



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



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

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

April 4, 1994

Cross Timbers Operating Company
P.O. Box 50847
Midland, Texas 79710

Attention: Mr. Gary L. Markestad

Dear Mr. Markestad:

Reference is made to your recent request to certify the State "BY" Maljamar Waterflood Project for the recovered oil tax rate pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). Pursuant to such request the Division finds that:

- a) the State "BY" Maljamar Waterflood Project, which encompasses the SE/4 of Section 32, Township 17 South, Range 33 East, NMPM, Maljamar Grayburg-San Andres Pool, Lea County, New Mexico, was approved by Division Order No. R-9973 on September 22, 1993;
- b) the application of enhanced recovery techniques to the reservoir should result in an increase in the amount of crude oil that may be ultimately recovered therefrom;
- c) the project area has been so depleted that it is prudent to apply enhanced recovery techniques to maximize the ultimate recovery of crude oil, and,
- d) the enhanced recovery operations are economically and technically reasonable and are not premature.

The subject waterflood is hereby certified as a qualified "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

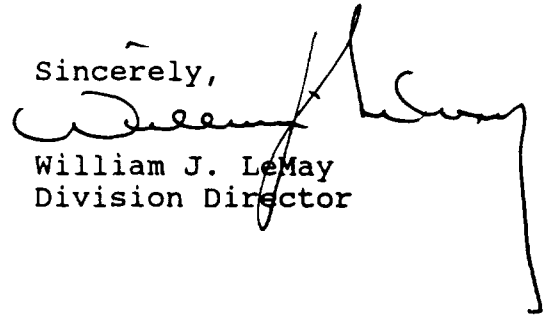
The certified "project area" shall comprise the SE/4 of Section 32, Township 17 South, Range 33 East, NMPM, Lea County, New Mexico.

The operator shall advise the Division when water injection commences within the subject waterflood project and at such time, request the Division certify such area to the New Mexico Taxation

and Revenue Department.

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.

Sincerely,

A handwritten signature in black ink, appearing to read 'William J. LeMay', is written over the typed name and title.

William J. LeMay
Division Director

xc: Case File- 10822
J. Morrow
OCD-Hobbs



Cross Timbers Operating Company

RECEIVED IN DIVISION
RECEIVED

OCT 9 1993

October 7, 1993

Mr. David R. Catanach
NMOCD
P. O. Box 2088
Sante Fe, New Mexico 87504

RE: Application to Qualify for the
Recovered Oil Tax Rate
State "BY" Lease
Lea County, New Mexico

Dear David:

Enclosed is Cross Timbers' Application to Qualify the State
"BY" Lease for the Recovered Oil Tax Rate. We wish to have this
approved administratively, if possible.

I believe all the required information to qualify this
project is included in this application.

If you require any additional information, please let me
know.

Sincerely,

CROSS TIMBERS OPERATING COMPANY

Gary L. Markestad
Operations Engineer

GLM/kv
Enclosure

cc: Well File

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF CROSS TIMBERS OPERATING
COMPANY TO QUALIFY A CERTAIN WATERFLOOD
PROJECT FOR THE RECOVERED OIL TAX RATE,
LEA COUNTY, NEW MEXICO.

No. _____

APPLICATION

Cross Timbers Operating Company files this application pursuant to the Enhanced Oil Recovery Act, L. 1992, Ch. 38, and Division Order No. R-9708. In support thereof, Cross Timbers states:

1. The name of the operator is Cross Timbers Operating Company ("Cross Timbers"), whose address is Post Office Box 50847, Midland, Texas 79710.

2. The project area is as follows:

Township 17 South, Range 33 East, N.M.P.M.

Section 32: SE $\frac{1}{4}$

containing 160 acres, more or less.

A plat outlining the project area is attached hereto as Exhibit 1. The subject pool is the Maljamar (Grayburg-San Andres) Pool.

3. Secondary recovery shall be by a waterflood project, with the injection water being produced water and/or water purchased from the Cross Timbers' SMGSAU Unit.

4. Project data includes:

(a) Number of initial producing wells:	1
(b) Number of initial injection wells:	1
(c) Capital cost of additional facilities:	\$21,300
(d) Total project cost:	\$21,300

- (e) Estimated net value of incremental production recovered from the project: \$821,620
- (f) Anticipated injection commencement date: November 15, 1993, or as soon as approved by the Division.
- (g) Type of fluid injected: Produced water and/or water purchased from the Cross Timbers' SMGSAU Unit.
- (h) Anticipated injection volumes: 400 barrels of water per day (maximum).

A plat of initial producing and injection wells is also shown on Exhibit 1.

6. The projected primary plus secondary production from the project area is exhibited on the graph attached hereto as Exhibit 2.

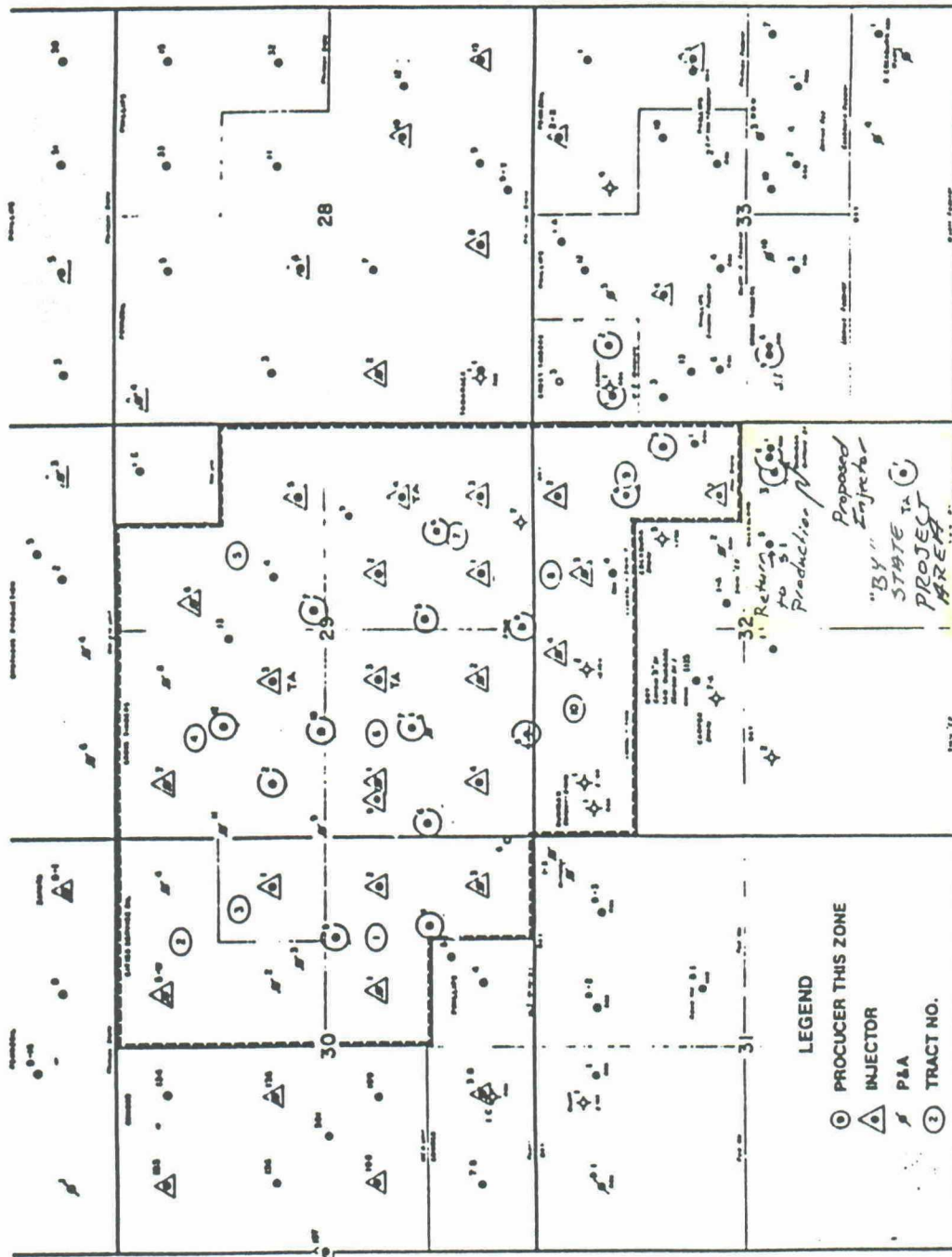
WHEREFORE, Cross Timbers requests that the Division qualify this project as an Enhanced Oil Recovery Project and certify the project for the Recovered Oil Tax Rate.

Respectfully submitted,

CROSS TIMBERS OPERATING COMPANY


Gary L. Markestad

R 33 E



S.E. MALJAMAR UNIT

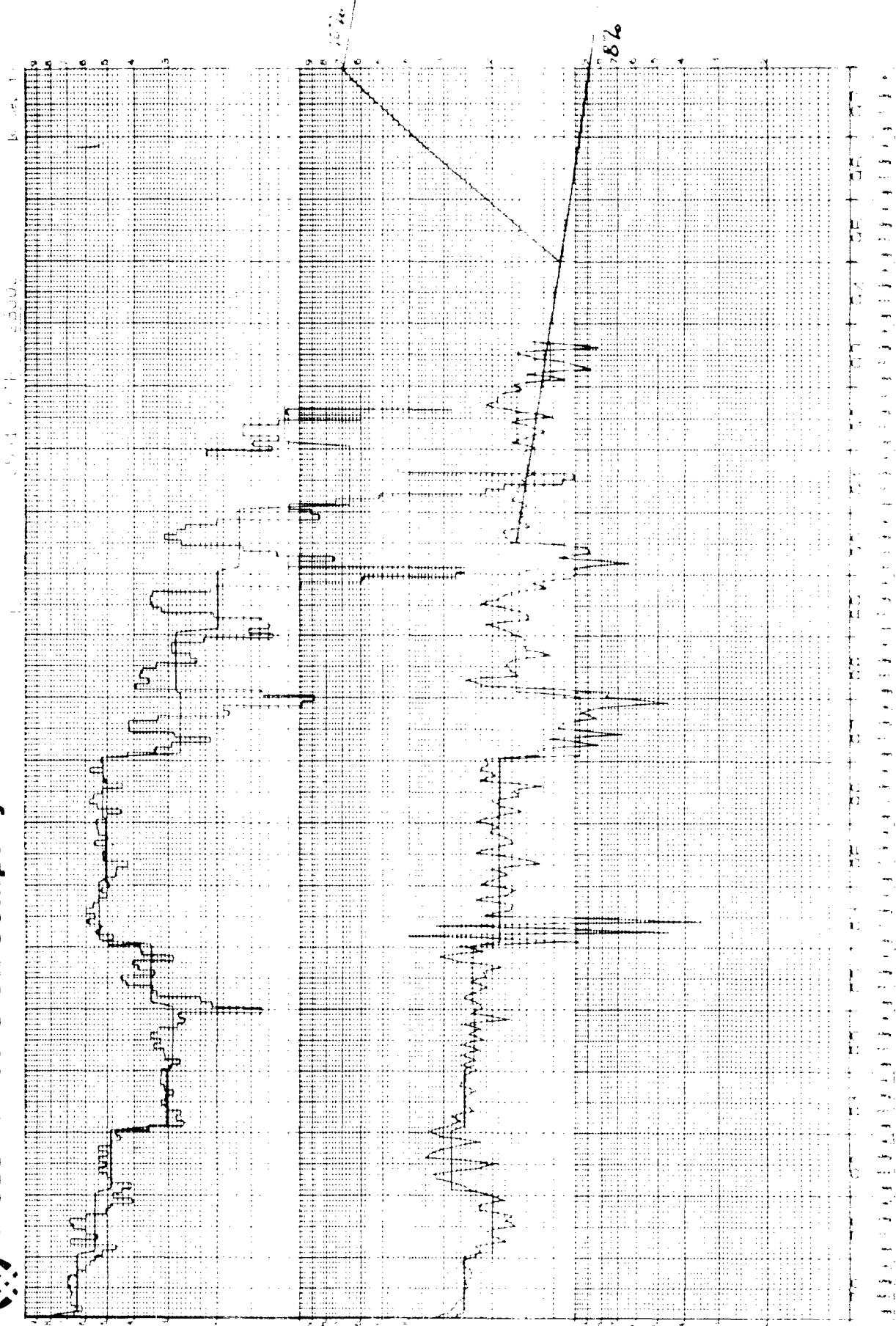
Exhibit 1



Cross Timbers Oil Company



Cross Timbers Oil Company





STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

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

September 23, 1993

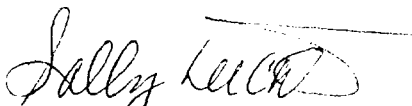
HINKLE, COX, EATON,
COFFIELD & HENSLEY
Attorneys at Law
P. O. Box 2068
Santa Fe, New Mexico 87501

RE: CASE NO. 10822
ORDER NO. R-9973

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,


Sally E. Leichtle
Administrative Secretary

cc: BLM - Carlsbad
Rick Brown - OCD
Donna McDonald - OCD