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September 8, 1992

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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

SEP 10 1992  
OIL CONSERVATION DIVISION  
10564

Re: Approval of Yates Petroleum Corporation's Carbon Dioxide Pilot Project in  
the West Loco Hills Grayburg No. 4 Sand Unit for the Recovered Oil Tax  
Rate

Dear Mr. LeMay:

Yates Petroleum Corporation hereby makes application to the New Mexico Oil  
Conservation Division for approval of its carbon dioxide pilot project in the West Loco  
Hills Grayburg No. 4 Sand Unit for the recovered oil tax rate authorized by the Enhanced  
Oil Recovery Act, Laws of 1992, Chapter 38, Sections 1 through 5.

Yates plans to commence operation of this pilot project by the injection of carbon dioxide  
into the reservoir in early November, 1992 and is making application pursuant to the rules  
promulgated by Commission Order No. R-9708 entered on August 27, 1992.

In support of this application, Yates provides the following information:

- a. Operator's name and address:

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

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
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b. Description of project area:

1. a plat outlining the project area is attached hereto as Exhibit "A".
2. Description of project area:

Township 18 South, Range 29 East, N.M.P.M.

Section 12: E/2

Township 18 South, Range 30 East, N.M.P.M.

Section 7: W/2

3. Total acres:

640 acres

4. Name of subject pool and formation:

- a. Local Hills Queen Grayburg San Andres Pool
- b. Grayburg formation

c. Status of operations in project area:

1. The West Loco Hills Grayburg No. 4 Sand Unit was approved by Oil Conservation Division Order No. R-2166 dated January 17, 1966

d. Method of recovery to be used:

1. Injection fluids: Carbon Dioxide
2. This Carbon Dioxide Pilot Project was approved by Oil Conservation Division Order No. R-2178 dated July 9, 1992

William J. LeMay, Director  
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e. Description of project:

1. List of producing wells:

West Loco Hills G4S Tract 13A Well No. 4  
1650' FNL - 330' FEL (Unit H) of Section 12;

West Loco Hills G4S Tract 6 Well No. 1  
1980' FSL - 660' FEL (Unit I) of Section 12;

West Loco Hills G4S Tract 1 Well No. 2  
1650' FNL - 330' FWL (Unit E) of Section 7;

West Loco Hills G4S Tract 1 Well No. 3  
1980' FSL - 660' FWL (Unit L) of Section 7; and,

West Loco Hills G4S Tract 1 Well No. 8  
2310' FNL - 330' FWL (Unit E) of Section 7.

2. List of injection wells:

West Loco Hills G4S Unit Tract 1 Well No. 9  
1980' FNL - 40' FWL (Unit E); and,

West Loco Hills G4S Unit Tract 1 Well No. 10  
2455' FSL - 50' FWL (Unit L).

3. Capital cost of additional facilities:

New drilling: \$665,200  
Well repair: \$745,000  
Facilities: \$587,500

4. Total project costs: \$4,000,000

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5. Estimated total value of the additional production that will be recovered as a result of this project: 65,000 barrels over (3) three years. If successful a five-stage expansion could result in 14 million barrels of additional recovery over (25) twenty-five years.
  6. Anticipated date for commencement of injection: November 1, 1992
  7. Type of fluid to be injected and anticipated volumes:  
  
CO<sub>2</sub> 1,000 MCFPD/per well for 2 months followed by 400 BWPD for 1 month. Total CO<sub>2</sub> Injection will be 27,500 tons.
  8. This is not an application for expansion of an existing project
- f. Production history of project area: See transcript of hearing in OCD Case No. 10476.

This pilot project was approved by Division Order No. R-2178-D on July 9, 1992. Based on the record made at the July 18, 1992 hearing in this case, it was proven that:

- a. the application of carbon dioxide to the project area should result in an increase in the amount of crude oil ultimately recovered therefrom;
- b. the project area has been so depleted that is prudent to implement a carbon dioxide flood to maximize the ultimate recovery of crude oil from the project area;
- c. the proposed enhanced oil recovery project is economically and technically feasible and has not been prematurely filed;

Yates Petroleum Corporation hereby requests that its carbon dioxide pilot project for its West Loco Hills Grayburg No. 4 Sand Unit be approved as a qualified project under the Enhanced Oil Recovery Act and that upon certification of a positive production response in accordance with this Act and the Rules and Regulations of the Division, the project qualify for the Recovered Oil Tax Rate.

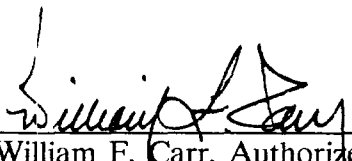
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September 8, 1992  
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Since Yates plans to commence injection within 60 days, we request that if additional hearings are required on this application, this matter be included on the October 1, 1992 Oil Conservation Division Examiner Hearing Docket.

By copy of this letter, this application is being filed with the Hobbs District Office of the Oil Conservation Division.

Respectfully submitted,

Yates Petroleum Corporation

By:   
William F. Carr, Authorized Agent  
CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

cc: Randy Patterson  
Robert Fant



EXHIBIT "A"

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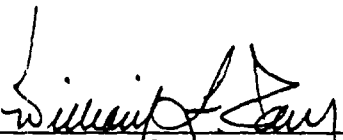
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