

ABOVE THIS LINE FOR DIVISION USE ONLY

PLC

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



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]

- [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 CTB-590

- [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~~ 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

RECEIVED
2008 SEP 23 PM 2 52

- [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.

MAYTE REYES Mayte Reyes Production Clerk 9-16-08
 Print or Type Name Signature Title Date
 mayte@ypc.nm.com
 e-mail Address

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources
 OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

Form C-103
 Revised March 25, 1999

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 <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>		WELL API NO. 30-015-36605 5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/> 6. State Oil & Gas Lease No. VA-2974 7. Lease Name or Unit Agreement Name: Canyon BJK State
2. Name of Operator Yates Petroleum Corporation 3. Address of Operator 105 South Fourth Street, Artesia, NM 88210		8. Well No. 1Y 9. Pool name or Wildcat East Pierce Crossing/Bone Spring,
4. Well Location Unit Letter <u>A_NWNW</u> : : <u>330'</u> feet from the <u>FNL</u> line and <u>360'</u> feet from the <u>FEL</u> line Section <u>1</u> Township <u>25S</u> Range <u>29E</u> NMPM County <u>Eddy</u>		
10. Elevation (Show whether DR, RKB, RT, GR, etc.)		

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

NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/> OTHER: Addition to Lease Commingle of Oil <input checked="" type="checkbox"/>		SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/> CASING TEST AND CEMENT JOB <input type="checkbox"/> OTHER: <input type="checkbox"/>	
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12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Yates Petroleum Corporation respectfully request administrative approval for the addition of the Canyon BJK State #1Y to Lease Commingle of Oil CTB-590 approved on June 9th 2008.

State Ohkay BHH State #1 Sec 6-T25S-R30E Pierce Crossing/Bone Spring Nash Draw/Delaware API# 30-015-34551 Eddy County, NM Lease# VO-6711	State Wyatt BHT State #1 Sec 6-T25S-R30E Pierce Crossing/Bone Spring Nash Draw/Delaware API# 30-015-34553 Eddy County, NM Lease# VO-6699	State Canyon BJK State #1Y Sec 1-T25S-R29E Pierce Crossing/Bone Spring Nash Draw/Delaware - Possible DHC not yet applied for API# 30-015-36605 Eddy County, NM Lease # VA-2974
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The Battery is located at the Ohkay BHH State #1. Please see attached plat and site facility diagram.

Diversified ownership by percentages. All in house subsidiaries. Attached Waivers

Each of these wells shall be equipped with continuous metering separators for oil production prior to oil being commingled for sales. The oil sales point for this commingled production shall be located at the battery near the Ohkay BHH State #1 in Lot #4 of Sec 6, Township 25South, Range 30 East.

The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production. Estimated daily oil production for the Canyon BJK State #1 is 1 - 20 barrels of oil per day.

The purpose of the commingling, is to reduce operating costs for storage and treating, thereby extending the economic life of each well. Without approval for utilizing existing batteries on adjacent leases, it will become necessary to built separate facilities for each well. This will greatly increase costs and shorten the economic life of the well.

The proposed commingling is necessary for economic operation of the above referenced leases.

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

SIGNATURE Mayte Reyes TITLE Production Secretary DATE September 17, 2008

Type or print name Mayte Reyes Telephone No. (575) 748-4213

(This space for State use)

APPROVED BY _____ TITLE _____ DATE _____

Conditions of approval, if any:

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

Energy, Minerals and Natural Resources Department

District II
1301 W. Grand Ave, Artesia, NM 88210

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.

District III
1000 Rio Brazos Road, Aztec, NM 87410

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

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: YATE PETROLEUM CORPORATION

OPERATOR ADDRESS: 105 SOUTH 4TH STREET

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. CTB-590

Has the Comm. of Public Lands (BLM) and State Land office (SLO) consented in writing to 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	Value of Non-Commingled Production	Calculated Value of Commingled Production	Volumes

- (2) Are any wells producing at top allowables? Yes No
- (3) Are all working, royalty and overriding royalty interests common between pools? Yes No
- (4) Include proof of notice to all interests if the answer to No. 3 is "No".
- (5) Measurement type: Metering Well Test Subtraction Method
- (6) 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) Are all working, royalty and overriding royalty interests common between leases? Yes No
- (4) Include proof of notice to all interests if the answer to No. 3 is "No".
- (5) Measurement type: Metering Well Test Subtraction Method (only when No. 3 is "Yes")

(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.
- (4) If production is to be measured by well test, include testing frequency.

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

SIGNATURE: Mayte Reyes TITLE: PRODUCTION CLERK DATE: 9-16-08

TYPE OR PRINT NAME MAYTE REYES TELEPHONE NO (575) 78-4213

DISTRICT I
1825 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Ed., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

FORM O-102
Revised March 17, 1999
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 94403	Pool Name Wildcat; Bone Spring
Property Code	Property Name CANYON "BJK" STATE	Well Number 1Y
OGHD No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3140

Surface Location

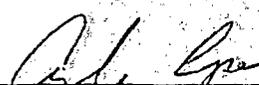
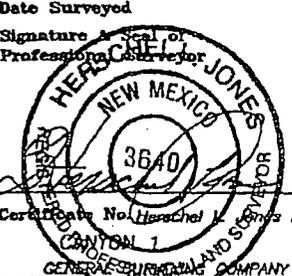
Ul. or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
LOT 1	1	25S	29E		330	NORTH	360	EAST	EDDY

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

Dedicated Acres 39.99	Joint or Infill	Consolidation Code	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

Lot 4	Lot 3	Lot 2	Lot 1 360' N.32°09'56.4" W.103°55'49.9" N.424242.1 E.685979.0 (NAD-83)	OPERATOR CERTIFICATION I hereby certify the information contained herein is true and complete to the best of my knowledge and belief.  Signature Armando Lopez Printed Name Chief Regulatory Agent Title 9-11-08 Date
				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. Date Surveyed 8/02/2006 Signature of Professional Surveyor  Certificate No. Hershel L. Jones RLS 3640 CANYON 1 GENERAL SURVEYING COMPANY

0 330' 660' 990' 1320' 1650' 1980' 2310' 2640' 2970' 3300' 0'



105 South 4th Street * Artesia, NM 88210

(505)-748-1471

-Joe Chavez

August 2008

Canyon BJK St #1Y

OHKAY BHH ST #1 Battery

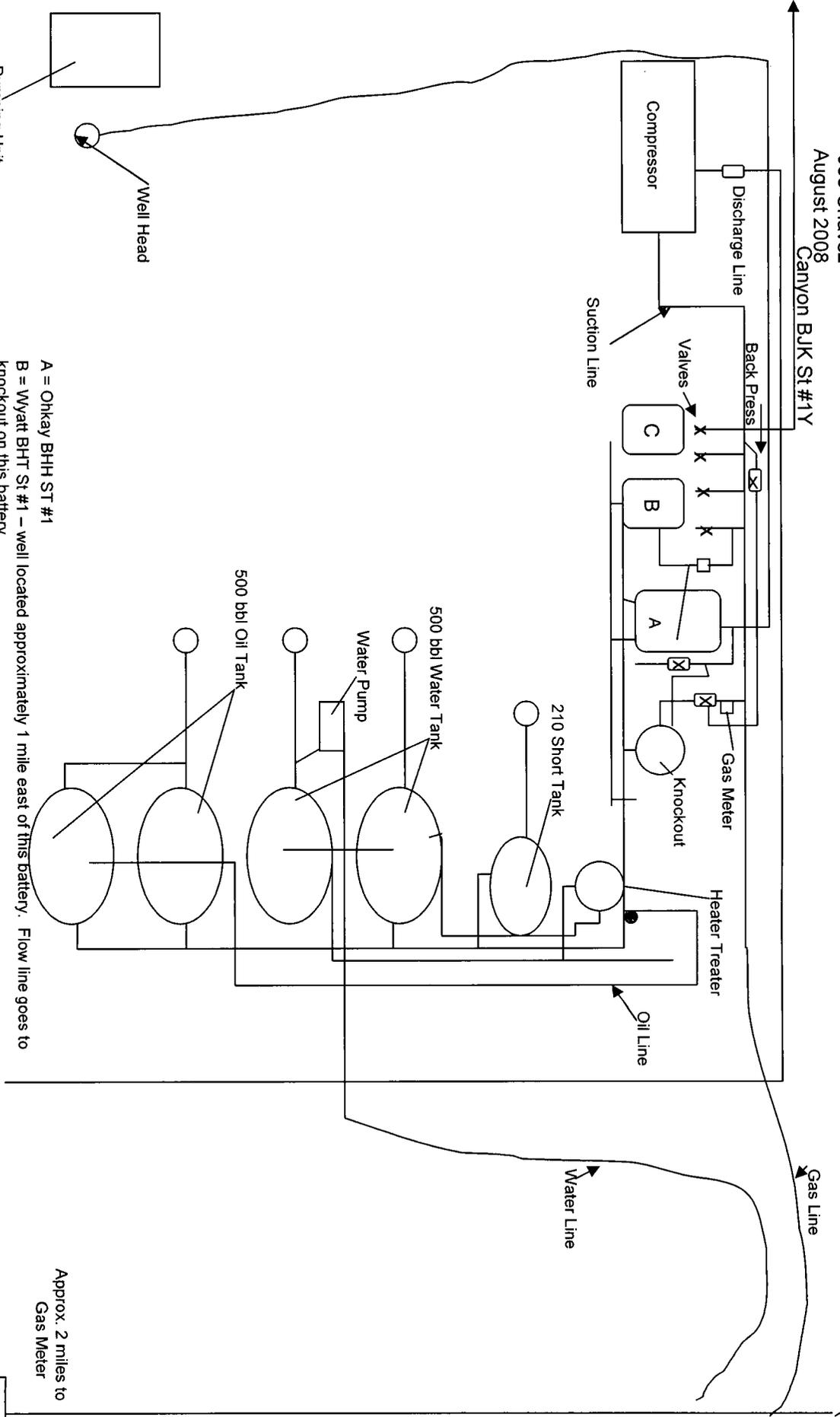
For Canyon BJK St. #1Y

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

EDDY, NM

API - 3001534551

Approx. 6 miles to Jester CDP



Approx. 2 miles to Gas Meter

- A = Ohkay BHH ST #1
- B = Wyatt BHT St #1 - well located approximately 1 mile east of this battery. Flow line goes to knockout on this battery.
- C = Canyon BJK State Com #1 Separator

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

Mayte, The Canyon BJK State #1 well is owned
Yates Petroleum Corporation – 70%
Yates Drilling Company – 10%
Myco Industries, Inc. – 10%
Abo Petroleum Corporation – 10%
Thanks, Janet

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (575) 748-1471

S.P. YATES
CHAIRMAN EMERITUS
JOHN A. YATES
CHAIRMAN OF THE BOARD
FRANK YATES, JR.
PRESIDENT
PEYTON YATES
DIRECTOR
JOHN A. YATES, JR.
DIRECTOR

September 17, 2008

Re: Lease Commingle of Oil
Pierce Crossing/Bone Spring - Nash Draw/Delaware
Eddy County, New Mexico

Dear Interest Owner:

Yates Petroleum Corporation respectfully request administrative approval for the addition of the Canyon BJK State #1Y to Lease Commingle of Oil CTB-590 approved on June 9th 2008.

State	State	State
Ohkay BHH State #1	Wyatt BHT State #1	Canyon BJK State #1Y
Sec 6-T25S-R30E	Sec 6-T25S-R30E	Sec 1-T25S-R29E
Pierce Crossing/Bone Spring	Pierce Crossing/Bone Spring	Pierce Crossing/Bone Spring
Nash Draw/Delaware	Nash Draw/Delaware	Nash Draw/Delaware - Possible DHC not yet applied for
API# 30-015-34551	API# 30-015-34553	API# 30-015-36605
Eddy County, NM	Eddy County, NM	Eddy County, NM
Lease# VO-6711	Lease# VO-6699	Lease # VA-2974

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

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The proposed commingling is necessary for economic operation of the above referenced leases.

Any objection must be filed in writing with District Office within 20 days from the date the division received the application.

If you should have any questions, please give me a call at (575) 748-4213 (direct line).

Sincerely,

Mayte Reyes
Production Clerk

I hereby approve this application

Company: MYCO Industries Inc.

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986



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Pierce Crossing/Bone Spring	Pierce Crossing/Bone Spring	Pierce Crossing/Bone Spring
Nash Draw/Delaware	Nash Draw/Delaware	Nash Draw/Delaware - Possible DHC not yet applied for
API# 30-015-34551	API# 30-015-34553	API# 30-015-36605
Eddy County, NM	Eddy County, NM	Eddy County, NM
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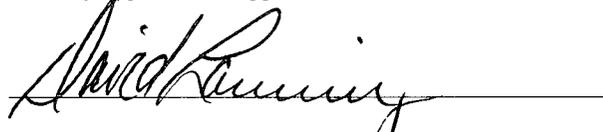
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Sincerely,


Mayte Reyes
Production Clerk

I hereby approve this application



Company: Yates Petroleum Corporation.

RANDY G. PATTERSON
SECRETARY

DAVID LANNING
CHIEF OPERATING OFFICER

DENNIS G. KINSEY
TREASURER

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986



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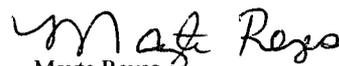
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Sincerely,


Mayte Reyes
Production Clerk

I hereby approve this application



TONY KRAKAUSKAS
Company: Yates Drilling Company

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
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Sincerely,

Mayte Reyes
Production Clerk

I hereby approve this application

David Lewis

Company: ABO Petroleum Corporation.