

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD Artesia

FORM APPROVED
OMB No 1004-0137
Expires July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5 Lease Serial No
NM-103879 NM-121951
6 If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1 Type of Well



Oil Well



Gas Well



Other PA

2 Name of Operator

Yates Petroleum Corporation

3a Address

105 S. 4th St., Artesia, NM 88210

3b Phone No. (include area code)

575-748-1471

4 Location of Well (Footage, Sec., T, R, M, OR Survey Description)

1650' FNL & 330' FWL Sec. 7-T23S-R29E Unit E, SWNW Surface

1980' FNL & 2310' FWL Sec. 8-T23S-R29E Unit F, SENW Bottom

7. If Unit or CA/Agreement, Name and/or No

8 Well Name and No.

Culebra BLV Federal Com #2H

9 API Well No.

30-015-39422

10. Field and Pool or Exploratory Area

Culebra Bluff/Bone Spring, south

11. County or Parish, State

Eddy County, New Mexico

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Pool/lease(CA)</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	<u>Commingle</u>
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13 Describe Proposed or Completed Operation Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.

Yates Petroleum respectfully requests approval to Pool/lease(CA) commingle on the following wells:

Culebra BLV Federal Com #1H
Herradura Bend; Delaware, east *poolcode 70670*
Sec. 7-T23S-R29E
Fed. Lease #NM-103879 & NM-121951, CA #124950
API #30-015-37615
Eddy County, NM

Culebra BLV Federal Com #2H(not yet drilled)
Culebra Bluff; Bone Spring, south *poolcode 15011*
Sec. 7-T23S-R29E
Fed. Lease #NM-103879 & NM-121951, CA #(unavailable)
API #30-015-39422
Eddy County, NM

Please see continuation attached

Accepted for record

SEE ATTACHED FOR

CONDITIONS OF APPROVAL

14 I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Miriam Morales

Title

Production Analyst

Signature

Miriam Morales

Date

8/2/12 (re-submitted)

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

/s/ JD Whitlock Jr

Title

LPE7

Date

8/11/12

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

CFO

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

RECEIVED
AUG 14 2012
NMOCD ARTESIA

Attachment to the Culebra BLV Federal Com #2H Pool/Lease (CA) commingle application

Federal Lease #NM-103879 & NM-121951, CA #124950

<u>Well name</u>	<u>Field/Pool</u>	<u>BOPD</u>	<u>Grav.</u>	<u>MCFPD</u>	<u>BTU</u>
Culebra BLV Federal Com #1H Sec. 7-T23S-R29E API #30-015-37615 Eddy County, NM	Herradura Bend; Delaware, E	140	42.0	230	1357

Federal Lease #NM-103879 & NM-121951, CA #(unavailable)

<u>Well name</u>	<u>Field/Pool</u>	* <u>BOPD</u>	* <u>Grav.</u>	* <u>MCFPD</u>	* <u>BTU</u>
Culebra BLV Federal Com #2H Sec. 7-T23S-R29E API #30-015-39422 Eddy County, NM	Culebra Bluff; Bone Spring, S				

*This information will be provided upon well completion *with updated Facility Diagram*

Continuation on Pool/lease commingle for Culebra BLV Federal Com #2H

The battery is located at the Culebra #1H. Please see attached site security diagram.

Identical ownership. All owners have been notified and a list is attached.

Oil Measurement

Each of the wells will be equipped with continuous metering separators for oil production prior to oil being commingled for sales at the Culebra BLV Federal #1H. Total sales/production will be allocated back to each individual well using the metered (daily well tests) volumes. Metered volumes will be compared to total battery volumes daily and monthly for accuracy.

Estimated daily production for the Culebra #1H is 140 bbls and 230 mcfs, for the Culebra #2H is 200 bbls and 250 mcfs. The average estimated gravity is 40.9 and estimated BTU 1275.

Gas Measurement

Each of the wells will be equipped with allocation meters for gas prior to commingling and the BLM point of measurement for this commingled production is at the DCP's CDP meter #718751-00 located at the Culebra BLV Federal Com #1H.

The purpose of the Pool/Lease Commingle of production is in the interest of conservation, economic feasibility, the reduction of environmental impact area, and will not result in reduced royalty or improper measurement of production. Without approval for utilizing existing batteries on adjacent leases, it will become necessary to build separate facilities for this well. This will greatly increase costs and shorten the economic life of the well.

See attached verification process.

**Correct Allocation Meter numbers on FAC Diagram.*

Submit Corrected information UPON completion of Culebra #2H



105 South 4th Street
Artesia, NM 88210
(575) 748-1471

Joe Chaves
July 2012



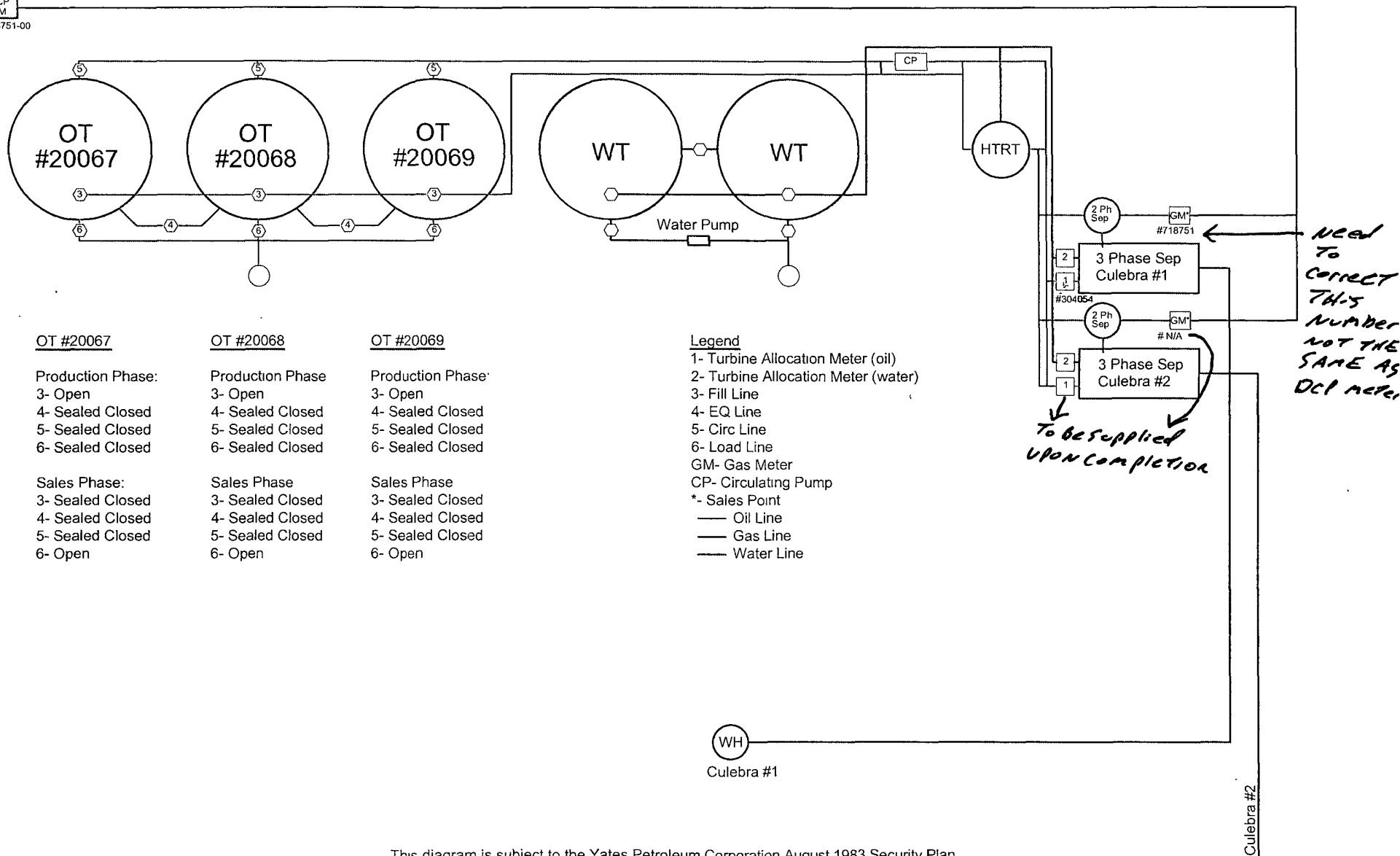
#718751-00

Culebra Federal #1H Battery

660' FNL & 330' FWL Sec 7-T23S-R29E Unit D

Eddy County, NM

API #3001537615



This diagram is subject to the Yates Petroleum Corporation August 1983 Security Plan which is on file at 105 South 4th Street, Artesia, NM.

Note: The Culebra #2 has not been drilled to date Separation equipment and gas sales meter for the Culebra #2 will be installed after the well has been drilled.

MARTIN YATES III
1912-1985

FRANK W. YATES
1935-1986

S P YATES
1914-2008



105 SOUTH FOURTH STREET

ARTESIA, NEW MEXICO 88210-2118

TELEPHONE (575) 748-1471

JOHN A. YATES
CHAIRMAN OF THE BOARD

JOHN A. YATES JR
PRESIDENT

JAMES S. BROWN
CHIEF OPERATING OFFICER

JOHN D. PERINI
CHIEF FINANCIAL OFFICER

JORGE S. MENDOZA
CHIEF ADMINISTRATIVE OFFICER

Procedure to verify accuracy of turbine allocation meters:

- 1) After the initial install of the turbine allocation meter, production fluid from the well associated to said meter is flowed through the meter and into a sales tank.
- 2) The sales tank is then gauged and the calculated volume is compared to the metered volume.
- 3) If needed, corrections to the meter's calibration factor are made to ensure that metered volumes correspond to the measured volumes from the gauged tank.
- 4) This process is repeated periodically or as needed, determined from the lease operator's daily comparison of total allocation meter readings to gauged tank volumes.

Note: Turbine allocation meters are locked to prevent unwanted tampering of the meter calibration factor.

KATHY H. PORTER
SECRETARY

DENNIS G. KINSEY
TREASURER

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986

S. P. YATES
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CHIEF ADMINISTRATIVE OFFICER

August 1, 2012

RE: Surface Pool/Lease (CA)
Culebra BLV Federal Com #2H
Eddy County, New Mexico

Dear Interest Owner,

Yates Petroleum is notifying you of the Pool/lease (CA) commingling on the following wells

Culebra BLV Federal Com #1H
Herradura Bend; Delaware, east
Sec. 7-T23S-R29E

Fed. Lease #NM-103879 & NM-121951, CA #124950
API #30-015-37615
Eddy County, NM

Culebra BLV Federal Com #2H(not yet drilled)
Culebra Bluff; Bone Spring, south
Sec. 7-T23S-R29E

Fed. Lease #NM-103879 & NM-121951, CA #(unavailable)
API #30-015-39422
Eddy County, NM

The battery is located at the Culebra #1H.

Identical ownership

Oil Measurement

Each of the wells will be equipped with continuous metering separators for oil production prior to oil being commingled for sales at the Culebra BLV Federal #1H. Total sales/production will be allocated back to each individual well using the metered (daily well tests) volumes. Metered volumes will be compared to total battery volumes daily and monthly for accuracy.

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Gas Measurement

Each of the wells will be equipped with allocation meters for gas prior to commingling and the BLM point of measurement for this commingled production is at the DCP's CDP meter #718751-00 located at the Culebra BLV Federal Com #1H.

The purpose of the Pool/Lease Commingling of production is in the interest of conservation, economic feasibility, the reduction of environmental impact area, and will not result in reduced royalty or improper measurement of production. Without approval for utilizing existing batteries on adjacent leases, it will become necessary to build separate facilities for this well. This will greatly increase costs and shorten the economic life of the well.

If you should have any questions, please give me a call at (575) 748-4200 (direct line).

Sincerely,

Miriam Morales

Production Analyst

KATHY H. PORTER
SECRETARY

DENNIS G. KINSEY
TREASURER

OXY Y-1 COMPANY
P.O. BOX 841803
DALLAS, TX 75284-1803

MYCO INDUSTRIES INC
P O BOX 840
ARTESIA, NEW MEXICO 88211

ABO PETROLEUM CORP
P O BOX 900
ARTESIA, NEW MEXICO

OCD
1220 S SAINT FRANCIS DR
SANTA FE, NEW MEXICO

**Bureau of Land Management
Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220
575-234-5972**

Culebra BLV Federal Com 1H & 2H
Yates Petroleum Corporation
August 11, 2012

**Condition of Approval
Commingle on and off lease**

1. This approval is subject to like approval by the New Mexico Oil Conservation Division.
2. This agency shall be notified of any spill or discharge as required by NTL-3A.
3. This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
4. This approval does not constitute right-of-way approval for any off-lease activities. Within 30 days, an application for right-of-way approval must be submitted to the Realty Section if not already done.
5. Approval for combining production from various sources is a privilege which is granted to lessees for the purpose of aiding conservation and extending the economic life of leases. Applicants should be cognizant that failure to operate in accordance with the provisions outlined in the Authorized Officer's conditions of approval and/or subsequent stipulations or modifications will subject such approval to revocation.
6. All above ground structures on the lease shall be painted Shale Green (5Y 4/2), or as per approved APD stipulations. This is to be done within 90 days, if you have not already done so.
7. Gas measurement for allocation must be measured as per Onshore Order #5 for sales meters.
8. All gas and oil subject to royalty shall be measured as per federal regulations and shall be reported to ONRR as required. All gas which is vented, flared or used on lease shall be reported as per NTL-4A to ONRR. All gas which is vented or flared shall be subject to royalty, unless prior approval was given by the authorized officer.
9. This agency shall be notified of any change in sales method or location of sales point.
10. Additional wells and/or leases require additional commingling approvals.
11. Upon completion of Culebra BLV Fed Com 2H, Supply oil and gas daily production volumes with gravity and BTU information as required. **APPROVAL TO COMMINGLE CONTINGENT ON GRAVITY AND BTU REVIEW.**
12. Submit updated facility diagram with gas and oil meter numbers upon completion of Culebra 2H.

The public's interest in all these leases/CA has been found to be identical at 12.5%. Therefore, this commingle is being approved. This does not mean that the allocation of production to each lease/CA will be 100% accurate each month. By approving this request it will only guarantee that the public's interest will not be compromised.