

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



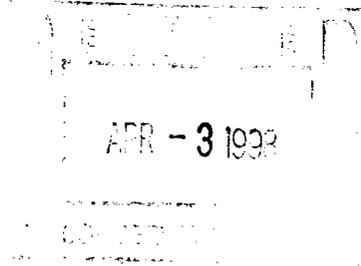
105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

CTB 4/23/98

470

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

March 30, 1998



Oil Conservation Division
Attn: Mr. William J. Lemay
P.O. Box 6429
Santa Fe, NM 87505-6429

Re: Surface Commingling, Lease Commingling,
Off-Lease Storage and Measurement.
Dagger Draw Upper Penn, North, Eddy Co., NM

Dear Mr. Lemay,

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

Serrano Federal #1
Unit M, SWSW
660' FSL & 660' FWL
Section 11-T19S-R25E
Eddy Co., NM

Serrano Federal #2
Unit L, NWSW
1980' FSL & 660' FWL
Section 11-T19S-R25E
Eddy Co., NM

Apolo APU Federal Com #2
Unit A, NENE
660' FNL & 990' FEL
Section 15-T19S-R25E
Eddy Co., NM

Arrow ARW Federal Com #1
Unit J, NWSE
1980' FSL & 1980' FEL
Section 11-T19S-R25E
Eddy Co., NM

The production from these wells is transported prior to measurement to a common tank battery, located at the Serrano Federal #2 (Unit L, 1980' FSL & 660' FWL Sec. 11-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 and royalty 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 Dagger Draw Upper Penn, North.

The following is enclosed:

A map showing the location of the wells.

A diagram of the proposed measurement equipment, separators and storage tanks in accordance with the "Manual of Installation and Operation of Commingling Facilities".

Notification of working interest, royalty interest and overriding royalty interest owners.

Notification to the Bureau of Land Management.

If you should have any questions or need further information, please give me a call at (505) 748-4206 (direct line).

Thank you for your cooperation.

Sincerely,



Pamela S. Evans
Production Clerk

PE
Attachments

PATRICK 'API' ● 1

OTTAWA 'AOW' FEDERAL ● 3

Lease No. NM-02748

RIO PENASCO KD
() 3

PATRICK 'API' ● 4

ARCO FD OTTAWA 'AOW' FEDERAL ● 6
2 ()

PENASCO 'MF' FED COM RIO PENASCO MF FD ● 1

10 ARCO FD
POLO 'AOP' FEDERAL ● 1
POLO 'AOP' FEDERAL ● 2
POLO 'AOP' FEDERAL ● 1

FEDERAL 11 ARROW 'ARW' FED COM ● 1



SERRANO FED ● 2

POLO 'AOP' FEDERAL ● 5

POLO 'AOP' FEDERAL ● 4

SERRANO FEDERAL ● 1

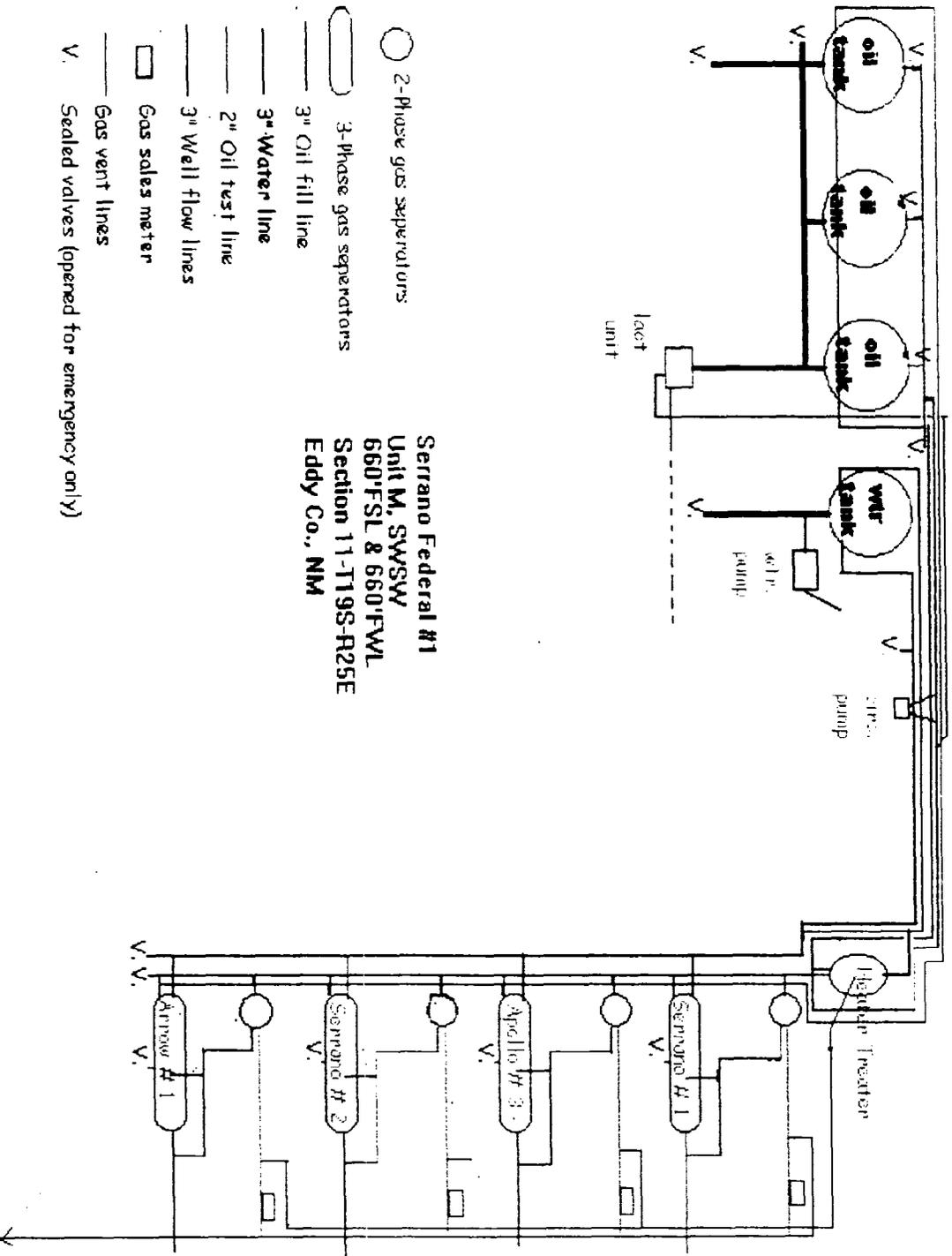


Measurement & Storage FACILITY

YATES PETROLEUM CORPORATION

NEW MEXICO
DAGGER DRAW
19s25e Sec. 10, 11

Printed by operator 11 3/76/98 P. Evans
Printed by operator 11 Scale 1:10000 S. Doubilet



Working Interest Owners, Royalty Interest Owners, Overriding Royalty Interest

Warren Akin IV, Estae
c/o WM Morgan Akin
P.O. Box 878
Cartersville, GA 30120

Ruth H. Boyd, Trustee
19561 Scotland Dr.
Saratoga, CA 95070

James Richard Boyd
300 Boyd Mountain Rd., NW
Adairsville, GA 30103

Richard H. Coats
P.O. Box 2412
Midland, TX 79702

George E. Conley
P.O. Box 99
Parker, CO 80134-0099

Devon Energy Corporation
P.O. Box 843559
Dallas, TX 75284-3559

John A. Gates
5280 Bainbridge Dr.
Boise, ID 83703-9938

James Rex Gates Estate
c/o John A. Gates
5280 Bainbridge Dr.
Boise, ID 83703-9938

Margaret J. Gates
706 W. Grand
Artesia, NM 88210

Judson Properties, LTD
P.O. Box 3340
Midland, TX 79702-3340

LAJ Corporation
P.O. Box 10626
Midland, TX 79702-7626

William H. & Karen V. Martin
400 W. Illinois, Suite 1120
Midland, TX 79701

McCaw Family Trust
Nora Helen McCaw, Trustee
210 Crossbow Rd.
Artesia, NM 88210

Jack McCaw
P.O. Box 127
Artesia, NM 88211-0127

Nearburg Exploration Co.
P.O. Box 841585
Dallas, TX 75284-1585

Elizabeth J. Norman
6637 S. New Haven
Tulas, OK 74136

Everett R. Sharp
7042 Turtle Creek Lane
Dallas, TX 75205

Dorothy Boyd Sinclair
1019 West Teton Dr.
Peoria, IL 61614

Paul G. White
P.O. Box 1025
Artesia, NM 88210

Altura Engineering Ltd.
Attn: Jerry D. West
P.O. Box 4294
Houston, TX 77210-4294

P 059 488 999

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Warren Akin IV, Estate
c/o WM Morgan Akin
P.O. Box 878
Cartersville, GA 30120

PS Form 3800, April 1995

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	<i>Surreano 1 3/25/98</i>

P 059 489 000

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Ruth H. Boyd, Trustee
19561 Scotland Dr.
Saratoga, CA 95070

PS Form 3800, April 1995

Postage	0
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	<i>Serrano 3-25-98</i>

P 059 489 001

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided
James Richard Boyd
300 Boyd Mountain Rd, NW
Adairsville, GA 30103

PS Form 3800, April 1995

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	3-25-98

P 059 489 002

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

George E. Conley

P.O. Box 99

Parker, CO 80134-0099

PS Form 3800, April 1995

Postage	
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	3-25-98

P 059 489 003

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Devon Energy Corporation
P.O. Box 843559
Dallas, TX 75284-3559

PS Form 3800, April 1995

Charge	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

3-25-98

P 059 489 004

US Postal Service
Receipt for Certified Mail

John A. Gates
5280 Bainbridge Dr.
Boise, ID 83703-9228

PS Form 3800, April 1995

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	325-98

P 059 489 005

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

James Rex Gates Estate

c/o John A. Gates

5280 Bainbridge Dr.

Boise, ID 83703-9228

PS Form 3800, April 1995

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	3-25-98

P 059 489 006

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Margaret J. Gates
706 W. Grand
Artesia, NM 88210

PS Form 3800, April 1995

Postage	
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	3-25-98

P 059 489 007

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Judson Properties, LTD
P.O. Box 3340
Midland, TX 79702-3340

PS Form 3800 April 1995

Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	3-25-98

P 059 489 008

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

LAJ Corporation
P.O. Box 10626
Midland, TX 79702-7626

PS Form 3800, April 1995

Postage	➔
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	3-25-98

P 059 488 996

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

William H. & Karen V. Martin

400 W. Illinois

Suite 1120

Midland, TX 79701

PS Form 3800, April 1995

Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	3-25-98

P 059 488 997

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

(International Mail (See reverse))

Nora Helen McCaw, Trustee

Mc Caw Family Trust

210 Crossbow Rd.

Artesia, NM 88210

PS Form 3800, April 1995

Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	3-25-98

P 059 488 998

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Jack McCaw

P.O. Box 127

Artesia, NM 88211-0127

PS Form 3800, April 1995

Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date 3-25-98	

P 059 488 947

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Nearburg Exploration Co.

P.O. Box 841585

Dallas, TX 75284-1585

PS Form 3800, April 1995

Postage	3
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	3-25-98

P 059 488 948

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Elizabeth J. Norman
6637 S. New Haven
Tulsa, OK 74136

PS Form 3800, April 1995

Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	3-25-98

P 059 488 991

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

International Mail (See reverse)

Everett R. Sharp
7042 Turtle Creek Lane
Dallas, TX 75205-1263

PS Form 3800, April 1995

Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	3-25-98

P 059 488 992

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Dorothy Boyd Sinclair
1019 West Teton Dr.
Peoria, IL 61614

PS Form 3800, April 1995

Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	3-25-98

P 059 488 993

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Paul G. White

P.O. Box 1025

Artesia, NM 88210

PS Form 3800, April 1995

Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	3-25-98

P 059 488 994

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Richard H. Coats
P.O. Box 2412
Midland, TX 79702

PS Form 3800, April 1995

Postage	
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	3-25-98

P 059 488 995

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Postage and Fees for Certified Mail (See reverse)

Altura Engineering Ltd.

Jerry D. West

P.O. 4292

Houston, TX 77210-4294

PS Form 3800 April 1995

Postage	
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	3-25-98

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

5. Lease Designation and Serial No
NM-92748

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Serrano Federal #2

9. API Well No.

30-015-29401

10. Field and Pool, or Exploratory Area

Dagger Draw Upper Penn. North

11. County or Parish, State

Eddy Co., NM

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT-" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well

Oil Gas
 Well Well Other

2. Name of Operator

YATES PETROLEUM CORPORATION

3. Address and Telephone No.

105 S. 4th Street, Artesia, NM 88210 (505) 748-1471

4. Location of Well (Footage, Sec., T., R., M., or Survey Description

1980' FSL & 660' FWL. Section 11-T19S-R25E (Unit L, NWSW)

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

TYPE OF ACTION

Notice of Intent

Abandonment

Change of Plans

Subsequent Report

Recompletion

New Construction

Final Abandonment Notice

Plugging Back

Non-Routine Fracturing

Casing Repair

Water Shut-Off

Altering Casing

Conversion to Injection

Other Surface Commingling & Storage

Dispose Water

(Note Report results of multiple completion on Well Completion or Recompletion Report and Log form)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is direction drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Yates Petroleum Corporation respectfully request approval for surface commingling and off lease storage and measurement.

Please see attached application.

14. I hereby certify that the foregoing is true and correct

Signed Pamela S. Evans

Title Production Secretary

Date 3/30/98

(This space for Federal or State office use)

Approved by

Title

Date

Conditions of approval, if any

**APPLICATION FOR SURFACE COMMINGLING
OFF LEASE STORAGE AND MEASUREMENT APPROVAL**
This Format Should Be Attached To A Sundry Notice

To: Bureau of Land Management
620 East Greene Street
Carlsbad, NM 88221-1778

Yates Petroleum Corporation (Operator's Name) is requesting approval for surface commingling and off lease storage and measurement of hydrocarbon production from the following formation(s) and well(s) on Federal Lease No. NM-92748; Lease Name: Serrano Federal.

<u>Well No.</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>	<u>Formation</u>
<u>1</u>	<u>M</u>	<u>11</u>	<u>19S</u>	<u>25E</u>	<u>Dagger Draw Upper Penn. North</u>
<u>2</u>	<u>L</u>	<u>11</u>	<u>19S</u>	<u>25E</u>	<u>Dagger Draw Upper Penn. North</u>

with hydrocarbon production from the following formation(s) and well(s) on a Federal lease: Apollo APU Federal Com. and Arrow ARW Federal Com

<u>No.</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>	<u>Formation</u>
<u>2</u>	<u>A</u>	<u>15</u>	<u>19S</u>	<u>25E</u>	<u>Dagger Draw Upper Penn. North</u>
<u>1</u>	<u>J</u>	<u>11</u>	<u>19S</u>	<u>25E</u>	<u>Dagger Draw Upper Penn. North</u>

Production from the well(s) involved is as follows:

<u>Well Name and No.</u>	<u>BOPD</u>	<u>Oil Gravity</u>	<u>MCFPD</u>
<u>Serrano Federal #1</u>	<u>63.43</u>	<u>41.8</u>	<u>155.36</u>
<u>Serrano Federal #2</u>	<u>155.25</u>	<u>41.8</u>	<u>354.21</u>
<u>Apollo APU Federal Com #2</u>	<u>102.25</u>	<u>41.8</u>	<u>117.68</u>
<u>Arrow ARW Federal Com #1</u>	<u>207.44</u>	<u>41.8</u>	<u>384.83</u>

The proposed operation is described in detail on the attached diagrams.

A map is enclosed showing the location of all the wells that will contribute production to the proposed commingling common storage facility.

A schematic diagram is also attached which clearly identifies all equipment that will be utilized.

The storage and measuring facility is located at NWSW-14, Sec. 11, T19S, R25E, Federal lease Serrano Federal #2, Eddy Co., New Mexico. BLM will be notified if there is any future change in the facility location.

Details of the proposed method of allocating production to contributing sources is as follows:

Continued.

Continued:

Oil will be transported off lease prior to measurement and will be measured by positive displacement, temperature compensated metering equipment. Gas will also be measured separately. Total sales volume will be allocated back to individual wells based on daily well test.

The working interest owners have been notified of the proposal.

The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production.

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.

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

We understand that the request approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument. And, we will submit within 30 days an application for right-of-way approval to the BLM's Realty Section in your office if we have not already done so.

Signature: Pamela S. Evans

Name: Pamela S. Evans

Title: Production Clerk

Date: 3-30-98