

DHC 6/6/00

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
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SECRETARY
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TREASURER

2755

May 15, 2000

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

Dear Mr. Catanach,

Yates Petroleum Corporation hereby seeks administrative approval to downhole commingle production from the Townsend Upper Permo Penn and the NE Shoebar Strawn pools in the C.O. Jones ATK State #2 well, located in Unit M of Section 11, Township 16 South, Range 25 East, Lea County, New Mexico.

Enclosed is the necessary NMOCD Form C-107 with attachments.

If you have any questions or need additional information, please contact me at (505) 748-4174. Thank you for your consideration of this request.

Sincerely,

Albert R. Stall
Operations Engineer

ARS/sd

Enclosures

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
DISTRICT II
811 South First St., Artesia, NM 88210
DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410
DISTRICT IV
2040 S. Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

Form C-107-A
Revised August 1999

APPROVAL PROCESS:

Administrative Hearing

EXISTING WELLBORE
 YES NO

APPLICATION FOR DOWNHOLE COMMINGLING

Yates Petroleum Corporation		105 S. 4th Street, Artesia, NM 88210	
Operator		Address	
C. O. Jones ATK State	2	M 11 - 16S - 35E	Lea
Lease	Well No.	Unit Ltr.-Sec-Twp-Rge	County
Spacing Unit Lease Types: (check 1 or more)			
OGRID NO. <u>025575</u>	Property Code <u>25027</u>	API NO. <u>30-025-34752</u>	Federal <input type="checkbox"/> State <input checked="" type="checkbox"/> (and/or) Fee <input type="checkbox"/>

The following facts are submitted in support of downhole commingling	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Townsend Permo Upper Penn 59847		Shoobar Strawn, Northwest 56280
2. Top and Bottom of Pay Section (Perforations)	10,910 - 10,917'		Open hole horizontal lateral 11,412-13,220' (MD)
3. Type of production (Oil or Gas)	Oil		Oil
4. Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
5. Bottomhole Pressure	a. (Current)	a. (Current)	a. (Current)
Oil Zones - Artificial Lift: Estimated Current	Not perforated yet		3128 psi on 3/7/00
Gas & Oil - Flowing: Measured Current	b. (Original)	b. (Original)	b. (Original)
All Gas Zones: Estimated or Measured Original	4444 psi from DST 10,880-10,925'		3533 psi on 2/10/00
6. Oil Gravity (EAPI) or Gas BTU Content	45° API		45° API
7. Producing or Shut-In?	Not perforated yet		Producing
Production Marginal? (yes or no)	No		No
* If Shut-In, give date and oil/gas/water rates of last production	Date: Estimated Rates: 320 BOPD, 640 MCFD, 0 BWPD	Date: Rates:	Date: Rates:
<small>Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data</small>	Attachment A		
* If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: Rates:	Date: Rates:	Date: 5/9/00 Rates: 426 BOPD, 378 MCFD, 27 BWPD
8. Fixed Percentage Allocation Formula - % for each zone (total of %'s to equal 100%)	Oil: % Gas: % Attachment B	Oil: % Gas: %	Oil: % Gas: % Attachment B

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

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

11. Will cross-flow occur? Yes 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)
See Attachment C.

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

13. Will the value of production be decreased by commingling? Yes 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 of Land Management has been notified in writing of the application. Yes No

15. NMOCD 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. - Attachment D (2 pages)
- * Production curve for each zone for at least one year. (If not available, attach explanation.) - Attachment E (2 pages)
- * For zones with no production history, estimated production rates and supporting data. - Attachment A (3 pages)
- * Data to support allocation method or formula. - Attachment B (1 page)
- * 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 Albert R. Stall TITLE Operations Engineer DATE 5/15/00
TYPE OR PRINT NAME Albert R. Stall TELEPHONE NO. (505) 748-4174

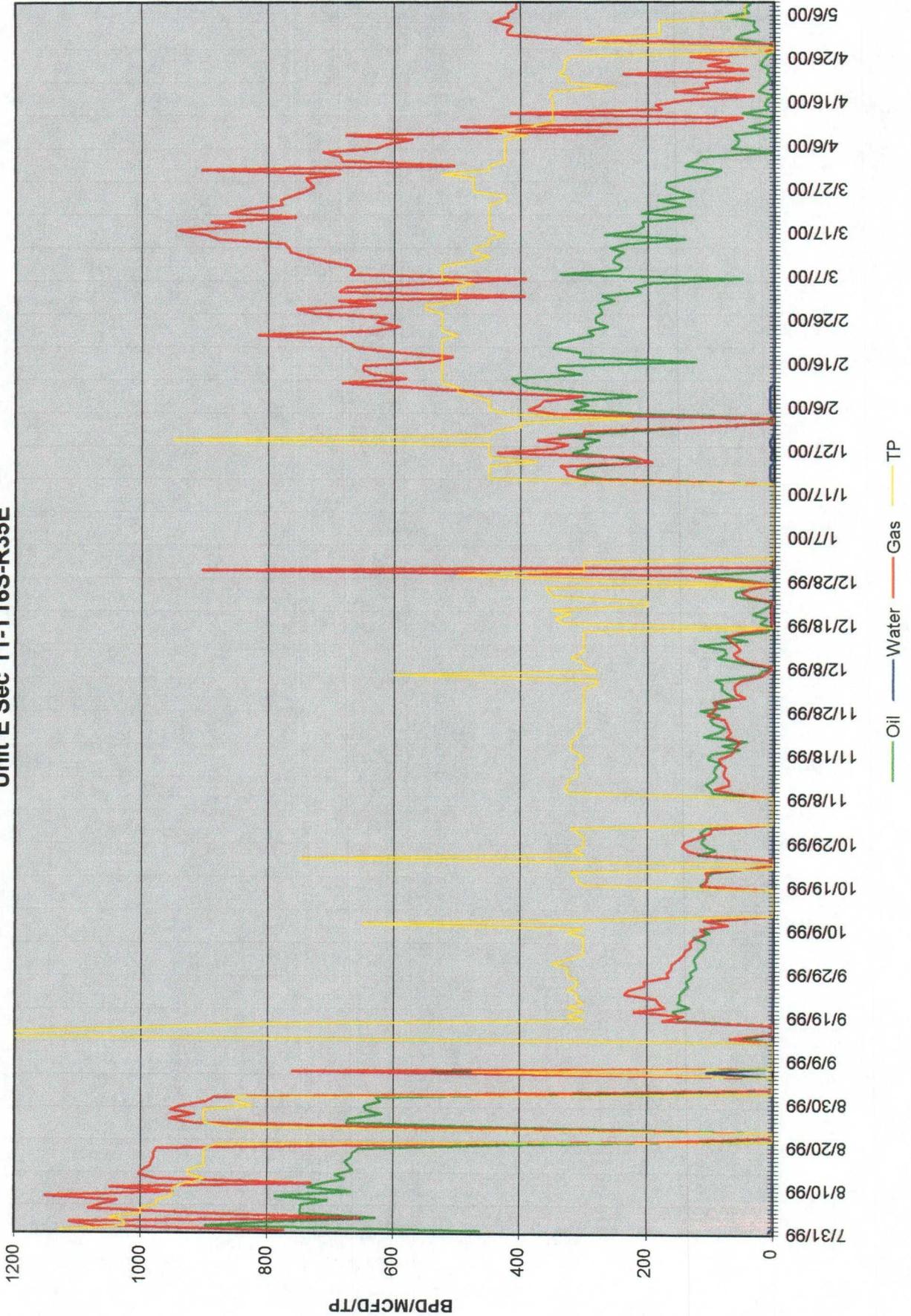
Attachment A
(Page 1 of 3)

Estimated upper zone (Townsend Upper Permo Penn) production is based on production from other nearby Yates Petroleum Corporation wells producing from this formation. These wells are the Shell Lusk ANB Com #2 and the Brunson AQK State #2. Daily production plots for both wells are attached.

SHELL LUSK ANB COM #2

Cisco (Townsend Permo Upper Penn) Daily Production

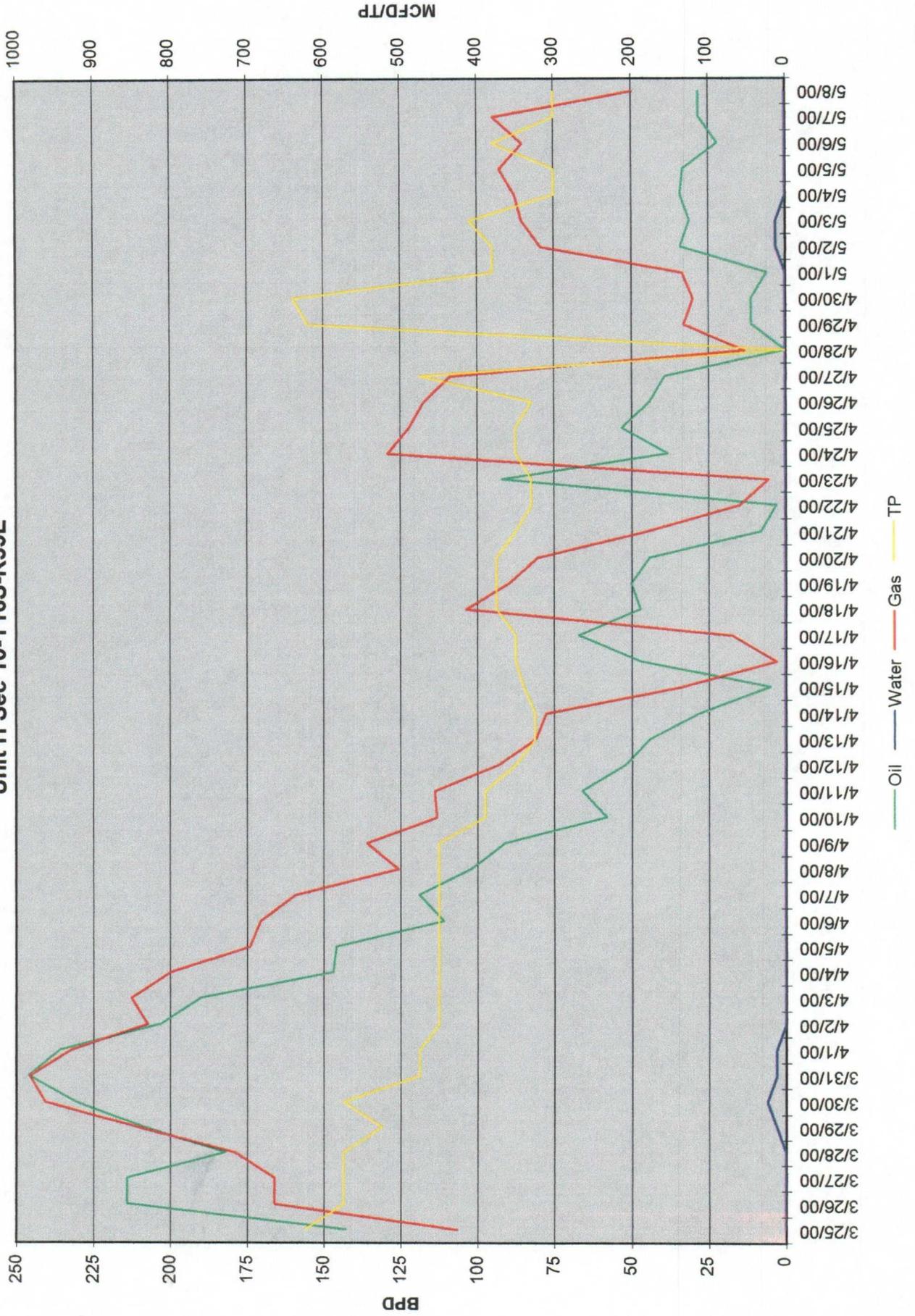
Unit E Sec 11-T16S-R35E



BRUNSON AQK STATE #2

Cisco (Townsend Permo Upper Penn) Daily Production

Unit H Sec 10-T16S-R35E



Attachment B
(Page 1 of 1)

A fixed percentage allocation formula based on production rates will be submitted for approval after production testing the upper zone (Townsend Upper Permo Penn) before commingling the two zones.

Attachment C
(Page 1 of 1)

Cross-flow should not occur under producing conditions. Fluids are compatible and formation damage will not occur. The allocation formula will be reliable, and the commingling will not result in the permanent loss of reserves due to cross-flow in the wellbore.

Commingling will not jeopardize the efficiency of future secondary operations in either of the pools being commingled.

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

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ AFI Number 30-025-34752		² Pool Code 56280		³ Pool Name Shoobar Strawn, Northwest	
⁴ Property Code 25027		⁵ Property Name C. O. Jones ATK State			⁶ Well Number 2
⁷ OGRID No. 025575		⁸ Operator Name Yates Petroleum Corporation			⁹ Elevation 3987

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
M	11	16S	35E		380	South	330	West	Lea

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
N	11	16S	35E		380	South	2310	West	Lea

¹² Dedicated Acres 80	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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

16 330' ● 380' 2310' ● BHL 380'	¹⁷ OPERATOR CERTIFICATION			
	I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.			
	Signature Stormi Davis Printed Name Operations Technician Title Date			
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.				
REFER TO ORIGINAL PLAT Date of Survey Signature and Seal of Professional Surveyor:				
Certificate Number				

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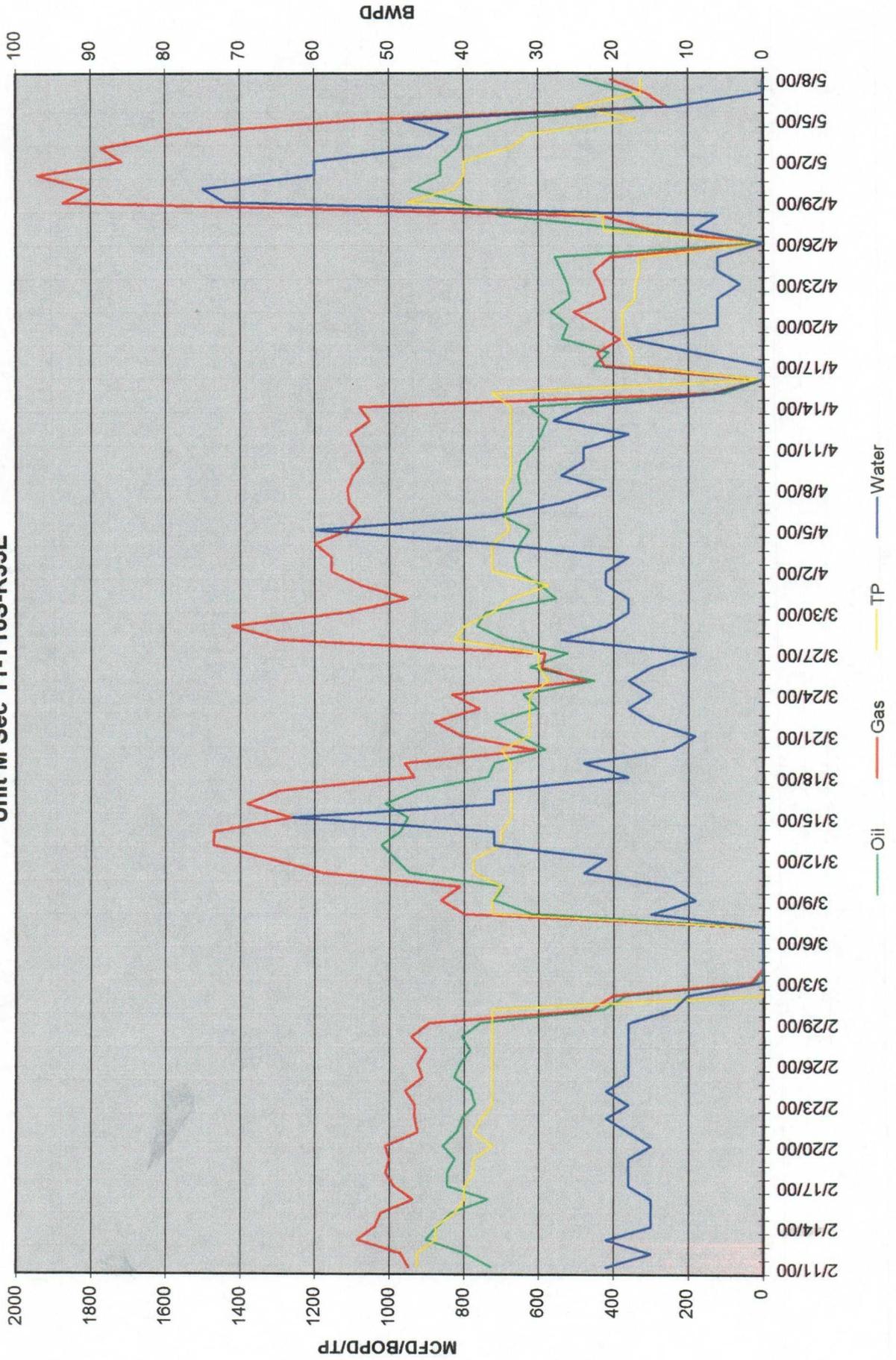
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	Signature Stormi Davis Printed Name Operations Technician Title			
	Date			
16	¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.			
	REFER TO ORIGINAL PLAT Date of Survey			
	Signature and Seal of Professional Surveyer:			
Certificate Number				

C O JONES ATK STATE #2

Shoebar Strawn, NE Daily Production

Unit M Sec 11-T16S-R35E



Attachment E
(Page 2 of 2)

The upper zone (Townsend Upper Permo Penn) has not been completed yet. Daily production plots (Attachment A) for two nearby Yates petroleum Corporation wells are attached to provide an estimate of expected production from the zone.