

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



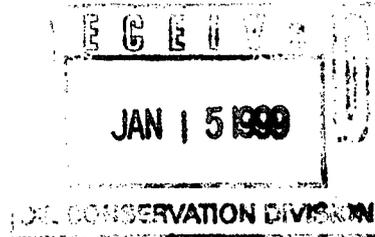
105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

DHC 2/4/99
2180

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

January 11, 1999

David Catanach
State of New Mexico
OIL CONSERVATION DIVISION
2040 S. Pacheco Street
Santa Fe, NM 87505-5472



Dear Mr. Catanach,

Enclosed is an application for Downhole Commingling (C-107-A) of the South Avalon AQY Federal Com #1 located in Unit N of Section 11, Township 21 South, Range 26 East, Eddy County. Also enclosed are additional documents required for approval.

In this application we respectfully request your approval to combine production from the Morrow and Strawn formations. Morrow production is marginal. The Strawn formation has not yet been completed so certain items are missing from the application. All required information that is available is included.

We plan to test the Strawn formation in the near future. Based on logs and offset production, the Strawn in this well may be better than the Morrow, but is an uncertainty until tested. Providing our plans meet your approval we would like to commingle this well immediately following Strawn completion to reduce operating cost. Accordingly, we are submitting this application to you before the Strawn is completed, and all remaining information as it becomes available.

Our purpose in this application is to maximize reserve recovery by producing to a combined lower economic limit, and to protect correlative rights.

If you should have questions, please call me at (505) 748-1174. Thank you for your consideration.

Sincerely,

Ray Stall
Operations Engineer

RS/th

Enclosures

11. Will cross-flow occur? ___ Yes X No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. ___ Yes ___ No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? X Yes ___ No

13. Will the value of production be decreased by commingling? ___ Yes X No (If Yes, attach explanation)

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

15. NMOC Reference Cases for Rule 303(D) Exceptions: ORDER NO(S) _____

16. 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 all offset operators.
- * Notification list of working, overriding, and royalty interests for uncommon interest cases.
- * Any additional statements, data, or documents required to support commingling.

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

SIGNATURE Ray Stall TITLE Operations Engineer DATE 1-11-99

TYPE OR PRINT NAME Ray Stall TELEPHONE NO. (505) 748-1471



ATTACHMENT A

Lower Zone - Morrow

5. a. Current pressure measurement will be taken before testing the Strawn sand.
7. Plans include Morrow water shut-off from lower perforations with a CIBP after verifying that the lower perforations are in fact the source. This will be done before testing the Strawn sand.
8. A production allocation formula will be submitted after testing the Strawn sand. This will be a fixed percentage formula based on production rates.

Upper Zone - Strawn

5. a. & b. The Strawn sand BHP has not been measured in this well. It will be measured during the completion process. A reasonable estimate is 4177 psi based on a pressure gradient of 0.425 psi/ft which is derived from a Morrow DST in this well (Attachment B) in the interval 10,822'-10,918'. P* from this DST was 4623 psi.
This estimate is consistent with an early pressure measurement of 4109 psi taken in the Strawn sand perforated interval 9785'-9824' in Yates Petroleum Corporation's Lakeshore XH Fed Com #1 located in unit E of Sec. 11, T. 21 S., R. 21 E (Attachment C).
6. This value is taken from a Strawn sand gas sample taken from the Lakeshore XH Fed Com #1 (Attachment D). A sample from the South Avalon AQY Fed Com #1 will be analyzed during the Strawn sand completion process.
7. The Strawn sand will be completed soon. It is expected to require sand fracture stimulation to be productive. Production testing will be done.
8. A production allocation formula will be submitted after testing the Strawn sand. This will be a fixed percentage formula based on production rates.

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January 11, 1999

Tim Gum
State of New Mexico
OIL CONSERVATION DIVISION
811 South First Street
Artesia, NM 88210

Dear Mr. Gum,

Enclosed is an application for Downhole Commingling (C-107-A) of the South Avalon AQY Federal Com #1 located in Unit N of Section 11, Township 21 South, Range 26 East, Eddy County. Also enclosed are additional documents required for approval.

In this application we respectfully request your approval to combine production from the Morrow and Strawn formations. Morrow production is marginal. The Strawn formation has not yet been completed so certain items are missing from the application. All required information that is available is included.

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Sincerely,

Ray Stall
Operations Engineer

RS/th

Enclosures

ATTACHMENT B



RECEIVED JAN 15 1998

COMPANY
LEASE NAME & NO.
INTERVAL TESTED

YATES PETROLEUM CORP.
SO. AVALON "AQY" FEDERAL COM #1
10822'-10918'

COUNTY
STATE
FORMATION

EDDY
NEW MEXICO
MORROW

DATE
TICKET #
TEST #

01-14-1998
014951
1

Contractor	Norton Drilling	Surface Choke	1/8" & 1/4"	Mud Type	--
Rig No.	8	Bottom Choke	3/4"	Weight	10.2
Spot	660' FSL & 1980' FWL	Hole Size	7 7/8"	Viscosity	36
Sec	11	Core Hole Size	--	Water Loss	
Twp.	21 S	DP Size & Wt.	4 1/2" 16.60	Filter Cake	
Rng.	26 E	Wt. Pipe	4 1/2" 40.00	Resistivity	.049 @ 60 °F
Field	Wildcat	I.D. of DC	2 1/4"		166,000 Ppm.
County	Eddy	Length of DC	810'	B.H.T.	189.1 °F
State	New Mexico	Total Depth	10918'	Co. Rep.	Steve Cochran
Elevation	3161' GL	Type Test	Conventional	Tester	Berry Fisher
Formation	Morrow	Interval	10822'-10918'	Baker Dist.	Hobbs NM

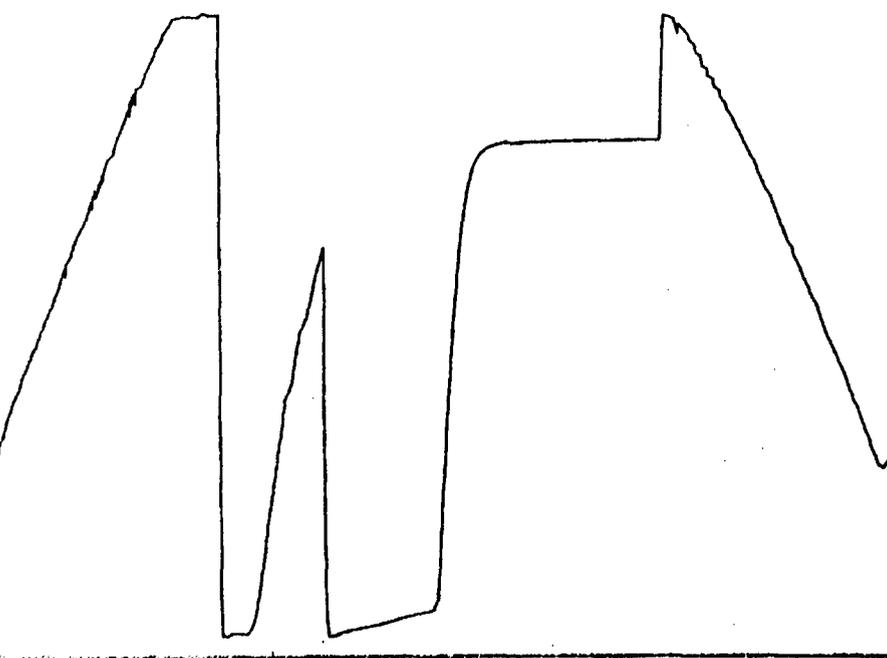
South Avalon "AQY" Fed #1

Pipe Recovery
Reverse circulated:
360' Gas cut mud w/trace of condensate = 1.7 bbl.

Top: .056 @ 60 Deg F/110,000 ppm Cl.
Middle: .050 @ 60 Deg F/143,000 ppm Cl.
Bottom: .049 @ 60 Deg F/164,000 ppm Cl.

Pressure in Sampler:	375	psig
Total Volume of Sampler:	2600	cc.
Total Volume of Sample:	No Fluid	cc.
Oil:	0	cc.
Water:	0	cc.
Mud:	0	cc.
Gas:	2.97	cu ft
Other:	0	
Gas/Oil Ratio		
Gravity	*API @	°F

Recorder Type	Electronic	
No.	21046	Cap. 10000 psi
Depth		10833 ft.
Inside		
Outside	X	



Initial Hydrostatic	A	5708
Final Hydrostatic	K	5663
Initial Flow	B	150
Final Initial Flow	C	182
Initial Shut-in	D	3668
Second Initial Flow	E	298
Second Final Flow	F	378
Second Shut-in	G	4606
Third Initial Flow	H	
Third Final Flow	I	
Third Shut-in	J	

	Reported	Corrected	
Opened Tool @	02:36		hrs.
Flow No. 1	20	20	min.
Shut-in No. 1	60	62	min.
Flow No. 2	90	91	min.
Shut-in No. 2	180	182	min.
Flow No. 3			min.
Shut-in No. 3			min.

Company: Yates Petroleum Corp.
 Well: South Avalon "AQY" Fed Com #1, DST #1
 Field: Wildcat 01-14-1998
 Gauge Depth 10833.0 feet

[INPUT PARAMETERS]
 (Build-Up Analysis)

Well Type - GAS

Reservoir Pressure	psig	P	4623
Reservoir Temperature	Deg F	T	189
Final Shut-in Pressure	psig	Psi	4606
Final Flowing Pressure	psig	Pwf	378
Gas Flow Rate	mcf	Qg	411
Sand Thickness	feet	hnet	10
Wellbore Radius	feet	rw	0.3280
Formation Porosity	%	POR	8
Extrapolated Pressure	psig	P*	4623
Extrapolated Press @ 1hr	psig	P1hr	4582
Semi-Log Slope	psi/cycle	M	-90.173
Production Time	hrs	tp	1.80
Shut-in Time	hrs	tsi	3.00

Ug (cp)	2.3142E-02	Bg (ft ³ /scf)	3.8867E-03
Cg (1/psi)	1.5132E-04	Ct (1/psi)	1.0774E-04

[TYPE CURVE MATCH POINTS]

dP	4196.213	Pd	53.176
dt	0.599	Cde2S 1E +50	tD/Cd 155.052

[CALCULATED RESULTS]

(Semi-Log) Analysis

Pressure Method

Transmissibility	md-ft/cp	kh/u	513.022
Flow Capacity	md-ft	kh	11.872
Permeability	md	k	1.187
Skin Damage	total	S	+48.48
Pressure Drop due to Skin	psig	dP	+3781.54
Flow Efficiency	%	FE	+10.57
Drainage Radius	feet	rd	123

Type Curve (Log-Log) Analysis

Transmissibility	md-ft/cp	kh/u	507.307
Flow Capacity	md-ft	kh	11.740
Permeability	md	k	1.174

Yates Petroleum Corp.
 So. Avalon "AQY" Fed Com #1
 DST #1

01-14-1998

Yates Petroleum Corp.
 So. Avalon "AQY" Fed Com #1
 DST #1

01-14-1998

TIME	CHOKER SIZE	SURFACE PRESSURE	FLOW RATE MCF/D	BOTTOM HOLE PRESSURE	REMARKS
02:36 Hrs 0 Min	1/8"	Weak Blow		150	Begin flow #1:
5		17.0 oz			
10		2.5 psi			
15		6.0			
12:56 20		12.0		182	End of flow #1: Begin shut-in #1:
03:40					Gas to surface:
60				3668	End of shut-in #1:
04:58 0	1/4"			298	Begin flow #2:
5		62.0	113.0		
10		70.0	125.0		
15		78.0	137.0		
20		87.0	150.0		
25		96.0	163.0		
30		110.0	183.0		
35		123.0	202.0		
40		132.0	216.0		
45		145.0	235.0		
50		157.0	253.0		
55		170.0	272.0		
60		175.0	279.0		
65		200.0	316.0		
70		212.0	333.0		
75		225.0	352.0		
80		235.0	368.0		
85		250.0	389.0		
05:28 90		265.0	411.0	378	End of flow #2: Begin shut-in #2:
08:28				4606	End of shut-in #2: Pulled tool:

Company: Yates Petroleum Corp.
 Well: South Avalon "AQY" Fed Com #1, DST #1
 Field: Wildcat

01-14-1998

Yates Petroleum Corp.
So. Avalon "AQY" Fed Com #1
DST #1

01-14-1998

This analysis has been made on the basis of the gas recovery and equations applicable to gas recovery tests, the Horner extrapolation method and comparative log/log analysis. The model used was a homogeneous infinite system with decreasing well-bore storage and skin.

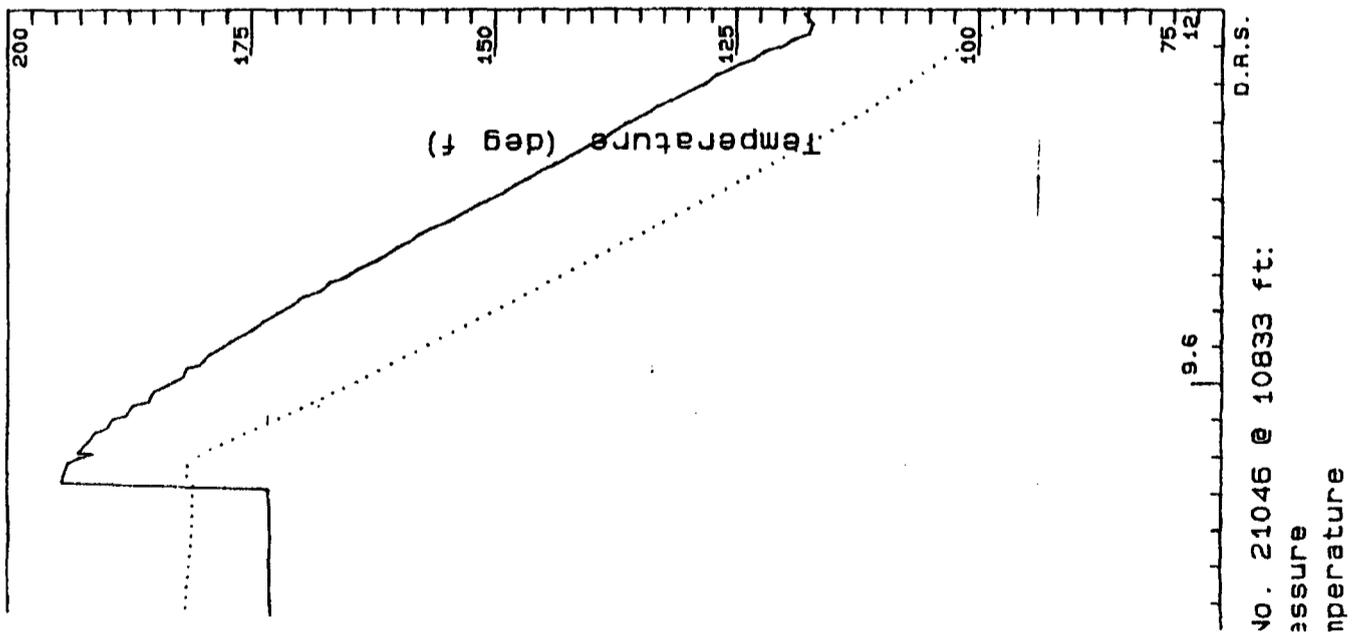
The semi-log plot indicates "radial flow" conditions were not attained during the initial shut-in period, and the semi-log plot indicates a maximum final reservoir pressure of 4623 psi which is equivalent to a subsurface pressure gradient of 0.427 psi/ft at gauge depth.

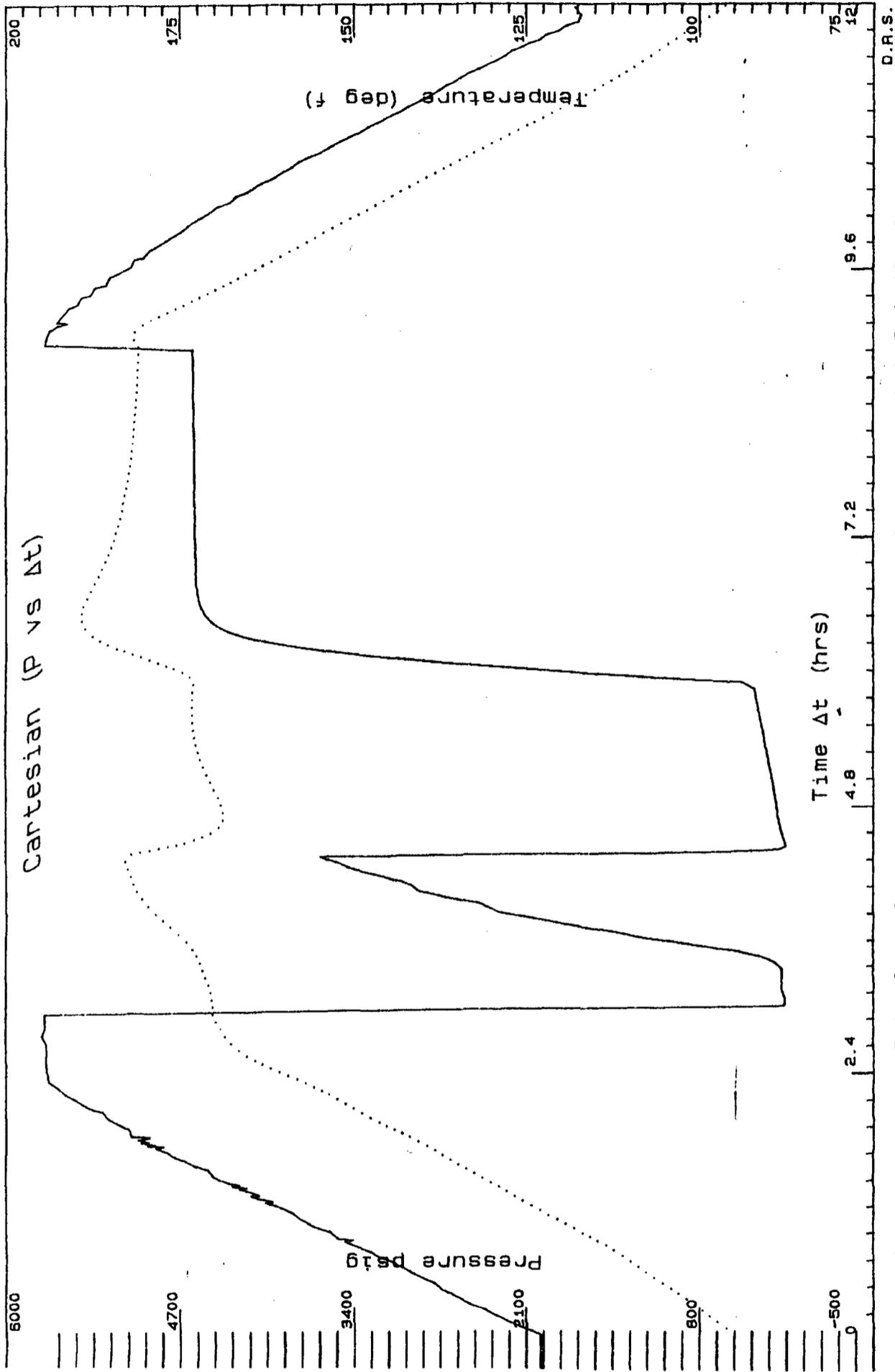
The Average Production Rate which was used in this analysis is the last gas flow rate which was gauged during the final flow period.

For purposes of this analysis a Pay Thickness of 10 feet and an Average porosity of 8% has been estimated.

The calculated Skin Factors indicate significant well-bore damage was present at the time of this formation test.

The evaluation criteria used in the drillstem test analysis system indicate this is a good mechanical test and the results obtained in this analysis should be reliable within reasonable limits relative to the assumptions which have been made.



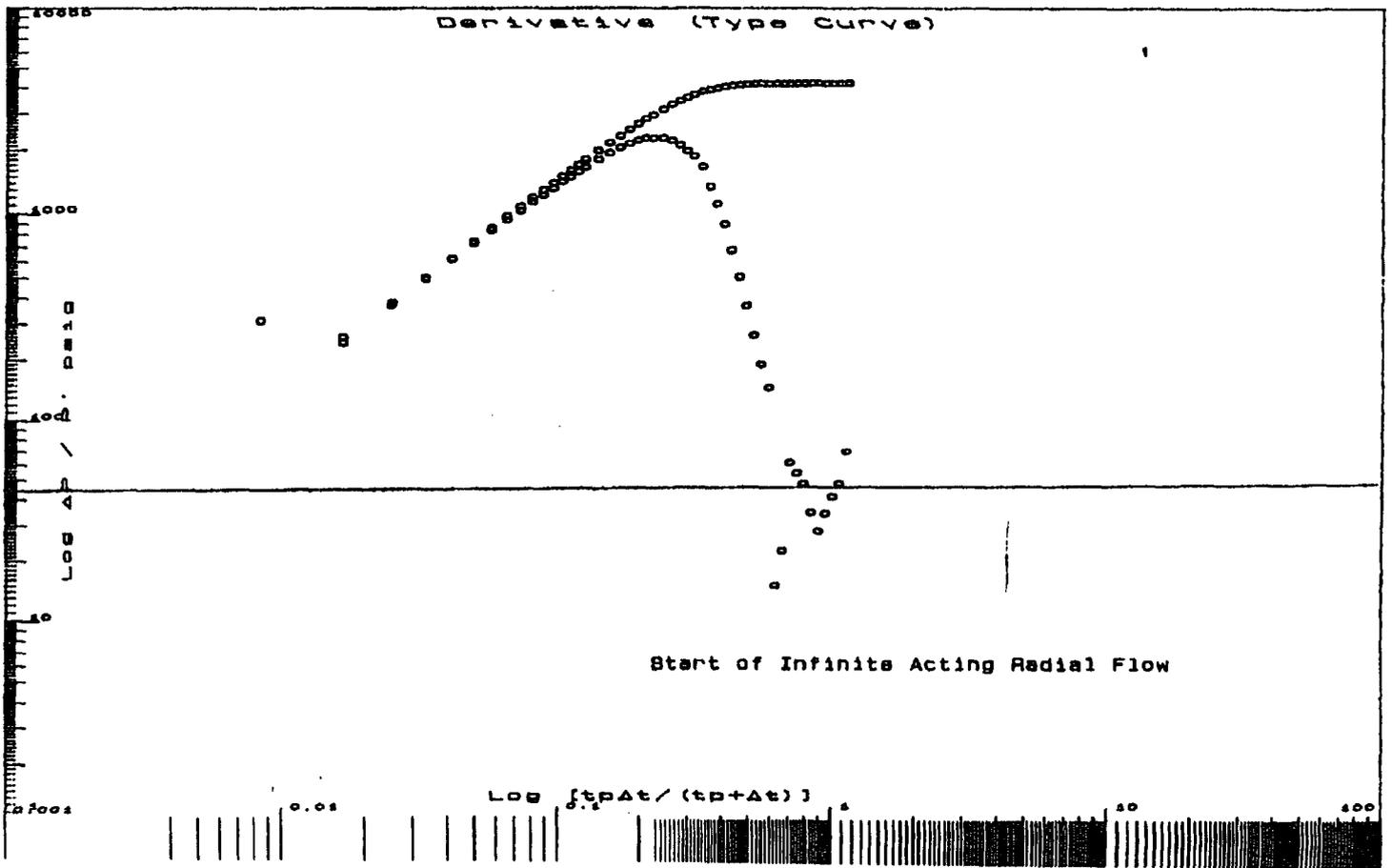
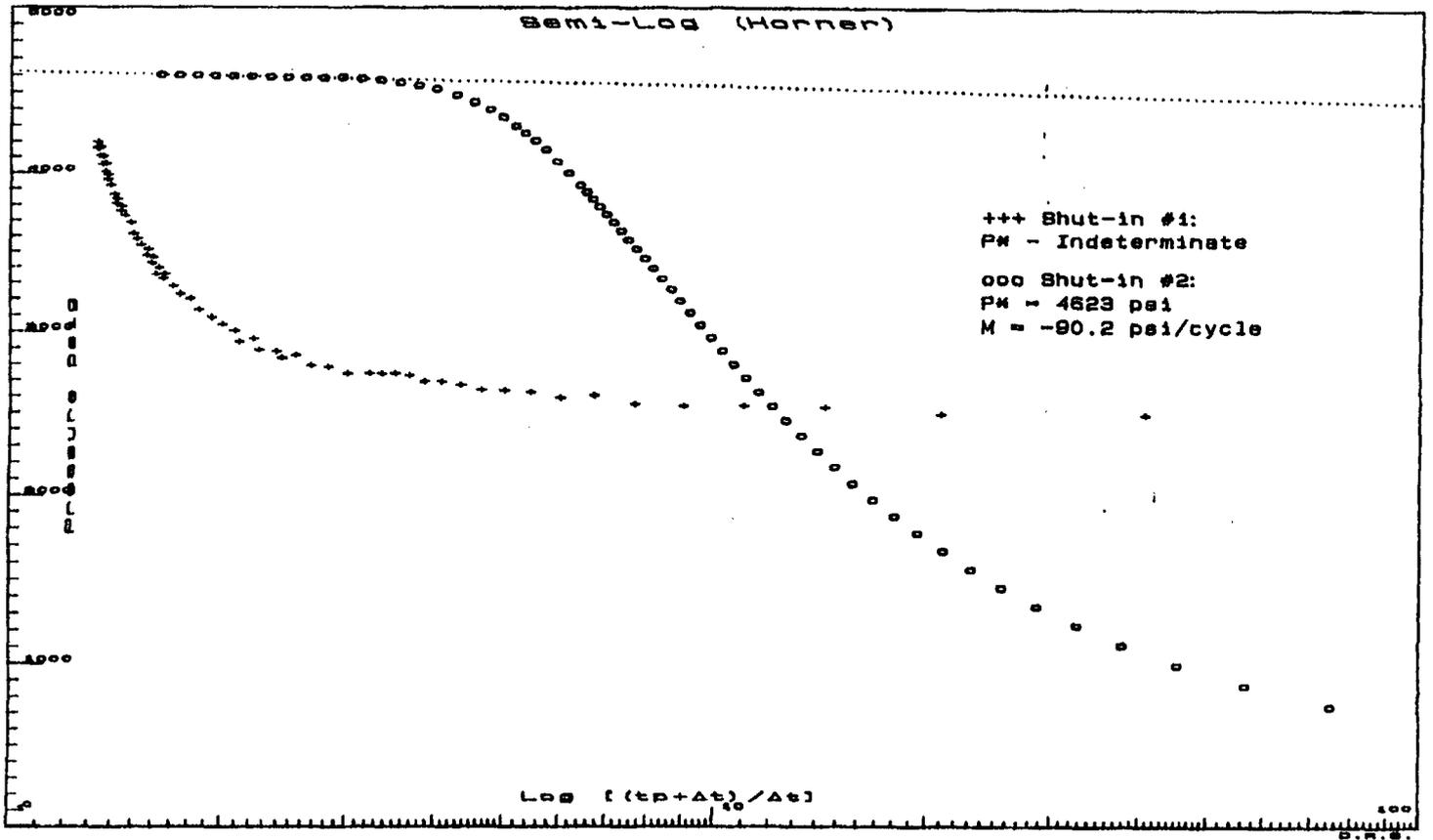


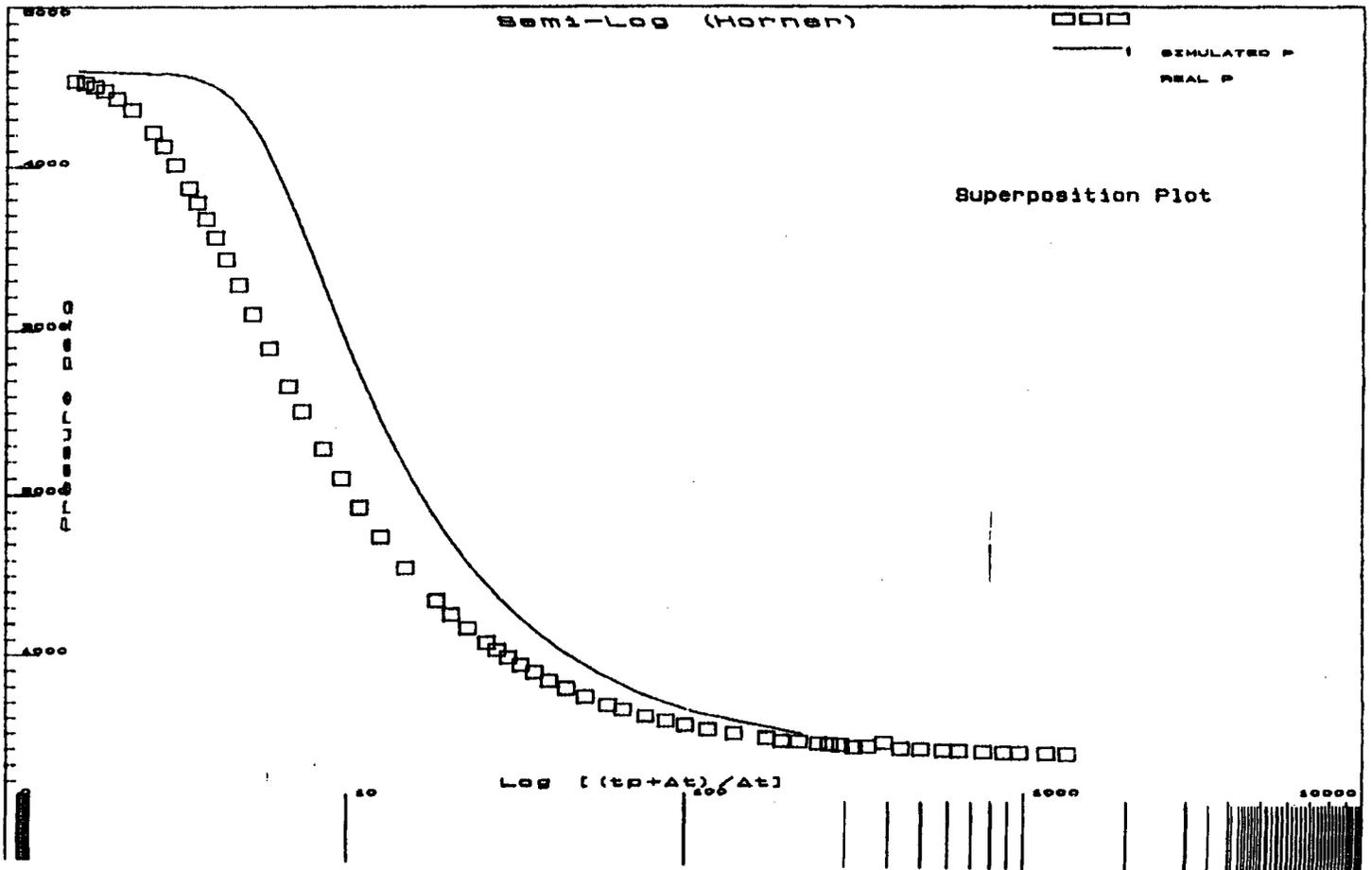
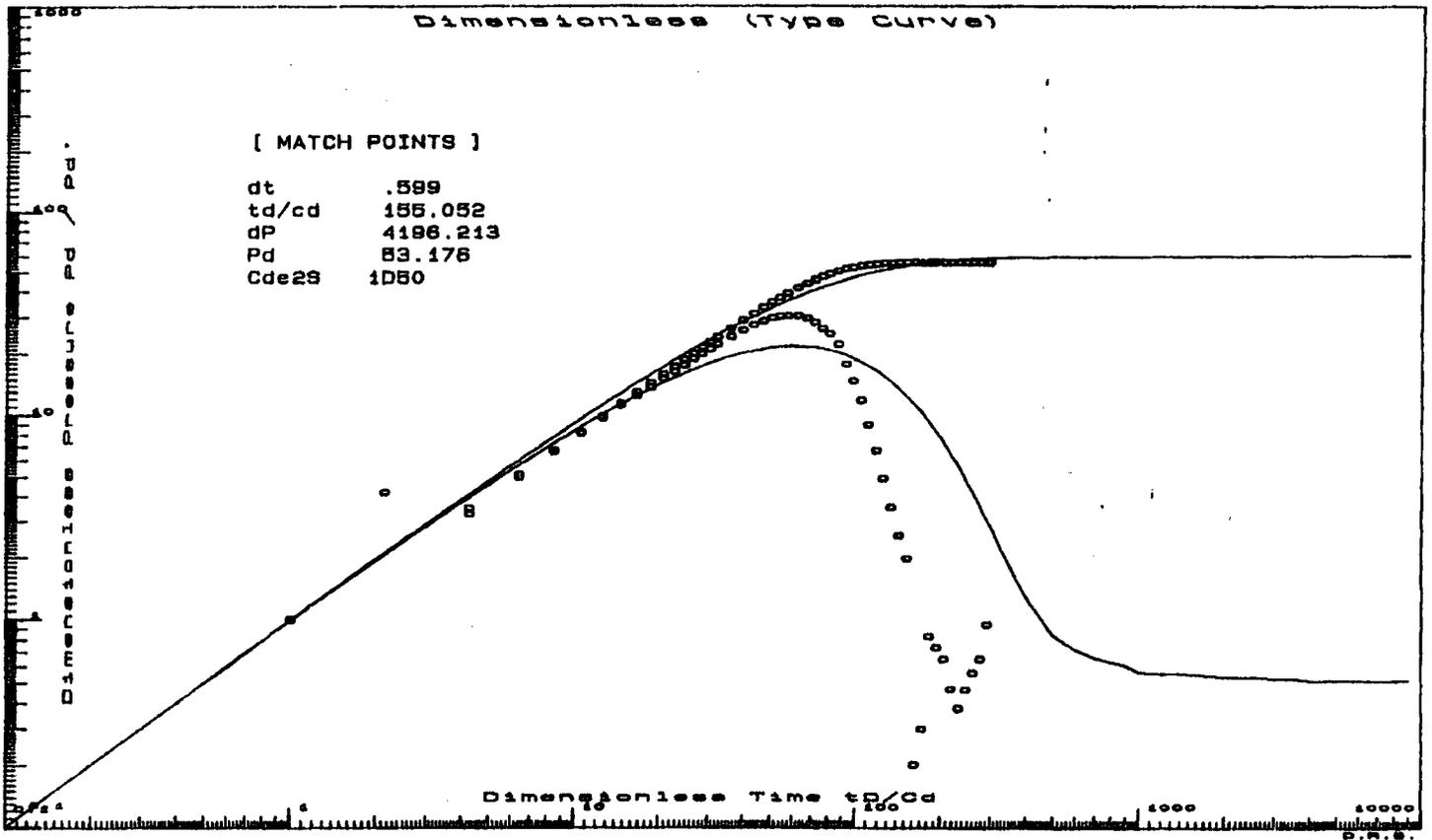
Gauge No. 21046 @ 10833 ft:

— Pressure
... Temperature

Company: Yates Petroleum Corp.
Well: South Avalon "AGY" Fed Com #1, DST #1
Field: Wildcat

Date: 01/14/1998





ATTACHMENT C
 JARREL SERVICES, INC.
 Box 1230
 Hobbs, New Mexico 88240

<<Static Gradient Survey>>

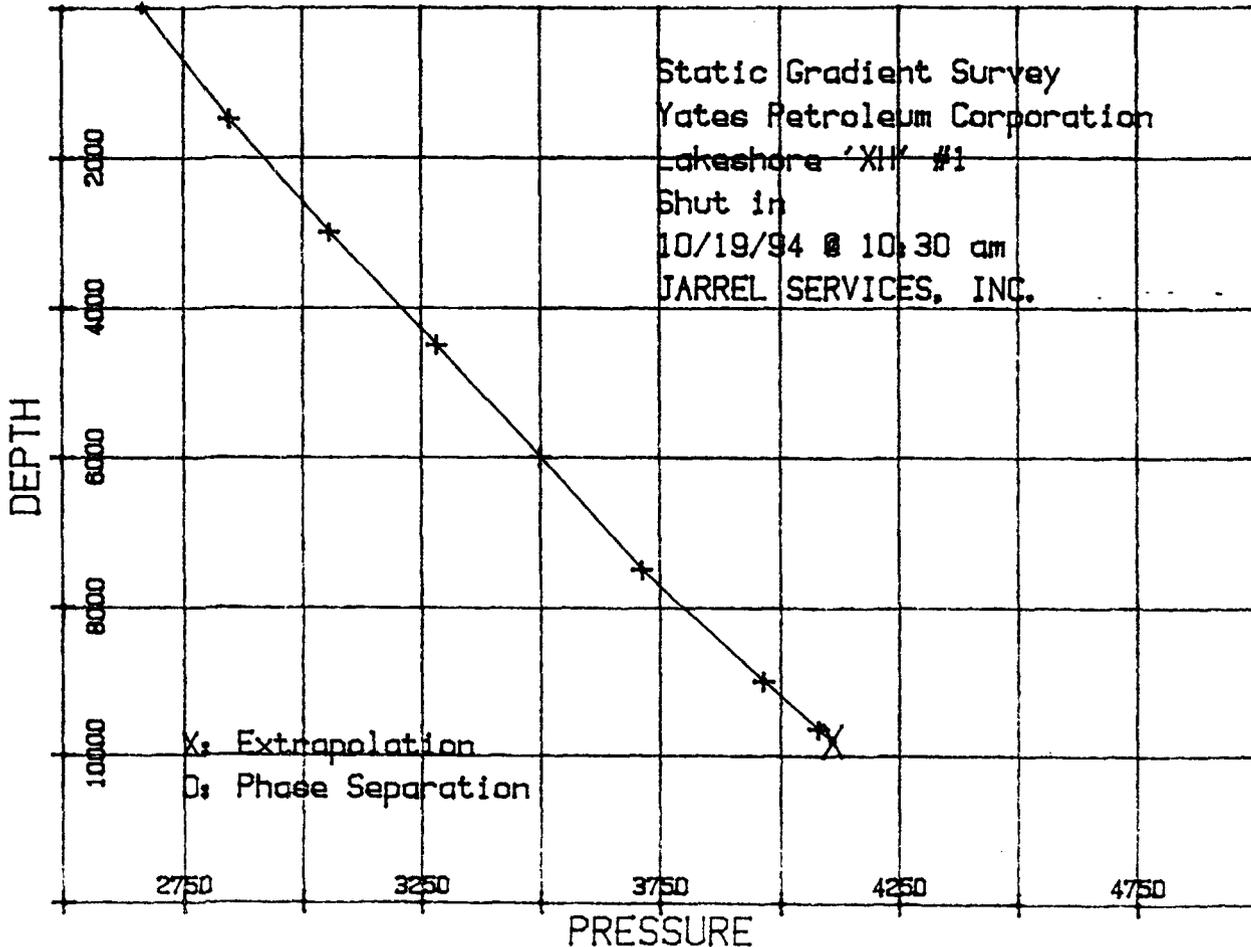
COMPANY: Yates Petroleum Corporation
 LEASE: Lakeshore 'XH'
 FIELD:
 COUNTY: Eddy
 STATUS: Shut in
 PERFORATIONS FROM: 9785 ft
 DEPTH: 9650 ft

Date: 10/19/94 @ 10:30 am
 CONTACT: Ed Perry
 WELL: #1 11-215-26E
 ZONE: Strawn
 STATE: New Mexico
 OPERATOR: Standefer
 TO: 9831 ft
 TEMPERATURE: 170°F

TABULAR DATA

DEPTH (ft)	PRESSURE (psi)	GRADIENT (psi/ft)	EXPLANATIONS
0	2666		
1500	2846	0.120	
3000	3057	0.141	
4500	3282	0.150	
6000	3501	0.146	
7500	3713	0.141	
9000	3964	0.167	
9650	4081	0.180	
9808	4109	0.180	<=Extrapolated BHP

NOTE: Explanations are included to clarify calculated data points.



ATTACHMENT D

Gas Company of New Mexico

311 Moore Drive

Carlsbad, New Mexico 88220

Sample point: YATES PETROLEUM LAKE SHORE #1

Station No. 4880-53

XH Fed Com

A N A L Y S I S R E P O R T

DATE ANALYZED: AUG 31, 1994

TIME ANALYZED: 11:43:44

COMPONENT	MOLE%	B.T.U.	SP. GR.
NITROGEN	0.785675	0	0.00759879
METHANE	83.2417	842.489	0.451066
CO2	0.228627	0	0.00347387
ETHANE	9.36559	174.917	0.102422
PROPANE	3.64605	92.0008	0.0555097
I-BUTANE	0.518059	16.8924	0.0103962
N-BUTANE	0.814002	26.6162	0.016335
I-PENTANE	0.23063	9.24757	0.00574508
N-PENTANE	0.193961	7.79511	0.00483165
TOTAL C6	0.22617	10.7756	0.00672928
TOTAL C7	0.24961	13.7528	0.00863554
TOTALS	100.000	1194.49	0.682742

COMPRESSIBILITY FACTOR (Z) 0.996865

REAL DRY BTU @ 14.73 PSIA: 1198.24

REAL SP GRAV @ 14.73 PSIA: 0.68489

UNNORMALIZED MOLE PERCENT: 100.895

REMARKS: *Analysis Pulled & Effective 8-25-94*

ATTACHMENT E

Wildcat Measurement Service
 PO Box 1836
 Artesia, New Mexico 88211-1836
 Office 9505-746-3481
 "Quality and Service is our First Concern"

DOS 2.0

Run No. 981002-01
 Date Run 02/10/98
 Date Sampled 02/10/98

Analysis for: YATES PETROLEUM CORPORATION
 Well Name: SOUTH AVALON "AQT" FEDERAL CON #1
 Field: SOUTH AVALON

GPANGL.160

Sta. Number:
 Purpose: SPOT
 Sampling Temp: 60 DEG F
 Volume/day:
 Pressure on Cylinder: 631 PSIG

Producer: YATES PETROLEUM CORPORATION
 County: EDDY State: NM
 Sampled By: DON NORMAN
 Atmos Temp: 57 DEG F
 Formation:
 Line Pressure: 3300 PSIA

GAS COMPONENT ANALYSIS

		Mol %	GPM
Carbon Dioxide	CO2	0.877	
Nitrogen	N2	0.368	
Methane	C1	93.848	15.907
Ethane	C2	3.622	0.969
Propane	C3	0.860	0.237
Iso-Butane	IC4	0.130	0.043
Nor-Butane	NC4	0.149	0.047
Iso-Pentane	IC5	0.057	0.021
Nor-Pentane	NC5	0.027	0.010
Hexanes Plus	C6+	0.062	0.027
TOTAL		100.000	17.259

Pressure Base: 14.730
 Real BTU Dry: 1052
 Real BTU Wet: 1033
 Real Calc. Specific Gravity: 0.598
 Field Specific Gravity: 0.000
 Standard Pressure: 14.696
 BTU Dry: 1049
 BTU Wet: 1031
 I Factor: 0.9978
 B Value: 1.3008
 Avg Mol Weight: 17.2931
 Avg CuFt/Gal: 58.0099
 26 Lb Product: 0.0860
 Methane+ GPM: 17.259
 Ethane+ GPM: 1.352
 Propane+ GPM: 0.384
 Butane+ GPM: 0.147
 Pentane+ GPM: 0.057

REMARKS:
 H2S ON LOCATION: NONE DETECTED

Tue Feb 10 16:06:51 1998

Approved by: DON NORMAN

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1000 Rio Brazos Rd., Aztec, NM 87419
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

Form C-102
 Revised February 10, 1994

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 AFI Number 30-015-29746		2 Pool Code 73360		3 Pool Name Burton Flat Strawn	
4 Property Code 21121		5 Property Name South Avalon AQY Federal Com			6 Well Number 1
7 OGRID No. 025575		8 Operator Name Yates Petroleum Corporation			9 Elevation 3161'

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
N	11	21S	26E		660	South	1980	West	Eddy

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 320	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

16				<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p style="text-align: center;">11 <u>rtg</u></p> <p>Technician</p>	
				<p>R CERTIFICATION</p> <p>I certify that the well location shown on this plat is the result of actual surveys made by me or a duly licensed professional surveyor, and that the same is true to the best of my belief.</p> <p>ORIGINAL PLAT</p>	
				<p>Signature of Professional Surveyor:</p>	
				<p>Certificate Number</p>	

Production curves for each zone are not available. There is no production for the Burton Flat Strawn.

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

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OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-015-29746		2 Pool Code 73280		3 Pool Name Burton Flat Morrow	
4 Property Code 21121		5 Property Name South Avalon AQY Federal Com			6 Well Number 1
7 OGRID No. 025575		8 Operator Name Yates Petroleum Corporation			9 Elevation 3161'

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16					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>
					<i>Tina Huerta</i> Signature
					Tina Huerta Printed Name Operations Technician Title 1-11-99 Date
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 Surveyer:
					Certificate Number

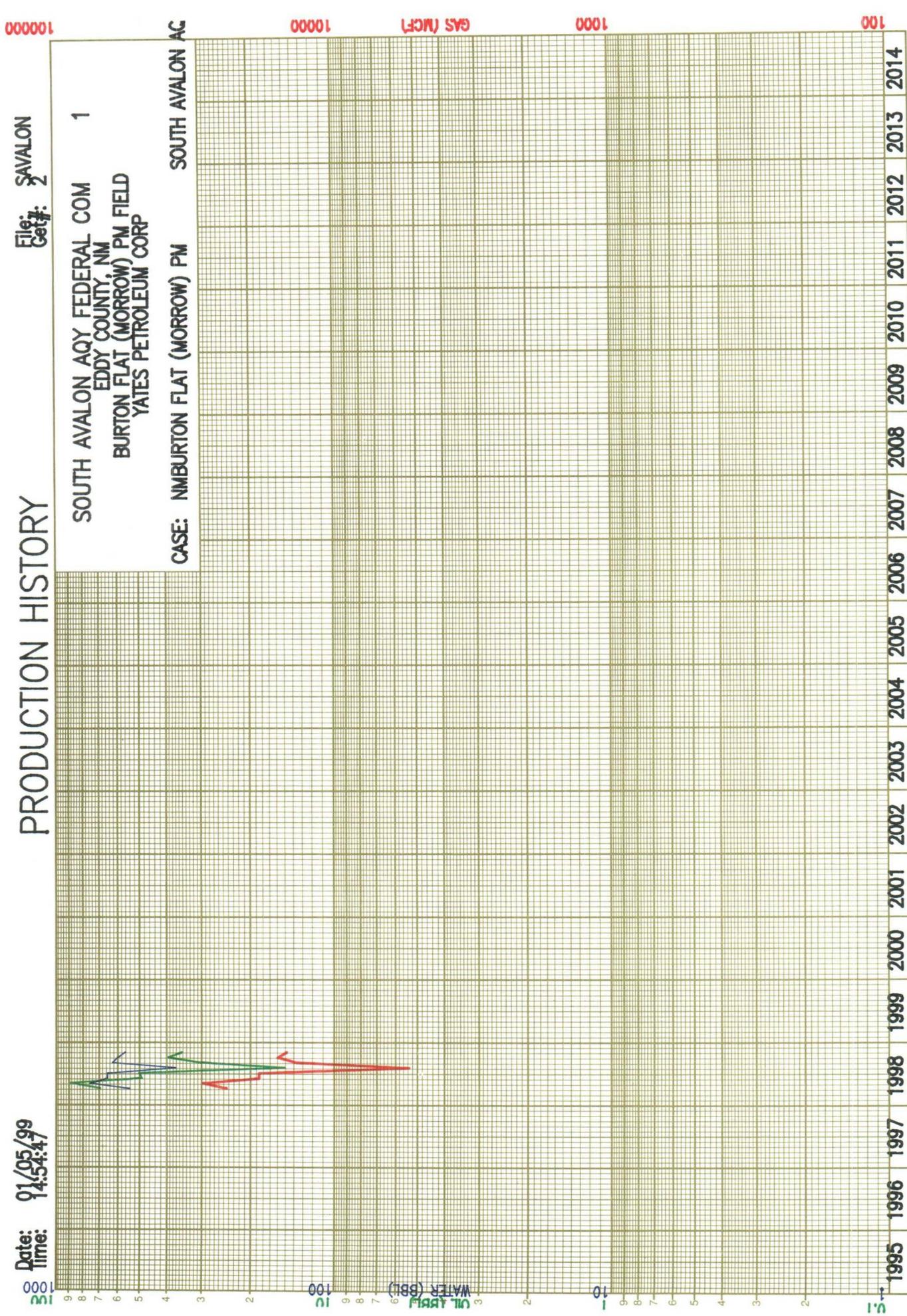
Date: 01/05/99
 Time: 14:54:47

PRODUCTION HISTORY

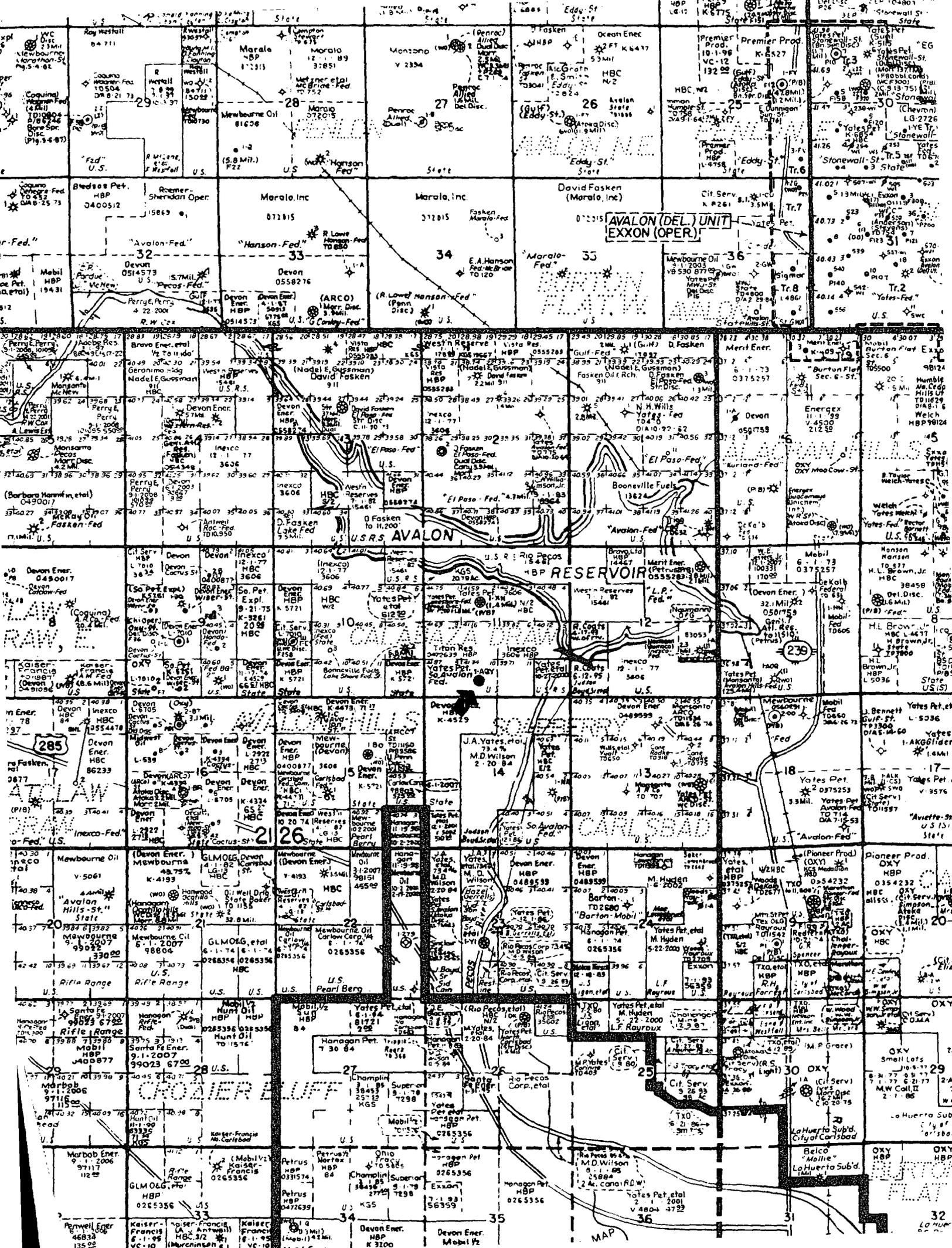
File: SAVALON
 Geof#: 2

SOUTH AVALON AQY FEDERAL COM 1
 EDDY COUNTY, NM
 BURTON FLAT (MORROW) PM FIELD
 YATES PETROLEUM CORP

CASE: NMBURTON FLAT (MORROW) PM SOUTH AVALON AG



CUMULATIVE OIL (BBL)= 353.
 CUMULATIVE GAS (MCF)= 131867.



**AVALON (DEL.) UNIT
EXXON (OPER.)**

**U.S. R. RIO PECOS
HBP RESERVOIR**

CARLSBAD

CROCKER BLUFF

MAP

YATES PETROLEUM CORPORATION
APPLICATION FOR ADMINISTRATIVE APPROVAL
DOWNHOLE COMMINGLING
SOUTH AVALON AQY FEDERAL COM #1
EDDY COUNTY, NEW MEXICO

Bonneville Fuels Corporation
1660 Lincoln Street
Suite 2200
Denver, CO 80264-1801

Devon Energy Corporation
20 N. Broadway
Suite 1500
Oklahoma City, OK 73102-8260

Inexco Oil Company
P. O. Box 200504
Houston, TX 77216

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



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

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

January 11, 1999

Inexco Oil Company
P. O. Box 200504
Houston, TX 77216

Ladies and Gentlemen,

Yates Petroleum Corporation has made an application for administrative approval for downhole commingling for the South Avalon AQY Federal Com #1 located in Unit N of Section 11, Township 21 South, Range 26 East, Eddy County. A Copy of the application is enclosed for your review. This will serve as notification to an offset operator.

Should you have any questions, or need additional information, please do not hesitate to contact me at (505) 748-1174.

Sincerely,

A handwritten signature in cursive script that reads 'Ray Stall'.

Ray Stall
Operations Engineer

RS/th

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



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
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

January 11, 1999

Devon Energy Corporation
20 N. Broadway
Suite 1500
Oklahoma City, OK 73102-8260

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January 11, 1999

Bonneville Fuels Corporation
1660 Lincoln Street
Suite 2200
Denver, CO 80264-1801

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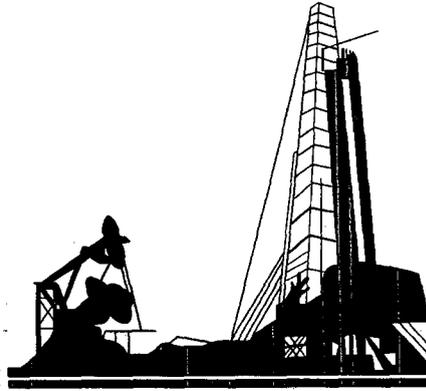
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Ray Stall
Operations Engineer

RS/th



TRANSMITTAL COVER SHEET

OIL CONSERVATION DIVISION
1220 S. ST. FRANCIS DRIVE
SANTA FE, NM 87505
(505) 476-3440
(505)476-3462 (Fax)

PLEASE DELIVER THIS FAX:

TO: Cherry Mathus - Yates

FROM: Will Jones

DATE: 12/18/02

PAGES: C + 5

SUBJECT: SANTA AVAION AQY Federal Com # 1

IF YOU HAVE TROUBLE RECEIVING THIS FAX, PLEASE CALL THE OFFICE
NUMBER ABOVE.