

ruddy

Application for Downhole Commingling
Amaranth AMG Federal #1
Unit B (surface)/Unit K (bottomhole) Sec. 12-T20S-R30E
Eddy County, New Mexico

NM 54298
~~66-070207~~

Reason for Application: Yates Petroleum Corporation respectfully requests approval to commingle the Atoka and Morrow formations. Our intention is to maximize gas recovery from the Atoka and Morrow and prevent mineral resource waste. The Atoka zones in this area historically are limited in size and deplete rapidly and the Morrow zone in this well appears to be marginally economic. Additional oil and gas will be produced by commingling the two zones because the economic limit, per zone, will be lower with both zones producing together.

1> Name and Address of the Operator:

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210
ATTN: Darrick Stallings

2> Lease Name, Well Number, Well Location, Name of the Pools to be Commingled:

Amaranth AMG Federal #1
Unit B (surface)/Unit K (BHL), Sec. 12-T20S-R30E
1310'FNL & 2630'FEL (surface), 1541'FSL & 1875'FWL (BHL)
Pools: Dos Hermanos Atoka
Dos Hermanos Morrow

3> A plat of the area showing the acreage dedicated to the well and the ownership of all offsetting leases.

See Attachment A (map).

4> A current (within 30 days) 24-hour productivity test on Division Form C-116 showing the amount of oil, gas, and water produced from each zone.

See Attachment B (Monthly production summaries).
Morrow capable of approximately 300 MCFD.
Morrow perf interval 12.468'-12.729' MD
Atoka capable of approximately 200 MCFD.
Atoka perf interval 11.889'-12.011' MD.

5> A production decline curve for both zones showing that for a period of at least one year a steady rate of decline has been established for each zone which will permit a reasonable allocation of the commingled production to each zone for statistical purposes. (This requirement may be dispensed within the case of a newly completed or recently completed well which has little or no production history. However, a complete description of treating testing, etc., of each zone, and a prognostication of future production from each zone shall be submitted.)

See Attachment B, Attachment C (Morrow production plot), Attachment D (Atoka P/Z plot).