

**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.

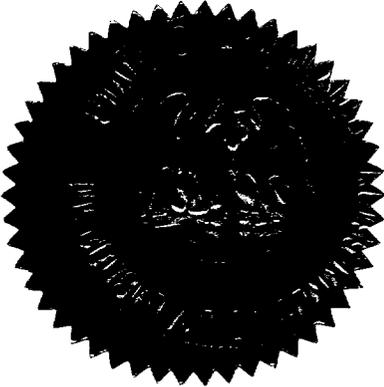
(4) The applicant shall notify the Division:

- 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.

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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 / *MES*

WILLIAM J. LEMAY
Director

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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