cre 2.7.96

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



### 105 SOUTH FOURTH STREET ARTESIA, NEW MEXICO 88210

TELEPHONE (505) 748-1471

January 19, 1996

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

Oil Conservation Division P. O. Box 6429 Santa Fe, NM 87505-6429

ATTENTION: Mr. Ben Stone

RE: Surface Commingling, Lease Commingling, Off-Lease Storage and Measurement Dagger Draw Upper Penn, North Pool Eddy County, New Mexico

#### Dear Ben:

Yates Petroleum Corporation respectfully requests administrative approval to amend Commingling Order CTB-409 (a copy of which is enclosed) to add the Tackitt AOT #2 and the Tackitt AOT #3 to the commingling order. All of the wells that will be covered by the commingling order are located in the S/2 of Section 28-T19S-R25E. Please see Attachment I for a complete description of the wells.

The production from these wells is transported prior to measurement to a common tank battery located at the State K #3 location (Unit K of Section 28-T19S-R25E).

The purpose of the surface commingling, lease commingling, off-lease storage and measurement 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 build separate facilities for each well. This will greatly increase costs and shorten the economic life of the wells.

Because working interests for the wells are different, oil from each of the wells will be measured by positive displacement, temperature compensated metering equipment prior to surface commingling. Gas from the wells will also be metered separately. This metering will ensure that all production from each of the wells is equitably accounted for with no significant effect on your revenue. The production is from the same producing zone which is the Canyon.

Surface Commingling, Etc.: Page 2:
January 19, 1996

In accordance with the Oil Conservation Division's Rules 303-B, 309-B and 309-C, the following diagrams and maps are attached for your information.

Attachment II A map showing the location of the wells

Attachment III A diagram of the proposed measurement equipment,

separators and storage tanks in accordance with the "Manual for Installation and Operation

of Commingling Facilities"

Attachment IV Notification of working interest, royalty interest

and overriding royalty interest owners

Attachment V Notification to the Commissioner of Public

Lands

If you should have any questions or need further information, please give me a call at 505-748-4205 (direct line).

Thank you for your cooperation.

Sincepely,

Rusty Klein

Production Clerk

rk

Attachments

#### WELL DESCRIPTIONS

Tackitt AOT #1
1650' FSL & 990' FEL
Unit I, NESE
Section 28-T19S-R25E
Eddy County, New Mexico
Fee Lease

Tackitt AOT #3
660' FSL & 1980' FEL
Unit O, SWSE
Section 28-T19S-R25E
Eddy County, New Mexico
Fee Lease

Tackitt AOT #2 1980' FSL & 1980' FEL Unit J, NWSE Section 28-T19S-R25E Eddy County, New Mexico Fee Lease

State K #3
1980' FSL & 1980' FWL
Unit K, NESW
Section 28-T19S-R25E
Eddy County, New Mexico
State Lease No.: K-6096

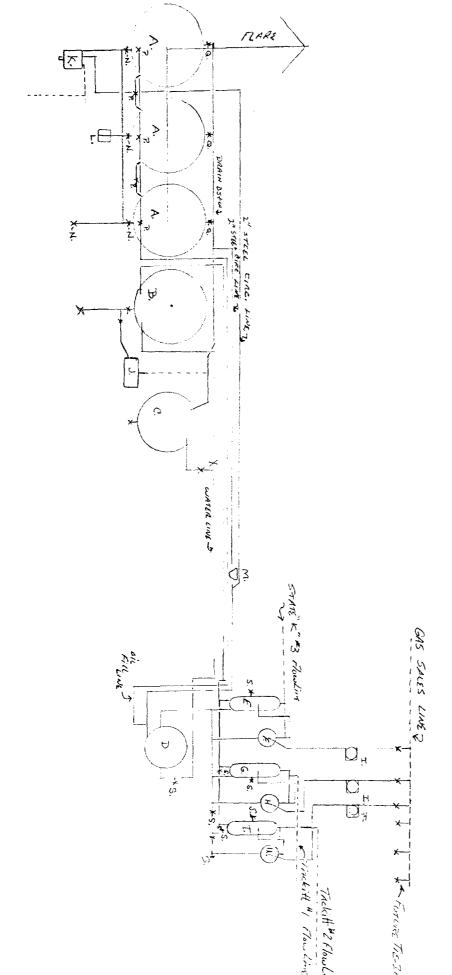
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STATE K & 3 BAS SERVIATION	Q3 Bell Values ( only Son Drain BStru)
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15-6046- 30-015-21141	EDRY Co. UM	SEC. 28-7/95-R25E	1980 FSL & 1980 FWL	STATE K #3 + Tackitt = 14



#### STATE K #3 BATTERY

Wells included in battery: Tackitt AOT #1, Tackitt AOT #3 and State K #3

#### Working Interest, Royalty Interest and Overriding Royalty Interest Owners

Curtis W. Mewbourne P. O. Box 7698
Tyler, TX 75711

Helen B. Melton
Trustee of the Helen B. Melton
Revocable Trust
112 S. Mesquite
Carlsbad, NM 88220

Karen Tackitt 403 North 2nd Carlsbad, NM 88220

John F. Williams P. O. Box 641 Artesia, NM 88211-0641

Rosemary Williams 5105 Arbor Glen The Colony, TX 75056

Brent Watson Oil & Gas Investments P. O. Box 50308 Midland, TX 79710-0308

Feagan Energy, Inc. P. O. Box 50307 Midland, TX 79710-0307

Fred N. Reynolds 500 Throckmorton Suite 2403 Frot Worth, TX 76102

Vintage Petroleum, Inc. 4200 One Williams Center Tulsa, OK 74172-0153 Paula LaRue Elizabeth Ann Kirkpatrick 1341 Kaghan Loop Road Beler, NM 87002

Barbara J. Runyan
Trustee of the Barbara J. Runyan
Revocable Trust
P. O. Box 1474
Hope, NM 88250

Catherine P. Lewis
Sole & Separate Property
P. O. Box 1547
Artesia, NM 88211-1547

John Williams
Life Estate Remainderman
P. O. Box 641
Artesia, NM 88211-0641

Charles E. Nearburg P. O. Box 841585 Dallas, TX 75284-1585

Nearburg Producing Company 419 W. Cain Hobbs, EM 88241 Mr. Scott Kimbrough

Fred S. Reynolds 500 Throckmorton Suite 2403 Fort Worth, TX 76102

Jerry Elger
P. O. Box 2623
Midland, TX 79701-2623

Langdale Corporation P. O. Box 92319 Tulsa, OK 74172-0153

Ruthea, Inc. 590 Cricketfield Court Thousand Oaks, CA 91361

RRS Oil, Inc. 401 W. Texas - Suite 1003 Midland, TX 79701

James Christopher Statton 401 W. Texas - Suite 1003 Midland, TX 79701

TXW 0il, Inc. 401 W. Texas - Suite 1003 Midland, TX 79701 Stephen Rhett Gist 401 W. Texas - Suite 1003 Midland, TX 79701

Leonard Charles Sammons 401 W. Texas - Suite 1003 Midland, TX 79701

Ben D. Taylor 401 W. Texas - Suite 1003 Midland, TX 79701



Receipt for Certified Mail No Insurance Coverage Provided Do not use for International Mail (See Reverse)

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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

January 19, 1996

CHAIRMAN OF THE BOARD

JOHN A. YATES

PRESIDENT

PEYTON YATES

EXECUTIVE VICE PRESIDENT

RANDY G. PATTERSON

SECRETARY

DENNIS G. KINSEY

S. P. YATES

Commissioner of Public Lands P. O. Box 1148
Santa Fe, NM 87504-1148

ATTENTION: Mr. Pete Martinez

RE: Application for Surface Commingling, Lease Commingling, Off-Lease Storage and Measurement Dagger Draw Upper Penn, North Pool

Eddy County, New Mexico

#### Dear Pete:

Yates Petroleum Corporation respectfully requests administrative approval for surface commingling, lease commingling, off-lease storage and measurement for the following wells:

Tackitt AOT #1
1650' FSL & 990' FEL
Unit I, NESE
Section 28-T19S-R25E
Eddy County, New Mexico
Fee Lease

Tackitt AOT #3
660' FSL & 1980' FEL
Unit O, SWSE
Section 28-T19S-R25E
Eddy County, New Mexico
Fee Lease

Tackitt AOT #2 1980' FSL & 1980' FEL Unit J, NWSE Section 28-T19S-R25E Eddy County, New Mexico Fee Lease

State K #3
1980' FSL & 1980' FWL
Unit K, NESW
Section 28-T19S-R25E
Eddy County, New Mexico
State Lease No.: K-6096

The production from these wells will be transported prior to measurement to a common battery located at the State K #3 location. A map labeled Attachment I is attached for your information. NOTE: In March, 1995, I received approval from the Commissioner of Public Lands for surface commingling, etc. for the Tackitt AOT #1 and the State K #3.

The purpose of this off-lease storage and surface 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 build separate facilities for each well. This will greatly increase costs and shorten the economic life of the wells.

(Attaching at V

Surface Commingling, Ftc.: Page 2:
January 19, 1996

Because working interests for the wells are different, oil from each of the wells will be measured by positive displacement, temperature compensated metering equipment prior to surface commingling. Gas from the wells will also be metered separately. This metering will ensure that all production from each of the wells is equitably accounted for with no significant effect on your revenue. The production is from the same producing zone which is the Canyon.

The following diagrams and maps are attached for your information.

Attachment I A map showing the location of the wells

Attachment II A lease map showing Section 28-T19S-R25E

Attachment III A diagram of the proposed measurement equipment,

separators and storage tanks (Site Security

Diagram)

If you should need anything further, please give me a call at 505-748-4205 (direct line).

Thank you for your cooperation.

Sincerely,

Rusty Klein

Production Clerk

rk

Attachments

#### COMMINGLE PRE-APPLICATION

STATE LAND OFFICE RULES 1.053-1.055 APPLY TO COMMINGLING OIL AND GAS PRODUCTION FROM NEW MEXICO STATE LANDS. PLEASE PROVIDE THE FOLLOWING INFORMATION SO THAT WE CAN DETERMINE WHETHER OR NOT A COMMINGLE APPLICATION PACKAGE SHOULD BE SUBMITTED.

1. BRIEFLY DESCRIBE WHAT YOU PROPOSE TO DO.  Transport oil from one lease to another prior to measurement. Oil will
be measured by positive displacement, temperature compensated metering
equipment prior to surface commingling. Gas will also be metered separately.
PLEASE SEE ATTACHED LETTER FOR MORE INFORMATION.

#### 2. FILL IN THE FOLLOWING INFORMATION FOR EACH WELL.

WELL NUMBER K #3	LEGAL DESCRIPTION 28-T19S R25E	LESSEE OF RECORD	N.M. LEASE NUMBER K-6096	FORMATION Canyon
AOT #1	28-T19S-R25E	YPC	Fee	Canyon
AOT #2	28-T19S-R25E	YPC	Fee	Canyon
AOT #3	28-T19S-R25E	YPC	Fee	Canyon

NAME:	Rusty Klein				
COMPANY:	Yates Petroleum Corporation				
PHONE NUMBER:	505-748-4205 (direct line) or 505-748-1471 - ext. 20				

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT THE OIL, GAS AND MINERALS DIVISION AT (505) 827-5744.

### STATE LAND OFFICE RULE 1.055

## COMMINGLING AND OFF LEASE STORAGE OF OIL AND GAS ON STATE TRUST LANDS

Store I	Application for Permission to Commingle or Off Lease Production. Applications for permission to commingle or ase store production shall be directed to the Commissionerall include:
	A. Formal application stating the type of permission desired and the reason therefor, accompanied by an application fee of thirty dollars (\$30.00).
	B. Plat showing the location of leases, wells , flow lines and common tankage. All plats and diagrams should differentiate between surface and underground pipe.
	C. A list of the involved leases arranged by their State Land Office Lease Number, their legal description, and including state beneficiaries.
	D. A designation of the pool from which each well produces.
	E. An economic analysis of proposed operation showing profit or loss to the State of New Mexico.
	F. Schematic diagram of entire system from production manifold to pipeline connection showing position of all components of flow stream.
·	G. Detail drawing(s) of any component which is specifically fabricated; i.e., not commercially available.
	H. Description of the operating sequence explaining the complete operation.
	I. Any other pertinent data that will assist the Commissioner in deciding upon the application.
* Wel	nave NOT received this information as of

(New Mexico State Land Office - Oil and Gas Division.)