

DATE IN 10/18/12	SUSPENSE	ENGINEER Ezeangine	LOGGED IN 10/22/12	TYPE CTB	APP NO. PKVR1229644219
------------------	----------	--------------------	--------------------	----------	------------------------

ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
**- Engineering Bureau -**  
 1220 South St. Francis Drive, Santa Fe, NM 87505



RECEIVED OGD  
 2012 OCT 18 P 12:41

**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

**[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]**  
**[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]**  
**[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]**  
**[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]**  
**[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]**  
**[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]**

*Yates Petroleum Corp*  
*Capella BOP Federal*  
*#s 1 & 2*

**[1] TYPE OF APPLICATION - Check Those Which Apply for [A]**

**[A] Location - Spacing Unit - Simultaneous Dedication**  
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

**[B] Commingling - Storage - Measurement**  
☐ DHC ☒ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

**[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery**  
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

**[D] Other: Specify** \_\_\_\_\_

**[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply**

**[A] ☒ Working, Royalty or Overriding Royalty Interest Owners**

**[B] ☐ Offset Operators, Leaseholders or Surface Owner**

**[C] ☐ Application is One Which Requires Published Legal Notice**

**[D] ☒ Notification and/or Concurrent Approval by BLM or SLO**  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

**[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,**

**[F] ☒ Waivers are Attached**

**[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

**[4] CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

**Note: Statement must be completed by an individual with managerial and/or supervisory capacity.**

Miriam Morales  
 Print or Type Name

Signature

Production Analyst  
 Title

Date

mmorales@yatespetroleum.com  
 e-mail Address

*CTB - b60*

District I  
1625 N. French Drive, Hobbs, NM 88240  
District II  
1301 W. Grand Ave, Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St Francis Dr, Santa Fe, NM  
87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107-B  
Revised June 10, 2003

**OIL CONSERVATION DIVISION**  
1220 S. St Francis Drive  
Santa Fe, New Mexico 87505

Submit the original  
application to the Santa Fe  
office with one copy to the  
appropriate District Office.

**APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)**

OPERATOR NAME: Yates Petroleum Corporation  
OPERATOR ADDRESS: 105 South Fourth St. Artesia, NM 88210  
APPLICATION TYPE:

☐ Pool Commingling ☒ Lease Commingling ☐ Pool and Lease Commingling ☐ Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE: ☐ Fee ☐ State ☒ Federal

Is this an Amendment to existing Order? ☐ Yes ☒ No If "Yes", please include the appropriate Order No. \_\_\_\_\_  
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling  
☒ Yes ☐ No

**(A) POOL COMMINGLING**

Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes

- (2) Are any wells producing at top allowables? ☐ Yes ☐ No  
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☐ Yes ☐ No.  
(4) Measurement type: ☐ Metering ☐ Other (Specify)  
(5) Will commingling decrease the value of production? ☐ Yes ☐ No If "yes", describe why commingling should be approved

**(B) LEASE COMMINGLING**

Please attach sheets with the following information

- (1) Pool Name and Code. Lost Tank; Delaware 40299  
(2) Is all production from same source of supply? ☒ Yes ☐ No  
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No  
(4) Measurement type: ☒ Metering ☐ Other (Specify)

**(C) POOL and LEASE COMMINGLING**

Please attach sheets with the following information

- (1) Complete Sections A and E.

**(D) OFF-LEASE STORAGE and MEASUREMENT**

Please attached sheets with the following information

- (1) Is all production from same source of supply? ☐ Yes ☐ No  
(2) Include proof of notice to all interest owners.

**(E) ADDITIONAL INFORMATION (for all application types)**

Please attach sheets with the following information

- (1) A schematic diagram of facility, including legal location.  
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.  
(3) Lease Names, Lease and Well Numbers, and API Numbers.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: Miriam Morales TITLE: Production Analyst DATE: 10/16/12

TYPE OR PRINT NAME Miriam Morales TELEPHONE NO.: (575) 748-1471

E-MAIL ADDRESS: mmorales@yatespetroleum.com

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

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-121957**

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)

**330' FSL & 330' FEL Sec. 8-T21S-R32E Unit P, SESE Surface**

**330' FNL & 660' FEL Sec. 8-T21S-R32E Unit A, NENE Bottom**

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

8. Well Name and No.

**Capella BOP Federal #2H**

9. API Well No.

**30-025-39529**

10. Field and Pool or Exploratory Area

**Lost Tank; Delaware**

11. County or Parish, State

**Lea County, New Mexico**

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

**TYPE OF SUBMISSION**

**TYPE OF ACTION**

☒

Notice of Intent

☐

Subsequent Report

☐

Final Abandonment Notice

☐

Acidize

☐

Alter Casing

☐

Casing Repair

☐

Change Plans

☐

Convert to Injection

☐

Deepen

☐

Fracture Treat

☐

New Construction

☐

Plug and Abandon

☐

Plug Back

☐

Production (Start/Resume)

☐

Reclamation

☐

Recomplete

☐

Temporarily Abandon

☐

Water Disposal

☐

Water Shut-Off

☐

Well Integrity

☒

Other

Surface/lease

Commingle oil

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 recomplete 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 recompletion 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 Surface/lease Commingle oil only for the Capella BOP Federal #1 and Capella BOP Federal #2H.

The battery is located at the Capella BOP Federal #1. Please see attached site security diagram.

The ownership is diversified. All owners have been notified. (see attached)

Please see continuation attached

14. I hereby certify that the foregoing is true and correct

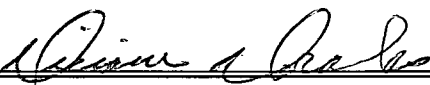
Name (Printed/Typed)

**Miriam Morales**

Title

**Production Analyst**

Signature



Date

**10/16/2012**

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by

Title

Date

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

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

**Continuation of Capella BOP Federal #2H surface/lease Commingle oil only**

**Federal Lease #NM-121957**

<u>Well name</u>	<u>Field/Pool</u>	<u>BOPD</u>	<u>Gravity</u>	<u>MCFPD</u>	<u>BTU</u>
Capella BOP Federal #1 Sec. 9-T21S-R32E API #30-025-39528 Lea County, NM	Lost Tank; Delaware	17	38.6	53	1367
Capella BOP Federal #2H Sec. 8-T21S-R32E API #30-025-39529 Lea County, NM	Lost Tank; Delaware	*250	*39.6	*250	*1335

\*This is an estimated production, updated information will be provided to BLM upon well completion with updated site security diagram as requested.

**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 Capella BOP Federal Com #1. 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.

**Gas Measurement**

Each of the wells will have its own meter.

The purpose of the Surface/lease Commingle of production is in the interest of conservation, economic feasibility, the reduction of environmental impact area, and overall emissions. It 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 each well. This will greatly increase costs and shorten the economic life of each well.



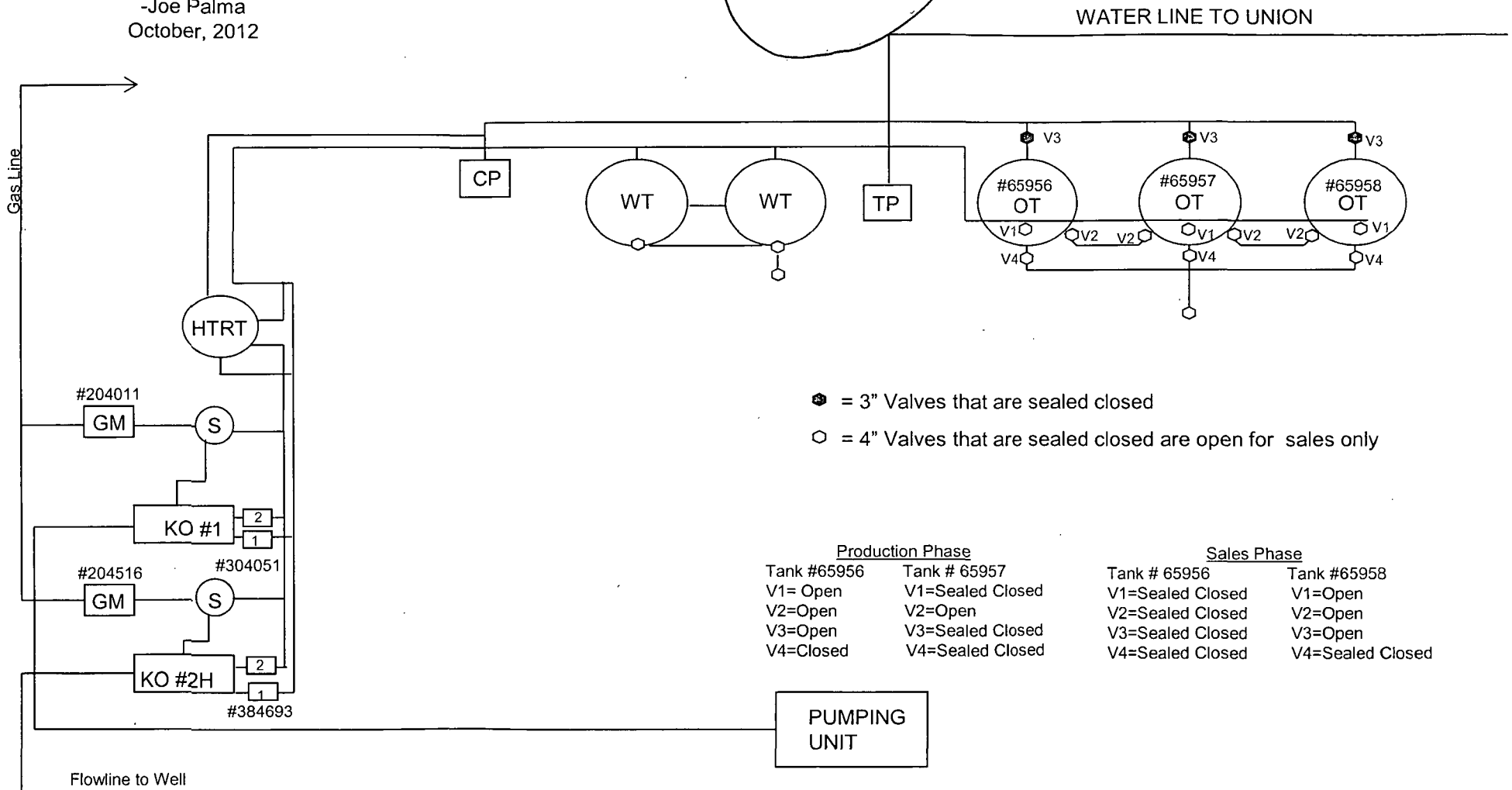
105 South 4<sup>th</sup> Street \* Artesia, NM 88210  
(575)-748-1471

-Joe Palma  
October, 2012

# CAPELLA BOP FEDERAL #1

330' FSL & 330' FWL \* Sec 9 - T21S - R32E \* Unit M  
Lea County, NM  
API - 3002539528

*MB*



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

DISTRICT I  
1425 N. French Dr., Hobbs, NM 88340  
DISTRICT II  
1301 W. Grand Avenue, Artesia, NM 87003  
DISTRICT III  
1000 Rio Brazos Rd., Artesia, NM 87410  
DISTRICT IV  
1220 N. St. Francis Dr., Santa Fe, NM 87505

RECEIVED

SEP 28 2009

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised October 12, 2005

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

HUBBSOON

CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number <b>30-025-39528</b>	Pool Code <b>40299</b>	Pool Name <b>Lost Tank Delaware</b>
Property Code <b>37845</b>	Property Name <b>CAPELLA "BOP" FEDERAL</b>	Well Number <b>1</b>
OGRIID No. <b>025575</b>	Operator Name <b>YATES PETROLEUM CORP.</b>	Elevation <b>3713'</b>

Surface Location

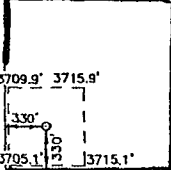
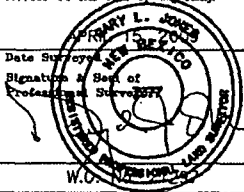
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	9	21 S	32 E		330	SOUTH	330	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres <b>40</b>	Joint or Infill	Consolidation Code	Order No.
------------------------------	-----------------	--------------------	-----------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p><b>SURFACE LOCATION</b> Lat - N 32°29'12.95" Long - W 103°41'13.94" NADSPCE - N 541478.663 E 740565.629 (NAD-83)</p> 	<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location, pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Lucky Briggs</i> 5/2/10 Signature Date <b>Lucky Briggs</b> Printed Name</p>	
	<p><b>SURVEYOR CERTIFICATION</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>Date Surveyed: <b>5/2/10</b> Signature of State of Professional Surveyor:  W.D. <b>W.D. Jones</b> Certificate No. <b>Gary L. Jones 7977</b> <b>BASIN SURVEYS</b></p>	

DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II  
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

HOBBS OCD

AUG 28 2012

RECEIVED

State of New Mexico  
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

Form C-102  
Revised October 12, 2005

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number <b>30-025-38528</b>	Pool Code <b>40299</b>	Pool Name <b>Lost Tank Delaware</b>
Property Code <b>37845</b>	Property Name <b>CAPELLA "BOP" FEDERAL</b>	Well Number <b>2H</b>
OGRID No. <b>025575</b>	Operator Name <b>YATES PETROLEUM CORP.</b>	Elevation <b>3702'</b>

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	8	21 S	32 E		330	SOUTH	330	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	8	21 S	32 E		330	NORTH	660	EAST	LEA

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p><b>PROPOSED BOTTOM HOLE LOCATION</b> Lat - N 32°29'58.57" Long - W 103°41'25.49" NMSPCE- N 546083.665 E 739548.216 (NAD-83)</p> <p>Project Area →</p> <p>Producing Zone →</p> <p>Penetration Point 816' FSL &amp; 367' FEL</p> <p><b>SURFACE LOCATION</b> Lat - N 32°29'12.92" Long - W 103°41'21.66" NMSPCE- N 541472.512 E 739901.064 (NAD-83)</p>	<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><u>Travis Hahn</u> Signature 8/6/12 Date</p> <p>Travis Hahn Printed Name</p>
	<p><b>SURVEYOR CERTIFICATION</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p>
	<p>APR 13 2012 NEW MEXICO Professional Surveyor 7977</p>
	<p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>

\* Amended

AUG 29 2012

MARTIN YATES, III  
1912-1985

FRANK W. YATES  
1936-1986

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

October 15, 2012

Re: Surface/Lease Commingle Oil Only  
Capella BOP Federal #1 and 2H  
Lea County, New Mexico

Dear Interest Owner,

Yates Petroleum is notifying you of an application to Surface/Lease Commingle oil only on the following wells:

**Federal Lease #NM-121957**

<u>Well name</u>	<u>Field/Pool</u>	<u>BOPD</u>	<u>Gravity</u>	<u>MCFPD</u>	<u>BTU</u>
Capella BOP Federal #1 Sec. 9-T21S-R32E API #30-025-39528 Lea County, NM	Lost Tank; Delaware	17	38.6	53	1367
Capella BOP Federal #2H Sec. 8-T21S-R32E API #30-025-39529 Lea County, NM	Lost Tank; Delaware	*250	*39.6	*250	*1335

\*This is an estimated production, updated information will be provided to BLM upon well completion with updated site security diagram as requested.

The battery is located at the Capella BOP Federal #1.  
The ownership is diversified.

**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 Capella BOP Federal #1. 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.

**Gas Measurement**

Each of the wells will have its own meter.

The purpose of the Surface/lease Commingle of production is in the interest of conservation, economic feasibility, the reduction of environmental impact area, and overall emissions. It 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 each well. This will greatly increase costs and shorten the economic life of each well.

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

Sincerely,

Miriam Morales

Production Analyst

I hereby approve this application

Company: MYCO Industries



MARTIN YATES, III  
1912-1985

FRANK W. YATES  
1936-1986

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

October 15, 2012

Re: Surface/Lease Commingle Oil Only  
Capella BOP Federal #1 and 2H  
Lea County, New Mexico

Dear Interest Owner,

Yates Petroleum is notifying you of an application to Surface/Lease Commingle oil only on the following wells:

**Federal Lease #NM-121957**

<u>Well name</u>	<u>Field/Pool</u>	<u>BOPD</u>	<u>Gravity</u>	<u>MCFPD</u>	<u>BTU</u>
Capella BOP Federal #1 Sec. 9-T21S-R32E API #30-025-39528 Lea County, NM	Lost Tank; Delaware	17	38.6	53	1367
Capella BOP Federal #2H Sec. 8-T21S-R32E API #30-025-39529 Lea County, NM	Lost Tank; Delaware	*250	*39.6	*250	*1335

\*This is an estimated production, updated information will be provided to BLM upon well completion with updated site security diagram as requested.

The battery is located at the Capella BOP Federal #1.  
The ownership is diversified.

**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 Capella BOP Federal #1. 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.

**Gas Measurement**

Each of the wells will have its own meter.

The purpose of the Surface/lease Commingle of production is in the interest of conservation, economic feasibility, the reduction of environmental impact area, and overall emissions. It 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 each well. This will greatly increase costs and shorten the economic life of each well.

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

Sincerely,

Miriam Morales

Production Analyst

I hereby approve this application

Company: ABO Petroleum Corporation

MARTIN YATES, III  
1912-1985

FRANK W. YATES  
1936-1986

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

October 15, 2012

Re: Surface/Lease Commingle Oil Only  
Capella BOP Federal #1 and 2H  
Lea County, New Mexico

Dear Interest Owner,

Yates Petroleum is notifying you of an application to Surface/Lease Commingle oil only on the following wells:

**Federal Lease #NM-121957**

<u>Well name</u>	<u>Field/Pool</u>	<u>BOPD</u>	<u>Gravity</u>	<u>MCFPD</u>	<u>BTU</u>
Capella BOP Federal #1 Sec. 9-T21S-R32E API #30-025-39528 Lea County, NM	Lost Tank; Delaware	17	38.6	53	1367
Capella BOP Federal #2H Sec. 8-T21S-R32E API #30-025-39529 Lea County, NM	Lost Tank; Delaware	*250	*39.6	*250	*1335

\*This is an estimated production, updated information will be provided to BLM upon well completion with updated site security diagram as requested.

The battery is located at the Capella BOP Federal #1.  
The ownership is diversified.

**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 Capella BOP Federal #1. 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.

**Gas Measurement**

Each of the wells will have its own meter.

The purpose of the Surface/lease Commingle of production is in the interest of conservation, economic feasibility, the reduction of environmental impact area, and overall emissions. It 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 each well. This will greatly increase costs and shorten the economic life of each well.

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

Sincerely,

Miriam Morales

Production Analyst

I hereby approve this application

Company: Yates Petroleum Corporation

MARTIN YATES, III  
1912-1985

FRANK W. YATES  
1936-1986

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

October 15, 2012

Re: Surface/Lease Commingle Oil Only  
Capella BOP Federal #1 and 2H  
Lea County, New Mexico

Dear Interest Owner,

Yates Petroleum is requesting approval from the Bureau of Land Management and Oil Conservation Division to Surface/Lease Commingle oil only for the following wells:

**Federal Lease #NM-121957**

<u>Well name</u>	<u>Field/Pool</u>	<u>BOPD</u>	<u>Gravity</u>	<u>MCFPD</u>	<u>BTU</u>
Capella BOP Federal #1 Sec. 9-T21S-R32E API #30-025-39528 Lea County, NM	Lost Tank; Delaware	17	38.6	53	1367
Capella BOP Federal #2H Sec. 8-T21S-R32E API #30-025-39529 Lea County, NM	Lost Tank; Delaware	*250	*39.6	*250	*1335

\*This is an estimated production, updated information will be provided to BLM upon well completion with updated site security diagram as requested.

The battery is located at the Capella BOP Federal #1.  
The ownership is diversified.

**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 Capella BOP Federal #1. 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.

**Gas Measurement**

Each of the wells will have its own meter.

The purpose of the Surface/lease Commingle of production is in the interest of conservation, economic feasibility, the reduction of environmental impact area, and overall emissions. It 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 each well. This will greatly increase costs and shorten the economic life of each well.

Any objection must be filed in writing with the Oil Conservation Division in Santa Fe within 20 days from the date the division receives the application. Application will be sent in conjunction with notification to owners.

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

Sincerely,

Miriam Morales  
Production Analyst



YATES BUILDING - 105 SOUTH FOURTH ST.  
ARTESIA, NEW MEXICO 88210-2118

ADDRESS SERVICE REQUESTED

7011 2000 0002 6461 8828

7011 2000 0002 6461 8828

<b>U.S. Postal Service™ CERTIFIED MAIL™ RECEIPT</b> (Domestic Mail Only; No Insurance Coverage Provided)	
For delivery information visit our website at <a href="http://www.usps.com">www.usps.com</a>	
Capella Y-1 Company P.O. Box 841803 Dallas, TX 75284-1803	
Postage \$	
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$	
Postmark Here	
Sent to OXY-Y1 Company Street, Apt. No., or PO Box No. P.O. Box 841803 City, State, ZIP+4 Dallas, TX 75284-1803 PS Form 3811, August 2004 See Reverse for Instructions	

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

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"><li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li><li>Print your name and address on the reverse so that we can return the card to you.</li><li>Attach this card to the back of the mailpiece, or on the front if space permits.</li></ul>		A. Signature <b>X</b> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee	
1. Article Addressed to:  OXY Y-1 COMPANY P.O. BOX 841803 DALLAS, TX 75284-1803		B. Received by (Printed Name)	C. Date of Delivery
2. Article Number (Transfer from ser. 7011 2000 0002 6461 8828)		D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
		3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
		4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	

Yates Petroleum Corporation  
105 South 4th Street  
Artesia, NM 88210

Bureau of Land Management  
620 E. Greene St.  
Carlsbad, NM 88220

7011 2000 0002 6461 8811

7011 2000 0002 6461 8811

U.S. Postal Service™

**CERTIFIED MAIL™ RECEIPT**

(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at [www.usps.com](http://www.usps.com)

*Capella #24 CTB*

*10/16/12*  
*Minneapolis*

Postage \$

Certified Fee

Return Receipt Fee  
(Endorsement Required)

Restricted Delivery Fee  
(Endorsement Required)

Total Postage & Fees \$

Postmark  
Here

Sent To

*BLM*

Street, Apt. No.,  
or PO Box No.

*620 E. Greene St.*

City, State, ZIP+4

*Carlsbad NM 88220*

PS Form 3800, August 2006

See Reverse for Instructions

**SENDER: COMPLETE THIS SECTION**

- ☒ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- ☒ Print your name and address on the reverse so that we can return the card to you.
- ☒ Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Bureau of Land Management  
620 E. Greene St.  
Carlsbad, NM 88220

2. Article Number  
(Transfer from sender)

7011 2000 0002 6461 8811

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

**X**

☐ Agent  
☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes  
If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail ☐ Express Mail  
☒ Registered ☐ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes