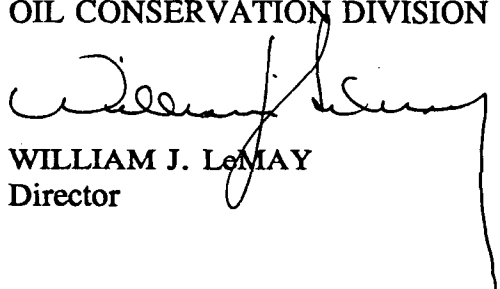
(14) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the applicant must apply to the Division for certification of positive production response, which application shall identify the area actually benefitting from enhanced recovery operations, and identifying the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to the Department of Taxation and Revenue those lands and wells which are eligible for the credit.

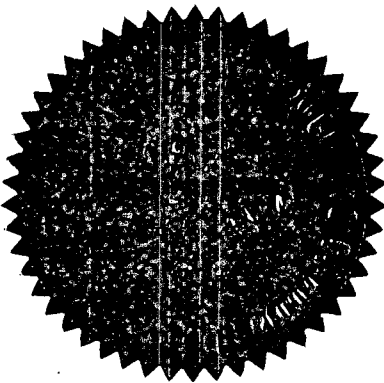
(15) The injection authority granted herein for the proposed injection wells shall terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject wells, provided however, the Division, upon written request by the operator, may grant an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

(16) Jurisdiction of this cause is 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  
Director



S E A L

**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. 10711 (Reopened)  
Order No. R-9896-A**

**IN THE MATTER OF CASE NO. 10711  
BEING REOPENED UPON THE APPLICATION  
OF YATES PETROLEUM CORPORATION FOR  
NEW PRODUCING WELL LOCATIONS IN THE  
WATERFLOOD PROJECT APPROVED FOR ITS  
CREEK "AL" FEDERAL LEASE BY DIVISION  
ORDER NO. R-9896, EDDY COUNTY,  
NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on September 9, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 13th day of October, 1993, 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) By Order No. R-9896 issued in Case No. 10711 on May 18, 1993, the Division authorized Yates Petroleum Corporation to institute a waterflood project on its Creek "AL" Federal Lease comprising the E/2 SE/4 of Section 23, the NW/4 SW/4 and S/2 S/2 of Section 24, and the NW/4 and E/2 NE/4 of Section 25, Township 18 South, Range 30 East, NMPM, Shugart Yates-Seven Rivers-Queen-Grayburg Pool, Eddy County, New Mexico, by the injection of water into the Queen and Grayburg formations through three injection wells located in Sections 24 and 25.

(3) At the original hearing, the applicant had proposed to drill two additional producing wells within the Creek "AL" Federal Shugart Waterflood Project, these being the Creek "AL" Federal Well No. 12 to be located 1155 feet from the North line and 330 feet from the West line (Unit D) of Section 25, and the Creek "AL" Federal Well No. 13 to be located 2310 feet from the North line and 330 feet from the West line (Unit E) of Section 25.

(4) The applicant, Yates Petroleum Corporation, seeks authority in the immediate reopened case to change the well location for the Creek "AL" Federal Well No. 12 to 1405 feet from the North line and 330 feet from the West line (Unit E) of Section 25, and to change the well location for the Creek "AL" Federal Well No. 13 to 2510 feet from the North line and 330 feet from the West line (Unit E) of Section 25.

(5) The proposed well location changes are necessitated by archaeologic and/or topographic considerations.

(6) The proposed location of the Creek "AL" Federal Well No. 13 is located 130 feet from the boundary separating the Creek "AL" Federal Shugart Waterflood Project and the Hanson Operating Company Inc. Benson Shugart Waterflood Project.

(7) Although the applicant testified that it did not have a lease-line agreement in place with Hanson Operating Company Inc. with regards to the location of the Creek "AL" Federal Well No. 13, it did present as evidence a waiver of objection to the proposed locations from Hanson Operating Company Inc.

(8) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(9) Approval of the subject application will afford the applicant the opportunity to drill the proposed producing wells at satisfactory locations thereby completing an efficient production/injection pattern within the Creek "AL" Federal Shugart Waterflood Project.

**IT IS THEREFORE ORDERED THAT:**

(1) The applicant, Yates Petroleum Corporation, is hereby authorized to drill its Creek "AL" Federal Well No. 12 at an amended unorthodox location 1405 feet from the North line and 330 feet from the West line (Unit E) of Section 25, and to drill its Creek "AL" Federal Well No. 13 at an amended unorthodox location 2510 feet from the North line and 330 feet from the West line (Unit E) of Section 25, both wells being producing wells within the applicant's Creek "AL" Federal Shugart Waterflood Project, Eddy County, New Mexico.

CASE NO. 10711 (Reopened)

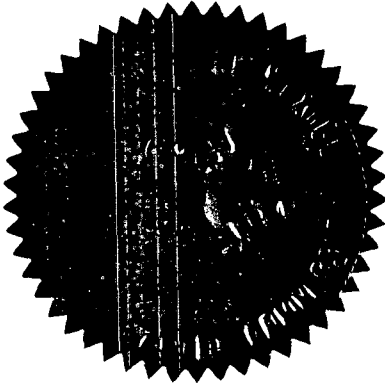
Order No. R-9896-A

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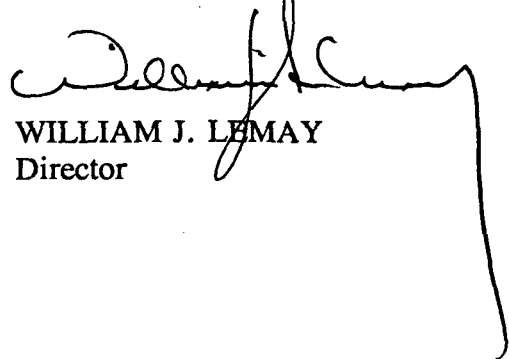
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(2) Jurisdiction of this cause is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
WILLIAM J. LEMAY  
Director

S E A L