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



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

3215

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NOV 12 2003

OIL CONSERVATION
DIVISION

November 5, 2003

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

Dear Mr. Catanach,

Request for Administrative Approval to Downhole Commingle the production from the Undesignated Happy Valley Strawn Northeast and the Burton Flat Morrow in our Tracy AXW State #1 located in Unit I of Section 25, Township 21 South, Range 26 East, Eddy County, New Mexico was sent to you October 2, 2003. The allocation formula was not included. We have since tested the Happy Valley Strawn Northeast. Please find enclosed an amended C-107A with Allocation formulas for both zones.

If you have any questions or need additional information, please call me at (505) 748-4164. Thank you.

Sincerely,

Cherry Matchus

Cherry Matchus
Engineering Tech

CM

Enclosures

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

District II
811 South First Street, Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised May 15, 2000

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, New Mexico 87505

APPLICATION TYPE
 Single Well
 Establish Pre-Approved Pools
EXISTING WELLBORE
 Yes No

APPLICATION FOR DOWNHOLE COMMINGLING
AMENDED

Yates Petroleum Corporation Operator 105 South Fourth Street Address Artesia, NM 88210

Tracy AXW State Lease 1 Well No. I Sec25-T21S,R26E Unit Letter-Section-Township-Range Eddy County

OGRID No. 025575 Property Code API No 30-015-31582 Federal State X Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Und. Happy Valley Strawn Northeast		Burton Flat Morrow
Pool Code	78075		73280
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	10500-10504 10624-10636		11460-11466 11595-11802
Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	NA		NA
Oil Gravity or Gas BTU (Degree API or Gas BTU)	NA		NA
Producing, Shut-In or New Zone	New Zone		Producing
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: 11/2/03 Rates: 171 mcf 0 bopd 0 bwpd	Date: Rates:	Date: 8/6/03 Rates: 529 mcf 3 bopd 12 bwpd
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas % 25%	Oil Gas % %	Oil Gas 100% 75%

ADDITIONAL DATA

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

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

Will commingling decrease the value of production? Yes No

If this well is on, or communitized 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 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 James M. Hill TITLE Operations Engineer DATE: 11/5/03
TYPE OR PRINT NAME James M. Hill TELEPHONE NO. 505-748-4129