

ABOVE THIS LINE FOR DIVISION USE ONLY

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



*Yates 25575*  
 RECEIVED OGD  
*Canyon BTH Stat Com 2H*

**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]**

*4 wells*

- [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 Addition to PLC-316

*0-6-255-30E*

- [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 \_\_\_\_\_ *Miriam Morales* \_\_\_\_\_ Production Analyst \_\_\_\_\_ *4/2/12*  
 Print or Type Name Signature Title Date

mmorales@yatespetroleum.com  
 e-mail Address

*PLC - 316 - A*

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. PLC-316  
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 |
|-------------------------------------|--|---|---|---------|
| Pierce Crossing-Bone Spring 96473   | 41.0   |   |   |         |
| Nash Draw-Del/BoneSp(Av Sand) 47545 | 41.0   |   |   |         |
|                                     |  |   |   |         |
|                                     |  |   |   |         |
|                                     |  |   |   |         |

(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.  
(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: 4/2/12  
TYPE OR PRINT NAME Miriam Morales TELEPHONE NO: (575) 748-1471  
E-MAIL ADDRESS: mmorales@yatespetroleum.com

Submit 1 Copy To Appropriate District Office  
 District I - (575) 393-6161  
 1625 N. French Dr., Hobbs, NM 88240  
 District II - (575) 748-1283  
 811 S. First St., Artesia, NM 88210  
 District III - (505) 334-6178  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV - (505) 476-3460  
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
 Energy, Minerals and Natural Resources

Form C-103  
 Revised August 1, 2011

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

|   |
|---|
| WELL API NO.<br>30-015-39735  |
| 5. Indicate Type of Lease<br>STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/> |
| 6. State Oil & Gas Lease No.<br>VA-2974   |
| 7. Lease Name or Unit Agreement Name<br>Canyon BJK State Com  |
| 8. Well Number 2H   |
| 9. OGRID Number<br>25575  |
| 10. Pool name or Wildcat <i>47545</i><br>Nash Draw; Delaware/BS(Avalon Sand)                        |
| 11. Elevation (Show whether DR, RKB, RT, GR, etc.)<br>3189' GR                                      |

**SUNDRY NOTICES AND REPORTS ON WELLS**  
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well  Gas Well  Other

2. Name of Operator  
Yates Petroleum Corp.

3. Address of Operator  
105 S Fourth Street Artesia, NM 88210

4. Well Location  
 Unit Letter O : 455 feet from the South line and 2310 feet from the East line  
 Section 6 Township 25S Range 30E NMPM County Eddy

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

|   |   |  |  |
|---|---|--|--|
| <b>NOTICE OF INTENTION TO:</b>  |   | <b>SUBSEQUENT REPORT OF:</b>                     |  |
| PERFORM REMEDIAL WORK <input type="checkbox"/>  | PLUG AND ABANDON <input type="checkbox"/> | REMEDIAL WORK <input type="checkbox"/>           | ALTERING CASING <input type="checkbox"/> |
| TEMPORARILY ABANDON <input type="checkbox"/>  | CHANGE PLANS <input type="checkbox"/>     | COMMENCE DRILLING OPNS. <input type="checkbox"/> | P AND A <input type="checkbox"/>         |
| PULL OR ALTER CASING <input type="checkbox"/>   | MULTIPLE COMPL <input type="checkbox"/>   | CASING/CEMENT JOB <input type="checkbox"/>       |  |
| DOWNHOLE COMMINGLE <input type="checkbox"/>   |   |  |  |
| OTHER: Addition to Pool Lease Commingle of Oil only <input checked="" type="checkbox"/> |   | OTHER: <input type="checkbox"/>                  |  |

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Yates Petroleum respectfully requests administrative approval for the addition of the Canyon BJK State Com #2H to Pool/Lease Commingle of oil only to PLC-316.

| State  | State  | State   | State   |
|--|--|---|---|
| Ohkay BHH State #1 ✓<br>Sec 6-T25S-R30E<br>Pierce Crossing/Bone Spring<br>Nash Draw/Delaware<br>API# 30-015-34551<br>Eddy County, NM<br>Lease# VO-6711 | Wyatt BHT State #1 ✓<br>Sec 6-T25S-R30E<br>Pierce Crossing/Bone Spring<br>Nash Draw/Delaware<br>API# 30-015-34553<br>Eddy County, NM<br>Lease# VO-6699 | Canyon BJK State #1Y ✓<br>Sec 1-T25S-R29E<br>Pierce Crossing/Bone Spring<br>API# 30-015-36605<br>Eddy County, NM<br>Lease # VA-2974 | Canyon BJK State Com #2H(not yet drilled) ✓<br>Sec. 6-T25S-R30E<br>Nash Draw; Delaware/BS(Avalon Sand)<br>API# 30-015-39735<br>Eddy County, NM<br>Lease # VA-2974 |

The battery is located at the Ohkay BHH State #1. Please see attached plat and site facility diagram.

Diversified ownership by percentages. All owners notifications are attached as well as in house waivers.

**Oil Measurements**

Each of these wells shall be equipped with continuous metering separators for oil production prior to oil being commingled for sales at the Ohkay BHH State #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.

Estimated daily oil production for the Ohkay #1 is 14 bbls, for the Wyatt #1 is 8 bbls, for the Canyon #1Y is 7 bbls, and for the Canyon BJK State Com #2H is 500 bbls of oil per day.

The purpose of the pool/lease commingle is in the interest of conservation, economic feasibility, the reduction of environmental impact area, and 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 the well.

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 4/2/12

Type or print name Miriam Morales E-mail address: mmorales@yatespetroleum.com PHONE: 575-748-4200

**For State Use Only**

APPROVED BY: \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_

Conditions of Approval (if any): \_\_\_\_\_

DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240  
Phone (575) 333-6161 Fax: (575) 333-0720

DISTRICT II  
1501 W. Grand Avenue, Artesia, NM 88210  
Phone (575) 746-1233 Fax: (575) 746-9720

DISTRICT III  
1000 Rio Brazos Rd., Artec, NM 87410  
Phone (505) 334-6178 Fax: (505) 334-6170

DISTRICT IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone (505) 476-3480 Fax: (505) 476-3488

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised August 1, 2011

Submit one copy to appropriate  
District Office

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

|               |                        |           |             |
|---------------|------------------------|-----------|-------------|
| API Number    |                        | Pool Code | Pool Name   |
| Property Code | Property Name          |           | Well Number |
|               | CANYON "BJK" STATE COM |           | 2H          |
| OGRID No.     | Operator Name          |           | Elevation   |
| 025575        | YATES PETROLEUM CORP.  |           | 3189'       |

Surface Location

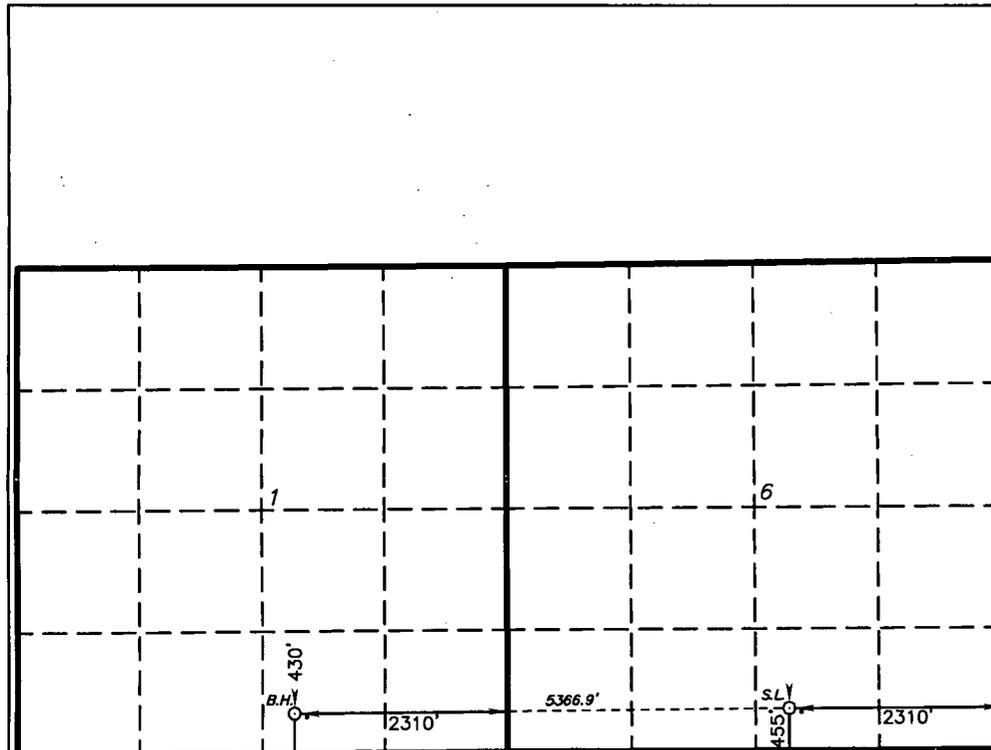
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| 0             | 6       | 25 S     | 30 E  |         | 455           | SOUTH            | 2310          | EAST           | EDDY   |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| 0             | 1       | 25 S     | 29 E  |         | 430           | SOUTH            | 2310          | EAST           | EDDY   |

|                 |                 |                    |           |
|-----------------|-----------------|--------------------|-----------|
| Dedicated Acres | 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



**PROPOSED BOTTOM HOLE LOCATION**  
Lat - N 32°09'11.44"  
Long - W 103°56'12.85"  
NMSPCE- N 419687.202  
E 664021.775  
(NAD-83)

**SURFACE LOCATION**  
Lat - N 32°09'11.87"  
Long - W 103°55'10.42"  
NMSPCE- N 419750.85  
E 669388.78  
(NAD-83)

OPERATOR CERTIFICATION

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 or has a right to drill this well at this 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.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

Email Address \_\_\_\_\_

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.

NOVEMBER 2011  
Date Surveyed \_\_\_\_\_

Signature \_\_\_\_\_  
Professional Surveyor

Certificate No. 2693

Certificate No. Gary L. Jones 7977

BASIN SURVEYS 25593

**District III**  
 1600 Rio Brazos Rd., Aztec, NM 87410  
 Phone:(505) 334-6178 Fax:(505) 334-6170  
**District IV**  
 1220 S. St Francis Dr., Santa Fe, NM 87505  
 Phone:(505) 476-3470 Fax:(505) 476-3462

**1220 S. St Francis Dr.  
 Santa Fe, NM 87505**

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

|                               |   |  |
|-------------------------------|---|--|
| 1. API Number<br>30-015-39735 | 2. Pool Code                                    | 3. Pool Name<br>CORRAL DRAW; BONE SPRING |
| 4. Property Code<br>38958     | 5. Property Name<br>CANYON BJK STATE COM        | 6. Well No.<br>002H                      |
| 7. OGRID No.<br>25575         | 8. Operator Name<br>YATES PETROLEUM CORPORATION | 9. Elevation<br>3189                     |

**10. Surface Location**

| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| O        | 6       | 25S      | 30E   |         | 455       | S        | 2310      | E        | EDDY   |

**11. Bottom Hole Location If Different From Surface**

| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| O        | 1       | 25S      | 29E   | O       | 430       | S        | 2310      | E        | EDDY   |

|                               |                     |                        |               |
|-------------------------------|---------------------|------------------------|---------------|
| 12. Dedicated Acres<br>160.00 | 13. Joint or Infill | 14. Consolidation Code | 15. 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 align="center"><b>OPERATOR CERTIFICATION</b></p> <p><i>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(s) or has a right to drill this well at this 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.</i></p> <p>E-Signed By: Monti Sanders<br/>         Title:<br/>         Date: 11/30/2011</p> |
|  | <p align="center"><b>SURVEYOR CERTIFICATION</b></p> <p><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></p> <p>Surveyed By: Gary Jones<br/>         Date of Survey: 11/12/2011<br/>         Certificate Number: 7977</p>   |



105 South 4th Street \* Artesia, NM 88210

(505)-748-1471

Joe Palma

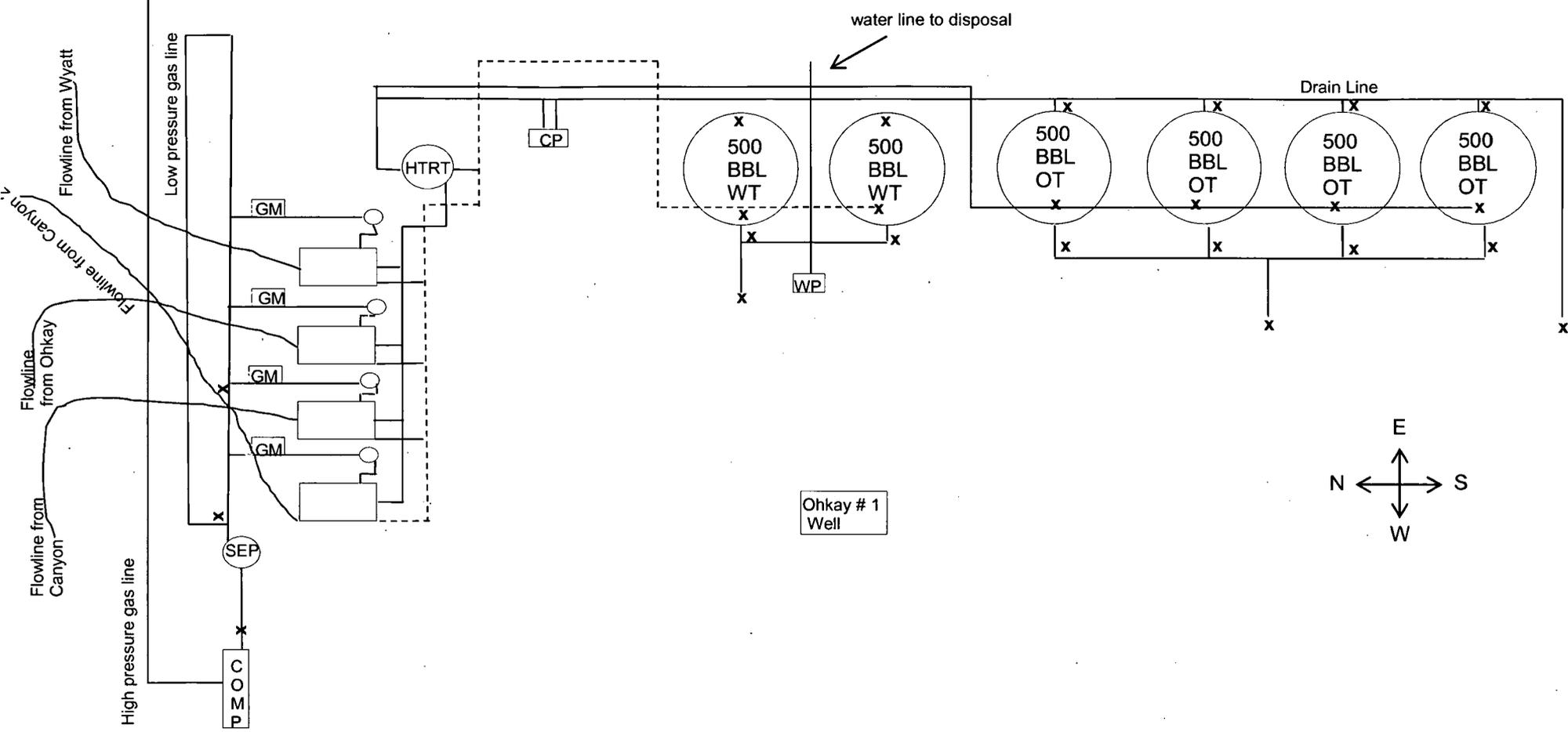
March 2012

# .OHKAY BHH ST #1 Battery

.330'FNL & 330'FWL \* Sec6 - T25S - R30E \* Unit D

.EDDY, NM

.API - 3001534551



Ohkay # 1 Well

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

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  
SCOTT M. YATES  
VICE PRESIDENT  
JAMES S. BROWN  
CHIEF OPERATING OFFICER  
JOHN D. PERINI  
CHIEF FINANCIAL OFFICER  
JORGE S. MENDOZA  
CHIEF ADMINISTRATIVE OFFICER

March 30, 2012

Re: Addition to Pool Lease Commingle oil only  
Canyon BJK State Com #2H  
Eddy County, NM

Dear Interest Owner,

Yates Petroleum is notifying you of the addition of Canyon BJK State Com #2H to Pool Lease Commingle of oil only to PLC-316 application.

| State  | State  | State   | State  |
|--|--|---|--|
| Ohkay BHH State #1<br>Sec 6-T25S-R30E<br>Pierce Crossing/Bone Spring<br>Nash Draw/Delaware<br>API# 30-015-34551<br>Eddy County, NM<br>Lease# VO-6711 | Wyatt BHT State #1<br>Sec 6-T25S-R30E<br>Pierce Crossing/Bone Spring<br>Nash Draw/Delaware<br>API# 30-015-34553<br>Eddy County, NM<br>Lease# VO-6699 | Canyon BJK State #1Y<br>Sec 1-T25S-R29E<br>Pierce Crossing/Bone Spring<br><br>API# 30-015-36605<br>Eddy County, NM<br>Lease # VA-2974 | Canyon BJK State Com #2H(notyetdrilled)<br>Sec. 6-T25S-R30E<br>Nash Draw;Delaware/BS(Avalon Sand)<br><br>API# 30-015-39735<br>Eddy County, NM<br>Lease # VA-2974 |

The battery is located at the Ohkay BHH State #1.

Diversified ownership by percentages.

#### Oil Measurements

Each of these wells shall be equipped with continuous metering separators for oil production prior to oil being commingled for sales at the Ohkay BHH State #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.

Estimated daily oil production for the Ohkay #1 is 14 bbls, for the Wyatt #1 is 8 bbls, for the Canyon #1Y is 7 bbls, and for the Canyon BJK State Com #2H is 500 bbls of oil per day.

The purpose of the pool commingle is in the interest of conservation, economic feasibility, the reduction of environmental impact area, and 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 the 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

MYCO Industries Inc.

MARTIN YATES, III  
1912-1985  
FRANK W. YATES  
1936-1986  
S.P. YATES  
1914-2008



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ARTESIA, NEW MEXICO 88210-2118  
TELEPHONE (575) 748-1471

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CHIEF ADMINISTRATIVE OFFICER

March 30, 2012

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Canyon BJK State Com #2H  
Eddy County, NM

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| State  | State  | State   | State  |
|--|--|---|--|
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The battery is located at the Ohkay BHH State #1.

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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

David Lewis  
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

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March 30, 2012

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| State  | State  | State   | State  |
|--|--|---|--|
| Ohkay BHH State #1<br>Sec 6-T25S-R30E<br>Pierce Crossing/Bone Spring<br>Nash Draw/Delaware<br>API# 30-015-34551<br>Eddy County, NM<br>Lease# VO-6711 | Wyatt BHT State #1<br>Sec 6-T25S-R30E<br>Pierce Crossing/Bone Spring<br>Nash Draw/Delaware<br>API# 30-015-34553<br>Eddy County, NM<br>Lease# VO-6699 | Canyon BJK State #1Y<br>Sec 1-T25S-R29E<br>Pierce Crossing/Bone Spring<br><br>API# 30-015-36605<br>Eddy County, NM<br>Lease # VA-2974 | Canyon BJK State Com #2H(notyetdrilled)<br>Sec. 6-T25S-R30E<br>Nash Draw;Delaware/BS(Avalon Sand)<br><br>API# 30-015-39735<br>Eddy County, NM<br>Lease # VA-2974 |

The battery is located at the Ohkay BHH State #1.

Diversified ownership by percentages.

#### Oil Measurements

Each of these wells shall be equipped with continuous metering separators for oil production prior to oil being commingled for sales at the Ohkay BHH State #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.

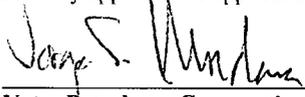
Estimated daily oil production for the Ohkay #1 is 14 bbls, for the Wyatt #1 is 8 bbls, for the Canyon #1Y is 7 bbls, and for the Canyon BJK State Com #2H is 500 bbls of oil per day.

The purpose of the pool commingle is in the interest of conservation, economic feasibility, the reduction of environmental impact area, and 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 the 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

  
\_\_\_\_\_  
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

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CHIEF ADMINISTRATIVE OFFICER

March 30, 2012

Re: Addition to Pool Lease Commingle of oil only  
Canyon BJK State Com #2H  
Eddy County, NM

Dear Interest Owner,

Yates Petroleum is requesting administrative approval from the Oil Conservation Division and the State Land Office for the addition of the Canyon BJK State Com #2H to Pool Lease Commingle of oil only to PLC-316.

| State                       | State                       | State                       | State                                   |
|-----------------------------|-----------------------------|-----------------------------|---|
| Ohkay BHH State #1          | Wyatt BHT State #1          | Canyon BJK State #1Y        | Canyon BJK State Com #2H(notyetdrilled) |
| Sec 6-T25S-R30E             | Sec 6-T25S-R30E             | Sec 1-T25S-R29E             | Sec. 6-T25S-R30E                        |
| Pierce Crossing/Bone Spring | Pierce Crossing/Bone Spring | Pierce Crossing/Bone Spring | Nash Draw;Delaware/BS(Avalon Sand)      |
| Nash Draw/Delaware          | Nash Draw/Delaware          |                             |   |
| API# 30-015-34551           | API# 30-015-34553           | API# 30-015-36605           | API# 30-015-39735                       |
| Eddy County, NM             | Eddy County, NM             | Eddy County, NM             | Eddy County, NM                         |
| Lease# VO-6711              | Lease# VO-6699              | Lease # VA-2974             | Lease # VA-2974                         |

The Battery is located at the Ohkay BHH State #1.

Diversified ownership by percentages.

#### Oil Measurements

Each of these wells shall be equipped with continuous metering separators for oil production prior to oil being commingled for sales at the Ohkay BHH State #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.

Estimated daily oil production for the Ohkay #1 is 14 bbls, for the Wyatt #1 is 8 bbls, for the Canyon #1Y is 7 bbls, and for the Canyon BJK State Com #2H is 500 bbls of oil per day.

The purpose of the pool commingle is in the interest of conservation, economic feasibility, the reduction of environmental impact area, and 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 the 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

CERTIFIED MAIL



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

7010 2780 0002 8287 9409  
7010 2780 0002 8287 9409

ADDRESS SERVICE REQUESTED

PS Form 3800, August 2006 See Reverse for Instructions

Sent to: OXY Y-1 Company  
 Street, Apt. No., or PO Box No.: P.O. Box 841803  
 City, State, ZIP+4: Dallas TX 75284-1803

|  |    |
|--|----|
| Postage  | \$ |
| Certified Fee                                  |    |
| Return Receipt Fee (Endorsement Required)      |    |
| Restricted Delivery Fee (Endorsement Required) |    |
| Total Postage & Fees                           | \$ |

For delivery information visit our website at www.usps.com

**U.S. Postal Service**  
**CERTIFIED MAIL RECEIPT**  
 (Domestic Mail Only. No Insurance Coverage Provided)

**U.S. MAIL**

COMPANY  
41803  
X 75284-1803

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS; FOLD AT DOTTED LINE

**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:

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

**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  No  
 If YES, enter delivery address below:

3. Service Type:  Certified Mail  Express Mail  Registered  Return Receipt for Merchandise  Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number (Transfer from service label) 7010 2780 0002 8287 9409

Mail receipt... August



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

ADDRESS SERVICE REQUESTED

**CERTIFIED MAIL™**

7010 2780 0002 8287 9416

7010 2780 0002 8287 9416

Sent to **520**  
 Street, Apt. No. or PO Box No. **310 Old Santa Fe Trail**  
 City, State, ZIP+4 **Santa Fe NM 87504-1148**  
 PS Form 3800, August 2006 See Reverse for Instructions

Postage \$  
 Certified Fee  
 Return Receipt Fee (Endorsement Required)  
 Restricted Delivery Fee (Endorsement Required)  
 Total Postage & Fees \$

Postmark Here

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 (Domestic Mail Only; No Insurance Coverage Provided)  
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State Land Office  
of Public Lands  
Fe Trail

Mexico 87504-1148

STICKER AT TOP OF ENVELOPE OR THE FRONT OF THE RETURN ADDRESS; FOLD AT DOTTED LINE

**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:

New Mexico State Land Office  
Commissioner of Public Lands  
310 Old Santa Fe Trail  
P.O. Box 1148  
Santa Fe, New Mexico 87504-1148

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature:  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

2. Article Number (Transfer from s) **7010 2780 0002 8287 9416**