

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



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

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

April 13, 2005

David Catanach
State of New Mexico
OIL CONSERVATION DIVISION
1220 South Saint Francis Drive
Santa Fe, NM 87505

Dear Mr. Catanach,

Yates Petroleum Corporation hereby seeks administrative approval to downhole commingle the production from the Pecos Slope Abo & the Lost Lake (Wolfcamp) in our Erma Com #2 well located in Unit A of Section 1, Township 10 South, Range 24 East, Chaves County.

If you have any questions or need additional information, please call me at (505) 748-4182. Thank you.

Sincerely,

A handwritten signature in cursive script that reads 'James W. Pringle'.

James W. Pringle
Operations Engineer

JWP

Enclosures

2005 APR 15 PM 11 34

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April 13, 2005

Tim Gum
State of New Mexico
OIL CONSERVATION DIVISION
1301 W. Grand Street
Artesia, NM 88210

Dear Mr. Gum,

Yates Petroleum Corporation hereby seeks administrative approval to downhole commingle the production from the Pecos Slope Abo & the Lost Lake (Wolfcamp) in our Erma Com #2 well located in Unit A of Section 1, Township 10 South, Range 24 East, Chaves County.

If you have any questions or need additional information, please call me at (505) 748-4182. Thank you.

Sincerely,

A handwritten signature in cursive script that reads 'James W. Pringle'.

James W. Pringle
Operations Engineer

JWP

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April 13, 2005

Pete Martinez
State of New Mexico
Commissioner of Public Lands
P. O. Box 1148
Santa Fe, NM 87504-1148

Dear Mr. Martinez,

Pursuant to the State Land Office Rule Nos. 1.053, 1.054 and 1.055, you will find enclosed the \$30.00 filing fee and a copy of the commingling application for the Yates Petroleum Corporation's Erma Com No. 2 well located in Unit A of Section 1, Township 10 South, Range 24 East, Chaves County.

If you have any questions or need additional information, please call me at (505) 748-4182.

Sincerely,

A handwritten signature in cursive script that reads 'James W. Pringle'.

James W. Pringle
Operations Engineer

JWP

District I
1625 N. French Drive, Hobbs, NM 88240

District II
811 South First Street, Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised May 15, 2000

OIL CONSERVATION DIVISION

1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

APPLICATION TYPE

Single Well

Establish Pre-Approved Pools

EXISTING WELLBORE

Yes No

APPLICATION FOR DOWNHOLE COMMINGLING

DHC-3429

Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210

Operator Address

Erma Com 2 A 1 10S 24E Chaves

Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 025575 Property Code API No. 30-005-63502 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Pecos Slope (Abo) <i>Goa</i>		Lost Lake (Wolfcamp) <i>Goa</i>
Pool Code	<i>82730</i>		<i>96086</i>
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3,434' - 3,792'		4,236' - 4,530'
Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)			
Oil Gravity or Gas BTU (Degree API or Gas BTU)			
Producing, Shut-In or New Zone	New		New
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Rates: 500 mcf/d 0 bopd 0 bwpd	Rates:	Rates: 350 mcf/d 0 bopd 15 bwpd
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil % Gas 59%	Oil % Gas %	Oil % Gas 41%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes No
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes No

Are all produced fluids from all commingled zones compatible with each other? Yes No

Will commingling decrease the value of production? Yes No

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes No

NMOCD Reference Case No. applicable to this well: _____

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

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

SIGNATURE *James W. Pringle* TITLE Operations Engineer DATE: 3/31/05
TYPE OR PRINT NAME James W. Pringle TELEPHONE NO. (505) 748-4182

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

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000

District II
811 South First, Artesia, NM 88210

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

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

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

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-005-63502	² Pool Code	³ Pool Name Lost Lake (Wolfcamp)
⁴ Property Code	⁵ Property Name ERMA COM.	⁶ Well Number 2
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation	⁹ Elevation 3549'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	1	10S	24E		660	North	660	East	Chaves

¹¹ 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

¹² Dedicated Acres 365.94	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No. R-12087
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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

<table border="1"> <tr> <td>Sec. 36, T9.5S-R24E</td> <td>VA-2712</td> <td></td> </tr> <tr> <td>Sec. 1, T10S-R24E</td> <td></td> <td>660'</td> </tr> <tr> <td></td> <td>FEE</td> <td>660'</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </table>	Sec. 36, T9.5S-R24E	VA-2712		Sec. 1, T10S-R24E		660'		FEE	660'							<p>¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature Robert Asher Printed Name</p> <p>Regulatory Agent Title</p> <p>4/4/2005 Date</p>
	Sec. 36, T9.5S-R24E	VA-2712														
	Sec. 1, T10S-R24E		660'													
		FEE	660'													
	<p>¹⁸ SURVEYOR CERTIFICATION 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>REFER TO ORIGINAL PLAT</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p>															
	Certificate Number															

The Lost Lake (Wolfcamp) is a new zone and production curves are not available.

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

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000

District II
811 South First, Artesia, NM 88210

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
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WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-005-63502	² Pool Code	³ Pool Name Pecos Slope (Abo)
⁴ Property Code	⁵ Property Name ERMA COM.	⁶ Well Number 2
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation	⁹ Elevation 3549'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	1	10S	24E		660	North	660	East	Chaves

¹¹ 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

¹² Dedicated Acres 181.31	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No. R-12087
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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

¹⁶ Sec. 36, T9.5S-R24E	VA-2712		¹⁷ OPERATOR CERTIFICATION
			<i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i>
			Signature
			Robert Asher Printed Name
			Regulatory Agent Title
			4/4/2005 Date
Sec. 1, T10S-R24E			¹⁸ SURVEYOR CERTIFICATION
			<i>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.</i>
			REFER TO ORIGINAL PLAT
			Date of Survey
			Signature and Seal of Professional Surveyor:
			Certificate Number

The Pecos Slope Abo is a new zone and production curves are not available.

ERMA Com # 2

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 13154
ORDER NO. R-12087

APPLICATION OF YATES PETROLEUM CORPORATION FOR NON-
STANDARD SPACING AND PRORATION UNITS, CHAVES COUNTY, NEW
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 9 and November 7, 2003, at Santa Fe, New Mexico, before Examiners David R. Catanach and William V. Jones, respectively.

NOW, on this 16th day of January, 2004, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.
- (2) The applicant, Yates Petroleum Corporation ("Yates"), seeks approval of three non-standard spacing and proration units in Chaves County, New Mexico, described as follows:

a 365.94-acre spacing and proration unit for all formations and/or pools spaced on 320 acres, this unit to comprise Lots 1 through 4 of Section 36, Township 9.5 South, Range 24 East, and Lots 1 through 4 and the S/2 N/2 of Section 1, Township 10 South, Range 24 East, NMPM;

a 181.31-acre spacing and proration unit for all formations and/or pools spaced on 160 acres, this unit to comprise Lots 1 and 2 of Section 36, Township 9.5 South, Range 24 East, and Lots 1 and 2 and the S/2 NE/4 of Section 1, Township 10 South, Range 24 East, NMPM; and

a 50.19-acre spacing and proration unit for all formations and/or pools spaced on 40 acres, this unit to comprise Lot 1 of Section 36, Township 9.5 South, Range 24 East, and Lot 1 of Section 1, Township 10 South, Range 24 East, NMPM.

(3) Yates presented land evidence that demonstrates that:

- (a) Township 9.5 South, Range 24 East exists due to a variation in the legal subdivision of the United States Public Lands Survey. This land tract is comprised of Sections 31 through 36. Section 36 is an irregular section that is comprised of four lots encompassing a total of 46.3 acres.
- (b) Lots 1 through 4 of Section 36 encompass a single state lease (Lease No. VA-2712). Yates is the lessee of Section 36;
- (c) Section 1 is a fee lease that is leased or controlled by Yates; and
- (d) Yates provided notice of this application to all working, royalty and overriding royalty interest owners in Sections 36 and 1. No interest owner appeared at the hearing in opposition to the application.

(4) Yates proposes to drill its Erma Corn Well No. 2 at a standard gas well location 660 feet from the North and East lines (Unit A) of Section 1. This well will be drilled to test the Pecos Slope-Abo Gas Pool and Wolfcamp formations.

- (5) Yates presented geologic and engineering evidence that demonstrates that:
- (a) the Erma Com Well No. 2 should encounter productive sands within the Abo formation. If productive in the Abo formation, the Erma Gas Com Well No. 2 should drain a large area within the NE/4 of Section 1, and the majority of Lots 1 and 2 in Section 36;
 - (b) Section 36, Township 9 South, Range 24 East, being the area to the north of the proposed spacing units, is currently fully developed with four wells producing from the Abo formation;
 - (c) there are potentially productive Wolfcamp sands present at the proposed well location. If productive in the Wolfcamp formation, the Erma Gas Com Well No. 2 should drain a large area within the N/2 of Section 1 and the majority of Lots 1 through 4 of Section 36; and
 - (c) there is the possibility at the proposed well location of encountering shallow oil production, possibly in the San Andres formation.

(6) The evidence presented by Yates in this case demonstrates that the inclusion of the acreage in Section 36, Township 9.5 South, Range 24 East within its proposed non-standard spacing units is an effective and efficient method by which to produce the oil and gas reserves underlying these tracts, will prevent the drilling of unnecessary wells and will protect correlative rights.

(7) The application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Yates Petroleum Corporation the following-described three non-standard oil and gas spacing and proration units in Chaves County, New Mexico, are hereby established:

a 365.94-acre spacing and proration unit for all formations and/or pools spaced on 320 acres, this unit to comprise Lots 1 through 4 of Section 36, Township 9.5 South, Range 24 East, Lots 1 through 4 and the S/2 N/2 of Section 1, Township 10 South, Range 24 East, NMPM;

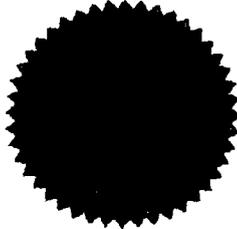
a 181.31-acre spacing and proration unit for all formations and/or pools spaced on 160 acres, this unit to comprise Lots 1 and 2 of Section 36, Township 9.5 South, Range 24 East, and Lots 1 and 2 and the S/2 NE/4 of Section 1, Township 10 South, Range 24 East, NMPM; and

a 50.19-acre spacing and proration unit for all formations and/or pools spaced on 40 acres, this unit to comprise Lot 1 of Section 36, Township 9.5 South, Range 24 East, and Lot 1 of Section 1, Township 10 South, Range 24 East, NMPM.

(2) In the event production is encountered in the Abo, Wolfcamp or shallower horizon, the above-described non-standard unit(s) shall be dedicated to the Yates Petroleum Corporation Erma Com Well No. 2 to be drilled at a standard well location 660 feet from the North and East lines (Unit A) of Section 1, Township 10 South, Range 24 East, NMPM, Chaves County, New Mexico.

(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrottenberg
LORI WROTTENBERG
Director