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Form 3160-5 (Jum: 1990) UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT 311.5.1st Atta_6.Nim 31210-2834 FORM APPROVED Budget Bureau No. 1004-015 Expire: March 31, 1993 SUNDRY NOTICES AND REPORTS ON WELLS 5. Lease Designation and Serial No. NM-43625 5. Lease Designation and Serial No. NM-43625 Do not use this form for proposals to drill or to deepen or reentry to a different reservoir. Use "APPLICATION FOR PERMIT." for such proposals 7. If Unit or CA. Agreement Designation Type of Well Gas 7. If Unit or CA. Agreement Designation 1. Submit IN TRIPLICATE 7. If Unit or CA. Agreement Designation 1. Submit IN TRIPLICATE 8. Well Name and No. Saguaro AGS Fed. Com #3 2. Name of Operator 9. API Well No. 2. Name of Well [Compression No. 3. Odders and Telephone No. 105 S. 4th Street, Artesia, NM 88210 (505) 748-1471 10. Field and Pool, or Exploratory Area 2. Alter Generation 9. API Well No. 1980' FNL & 1980' FWL, (Unit F, SENW) Sec. 26-T20S-R24E 11. County or Pansh, State 1980' FNL & 1980' FWL, (Unit F, SENW) Sec. 26-T20S-R24E Change of Plans Notice of Intent Abandonment Change of Plans Notice of Intent Abandonment Now Roother Fracturing Subsequent Report Pugging Baak		:	N.M Oil	ision C
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and measurement.				
Please see attached application.			approval for surface commingling	g and off lease storage.
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I hereby certify that the foregoing is true and correct Signed America S. Evans	Title	Production Secretary	Date 4/13/98
(This space for Federal or State office use) (ORIG. SGD.) DAVID R. GLASS Conditions of approval, if any:	Title	PETROLEUM ENGINEER	Date APR 2 2 1998
18 U.S.C. Section 1001, makes it air fine for any perion know ements or representations as to any matter within 25 perion know		id willfully to make to any department or agency of th *See Instruction on Reverse Side	ne United States any false, fictitious or fraudulen

APPLICATION FOR SURFACE COMMINGLING OFF LEASE STORAGE AND MEASUREMENT APPROVAL This Format Should Be Attached To A Sundry Notice

To: Bureau of Land Management 620 East Greene Street Carlsbad, NM 88221-1778

<u>Yates Petroleum Corporation</u> (Operator's Name) is requesting approval for surface commingling and off lease storage and measurement of hydrocarbon production form the following formation(s) and well(s) on Federal Lease No.<u>NM-43625</u>; Lease Name: Saguaro AGS Federal Com .

<u>Wel</u>					
<u>No.</u>	Loc.	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>	Formation
3	<u> </u>	<u>26</u>	<u>20S</u>	<u>24E</u>	Dagger Draw Upper Penn, South
<u>10</u>	<u>C</u>	<u>26</u>	<u>20S</u>	<u>24E</u>	Dagger Draw Upper Penn, South

with hydrocarbon production from the following formation(s) and well(s) on a Federal lease: <u>Conoco AGK</u> Federal Com.

<u>No.</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>	Formation
6	<u>K</u> _	<u>26</u>	<u>20S</u>	<u>24E</u>	Dagger Draw Upper Penn, South
16	<u>H</u>	<u>27</u>	<u>20S</u>	<u>24E</u>	Dagger Draw Upper Penn, South

Production from the well(s) involved is as follows:

Well Name and No.	<u>BOPD</u>	<u>Oil Gravity</u>	<u>MCFPD</u>
Saguaro AGS Fed. Com #3	<u>2.36</u>	<u>50</u>	202.68
Saguaro AGS Fed. Com #10	<u>.1785</u>	<u>50</u>	<u>64.04</u>
Conoco AGK Fed. Com #6	<u>4.4</u>	<u>50</u>	<u>225.64</u>
Conoco AGK Fed. Com #16	<u>.7857</u>	<u>50</u>	<u>607.64</u>

The proposed operation is described in detail on the attached diagrams.

A map is enclosed showing the location of all the wells that will contribute production to the proposed commingling/common storage facility.

A schematic diagram is also attached which clearly identifies all equipment that will be utilized.

The storage and measuring facility is located at <u>SENW-1/4</u>, Sec. 26, T20S, R24E, Federal lease <u>Saguaro</u> Federal Com #3 Eddy Co. NM. BLM will be notified if there is any future change in the facility location.

Details of the proposed method of allocating production to contributing sources is as follows:

Continued.

Continued:

<u>Oil will be transported off lease prior to measurement and will be measured by positive displacement, temperature compensated metering equipment.</u> Gas will also be measured separately. Total sales volume will be allocated back to individual wells based on daily well test.

The working interest owners have been notified of the proposal.

The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production.

The purpose of the surface commingling, lease commingling, off lease storage and measurement is to reduce operating costs for storage and treating, thereby extending the economic life of each well. Without apporval for utilizing existing batteries on adjacent leases, it will become necessary to build separate facilities for each well. This will greatly increase costs and shorten the economic life of the wells.

The proposed commingling is necessary for economic operation of the above referenced leases.

We understand that the request approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument. And, we will submit within 30 days an application for right-of-way approval to the BLM's Realty Section in your office it we have not already done so.

Signature: Jamela S. Evans

Name: Pamela S. Evans

Title: Production Clerk

Date: april 13, 1998



