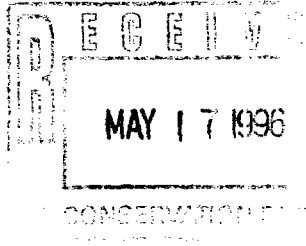


MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

429
S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

May 16, 1996

New Mexico Oil Conservation Division
P.O. Box 6429
Santa Fe, NM 87505-6429

Attention: Ben Stone

RE: Surface Commingling, Lease Commingling,
Off-Lease Storage & Measurement
Atoka San Andres Pool Eddy County,
New Mexico

Dear Mr. Stone,

Yates Petroleum Corporation respectfully requests your approval for surface commingling, lease commingling, off-lease storage and measurement for the following wells:

Pearson APE #1	Cannon FW #1	Cannon FW #2
2310' FNL & 2310' FWL	990' FNL & 2310' FWL	2310' FNL & 990' FWL
Unit F, SENW	Unit C, NENW	Unit E, SWNW
Eddy County, NM	Eddy County, NM	Eddy County, NM
Fee Lease	Fee Lease	Fee Lease

The production will be transported prior to measurement to a common tank battery located at the Cannon FW #1 location. A map is enclosed for your information.

The purpose of this off-lease storage and surface commingling is to reduce operating costs for storage and treating and thereby extend the economic life of each well. 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 the well(s).

Because working interests for the wells are different, oil from each of the wells will be measured by positive displacement, temperature compensated metering equipment prior to surface commingling. Gas from the wells will also be metered separately. This metering will ensure that all production from each of the wells is equitably accounted for with no significant effect on your revenue. The production from the wells is from the same producing zone which is the Atoka San Andres.


In accordance with the Oil Conservation Division's Rules 303-B, 309-B and 309-C, the following diagrams and maps are enclosed for your information:

- A diagram of the proposed measurement equipment, separators and storage tanks in accordance with the "Manual for Installation and Operation of Commingling Facilities".
- Notification of working interest, royalty interest and overriding royalty interest owners of the proposal to commingle production (list enclosed).

If you should have any questions or need further information, please give me a call at (505) 748-4178, direct line.

Thank you for your cooperation.

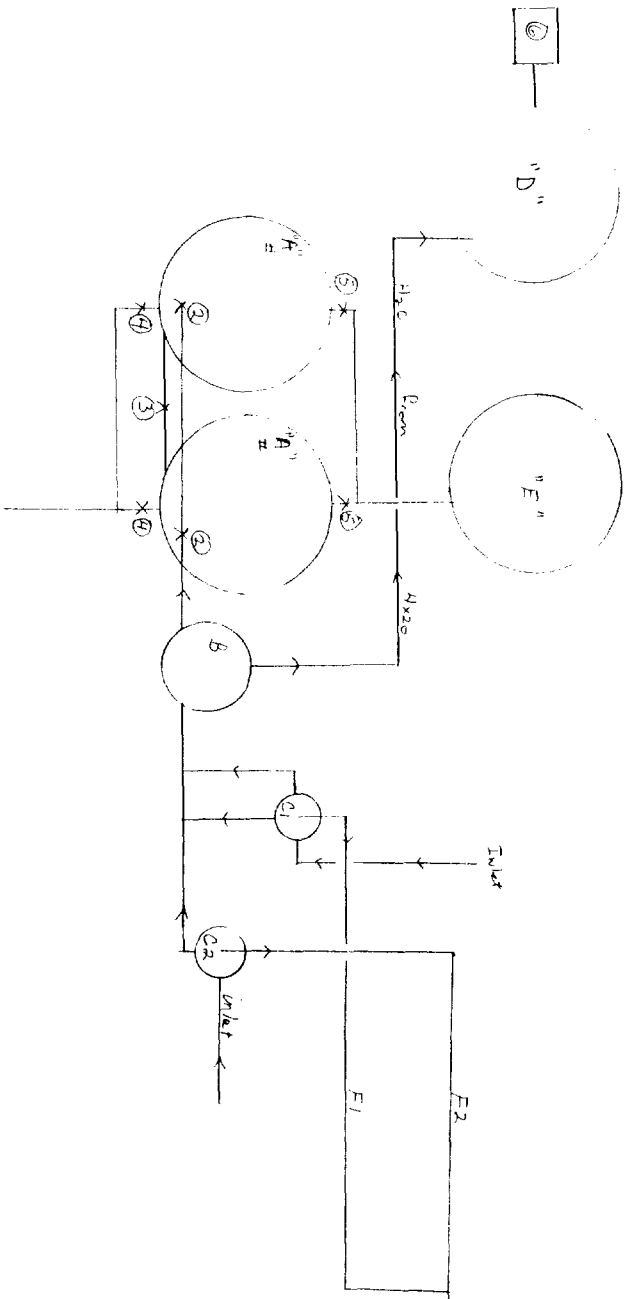
Sincerely,

A handwritten signature in cursive script that reads "Pamela S. Evans".

Pamela S. Evans
Production Clerk

Enclosures:

Site Security Plan on file at:
 Yates Petroleum Corporation
 105 S. 4th Street
 Artesia, NM 88210



- "A" 210 BBL OIL Storage
- B 4120' Gumbrell
- C1 10000 3-Phase Separator
- C2 Cannon 100 Separator
- D 210 BBL WATER Storage
- E 210 BBL 8500 Storage
- F1 10000 10000 Separator
- F2 Cannon 1000 10000 Separator
- 2 211 Line Sealed closed during work
- 3 Equilibrium Sealed closed during work
- 4 Sikes Line Sealed closed
- 5 Down Line Sealed closed
- 6 Water Pumped to Another Tank with Sump

Cannon FM Battery
 Fee Lease
 990' FNL & 2310' FNL
 Section 21-T18S-R26E
 Eddy County, New Mexico

ATTACHMENT IV

Working Interest Owners, Royalty Interest Owners, Overriding Royalty Interest

Hazel Bales Cannon
McAllen National Bank Trust Dept.
P.O. Box 5555
McAllen, TX 78502-5555

Hazel A. Cannon
McAllen National Bank Trust Dept.
P.O. Box 5555
McAllen, TX 78502

Helen Joan Overpeck Lemon
P.O. Box 97
Dona Ana, NM 88032

Willis E. Morgan
Florence Morgan Estate
300 Cumorah Trail
Alpharetta, GA 30201-7721

Paine Webber
Joseph Kenneth Morgan
P.O. Box 1329
Santa Fe, NM 87504

Willis E. Morgan Jr.
300 Cumorah Trail
Alpharetta, GA 30201-7721

Stanico Energy Corporation
P.O. Box 32467
Oklahoma City, OK 73123-2467

Z 149 003 541



**Receipt for
Certified Mail**

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to <i>McAllen National Bank</i>	
Street and No. <i>Harold Bates Cannon</i>	
City, State and ZIP Code <i>P.O. Box 5555, McAllen, TX</i>	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>off lease 5-3-96</i> <i>Cannon FW 1+2</i> <i>Pearson APE #1</i>	

PS Form 3800, March 1993

Z 149 003 542



**Receipt for
Certified Mail**

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to <i>McAllen Nat. Bank</i>	
Street and No. <i>Angel A. Cannon</i>	
P.O. State and ZIP Code <i>P.O. 5555, McAllen TX</i>	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>off base</i> <i>Cannon FW 1+2</i> <i>Parson RFE #1 5394</i>	

Z 149 003 543



**Receipt for
Certified Mail**

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to <i>Helen Joan Chiswick Lemon</i>	
Street and No. <i>P.O. Box 97</i>	
City, State and Zip Code <i>Alma, NM 88032</i>	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>aff. trace</i> <i>Cannon FW #1+2 96</i> <i>Pearson APE #1 5.8</i>	

Z 149 003 544



**Receipt for
Certified Mail**

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to <i>Willis E. Morgan</i>	
Street and No. <i>Est. Florence Morgan</i>	
P.O., State and ZIP Code <i>300 Crenshaw Trail, Atlanta, GA</i>	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>off lease</i> <i>Cannon FW #1+2 5-3-96</i> <i>Pearson APE #1</i>	

PS Form 3800, March 1993

Z 149 003 545



**Receipt for
Certified Mail**

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to <i>Krini Weber/Joseph H. Morgan</i>	
City and State <i>P.O. Box 1329</i>	
P.O. / State and ZIP Code <i>Santa Fe, NM 87504</i>	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>FW Off-Lance</i> <i>Cannon 1+2</i> <i>Robson APE #1</i> <i>5-3-96</i>	

Z 149 003 542



**Receipt for
Certified Mail**

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sender <i>Steno Energy Corp.</i>	
Street and No. <i>P.O. 32467</i>	
P.O. State and ZIP Code <i>Oklahoma City, OK 73123</i>	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>off-lease</i> <i>Cannon FW 1+2</i> <i>Pearson APE #1 4/3/96</i>	

PS Form 3800, March 1993

Z 149 003 546



**Receipt for
Certified Mail**

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to <i>Willis E. Mogan Jr.</i>	
Street and No. <i>300 Cumosah Trail</i>	
P.O., State and ZIP Code <i>Alpharetta, GA</i>	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>off lease</i> <i>Cayman FW #1+2</i> <i>Pearson APE #153-96</i>	

PS Form 3800, March 1993