

9/8/05

District I
1001 W. Second Street, Santa Fe, NM 87501District II
1001 W. Second Street, Santa Fe, NM 87501District III
1001 W. Second Street, Santa Fe, NM 87501District IV
1001 W. Second Street, Santa Fe, NM 87501State of New Mexico
Energy, Minerals and Natural Resources DepartmentOil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505Form C-107A
Revised June 10, 2003APPLICATION TYPE
Single Well
Establish Pre-Approved Pools
EXISTING WELLBORE
Yes No

APPLICATION FOR DOWNHOLE COMMINGLING

Operator: Yates Energy Corporation Address: P.O. Box 2323, Roswell, NM 88202
 Lease: Lovesome Note Fed. No. 2 A- Sec. 26, T-23-S, R-29E Eddy
 Lease No. 025542 Well No. 30-215-33873 Ush Letter Section-Township-Range
 OGRID No. _____ Property Code _____ API No. _____ Lease Type: X Federal _____ State _____ Fee

DATA ELEMENT	UPPER ZONE UNDES.	INTERMEDIATE ZONE	LOWER ZONE UNDES.
Pool Name	<u>E. 8th Hess Hills Upper Penn</u>		<u>Bandana Binti Strawn Gas</u>
Pool Code	<u>97383</u>		<u>71485</u>
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	<u>8431</u> <u>8436</u>		<u>8910</u> <u>8944</u>
Method of Production (Flowing or Artificial Lift)	<u>will be flowing</u>		<u>will be flowing</u>
Bottomhole Pressure (Note: Pressure data will not be required if the bottomhole pressure in the lower zone is within 150% of the depth of the top perforation in the upper zone)	<u>@ 8433</u> <u>2683 psig</u>		<u>@ 8927'</u> <u>Rhp 2480 psig</u>
Oil Gravity or Gas BTU (Degrees API or Btu BTU)	<u>50.5</u>		<u>—</u>
Producing, Shut-In or New Zone	<u>New Zone / SI</u>		<u>New Zone / SI</u>
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.)	Date: <u>9/3/05</u> Rates: <u>50-100 MCF/D</u> <u>15-20 Bbls/G</u> Oil <u>1-2 Bbls/G</u>	Date: _____ Rates: _____ Oil _____ Gas _____	Date: <u>8/26/05</u> Rates: <u>50-100 MCF/D</u> <u>0 bbls of fluid</u> Oil _____ Gas _____
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	<u>Well % test %</u>	<u>%</u>	<u>Well % test %</u>

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?
 If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?

Yes X No _____
 Yes _____ No _____

Are all produced fluids from all commingled zones compatible with each other?

Yes X No _____

Will commingling decrease the value of production?

Yes _____ No X

If this well is on, or commingled 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 X 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 Sheryl L. Jones TITLE Agent DATE 9/6/05
 TYPE OR PRINT NAME Sheryl L. Jones TELEPHONE NO. (432) 683-5511

O'Briant and Associates, Inc.

P. O. Box 10487 Midland, TX, 79702
(432) 683 5511 (24 Hr. Ans), (432) 683 5903 (Fax)
E-Mail: cobriant@apex2000.net

Fax to: Mr. Will Jones
NMOCD
(505) 476-3462
2 page fax
September 7, 2005

Please find the attached C-107A, for the Yates Energy Corporation Lonesome Dove No. 2 in Eddy County.

If there are any questions you can contact me at the above numbers.

After approval could you fax an approved copy to me at (432) 683-5903.

Thanks

Sheryl L. Jonas