

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



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

CTB 5/11/98

471

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

April 16, 1998

APR 20 1998

Oil Conservation Division  
Attn: Lori Wrotenbery  
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 Ms. Wrotenbery,

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

Dagger ZW #1  
Unit K, **NESW**  
1980' FSL & 1980' FWL  
Sec. 30-T19S-R25E  
Eddy Co., NM  
Fee Lease

Dagger ZW #2  
Unit I, **NESE**  
1980' FSL & 660' FEL  
Sec. 25-T19S-R24E  
Eddy Co., NM  
Fee Lease

Dagger ZW #3  
Unit I, **NESE**  
1730' FSL & 660' FWL  
Sec. 30-T19S-R25E  
Eddy Co., NM  
Fee Lease

Pincushion AHN #1  
Unit M, **SWSW**  
660' FSL & 660' FWL  
Sec. 30-T19S-R25E  
Eddy Co., NM  
Fee Lease

Pincushion AHN #2  
Unit J, **NWSE**  
1980' FSL & 1980' FEL  
Sec. 25-T19S-R24E  
Eddy Co., NM  
Fee Lease

Pincushion AHN #3  
Unit N, **SESW**  
660' FSL & 1980' FWL  
Sec. 30-T19S-R25E  
Eddy Co., NM  
Fee Lease

Savannah State #1  
Unit A, **NENE**  
660' FNL & 660' FEL  
Sec. 32-T19S-R25E  
Eddy Co., NM

Savannah State #2  
Unit B, **NWNE**  
660' FNL & 1980' FEL  
Sec. 32-T19S-R25E  
Eddy Co., NM

Joyce Federal Com #1  
Unit D, **NWNW**  
810' FNL & 660' FWL  
Sec. 32-T19S-R25E  
Eddy Co., NM

Joyce Federal Com #2  
Unit C, **NENW**  
660' FNL & 1980' FWL  
Sec. 32-T19S-R25E  
Eddy Co., NM

The production from these wells is transported prior to measurement to a common tank battery, located at the **Dagger ZW #1 (Unit K, 1980' FSL & 1980' FWL Sec. 30-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.

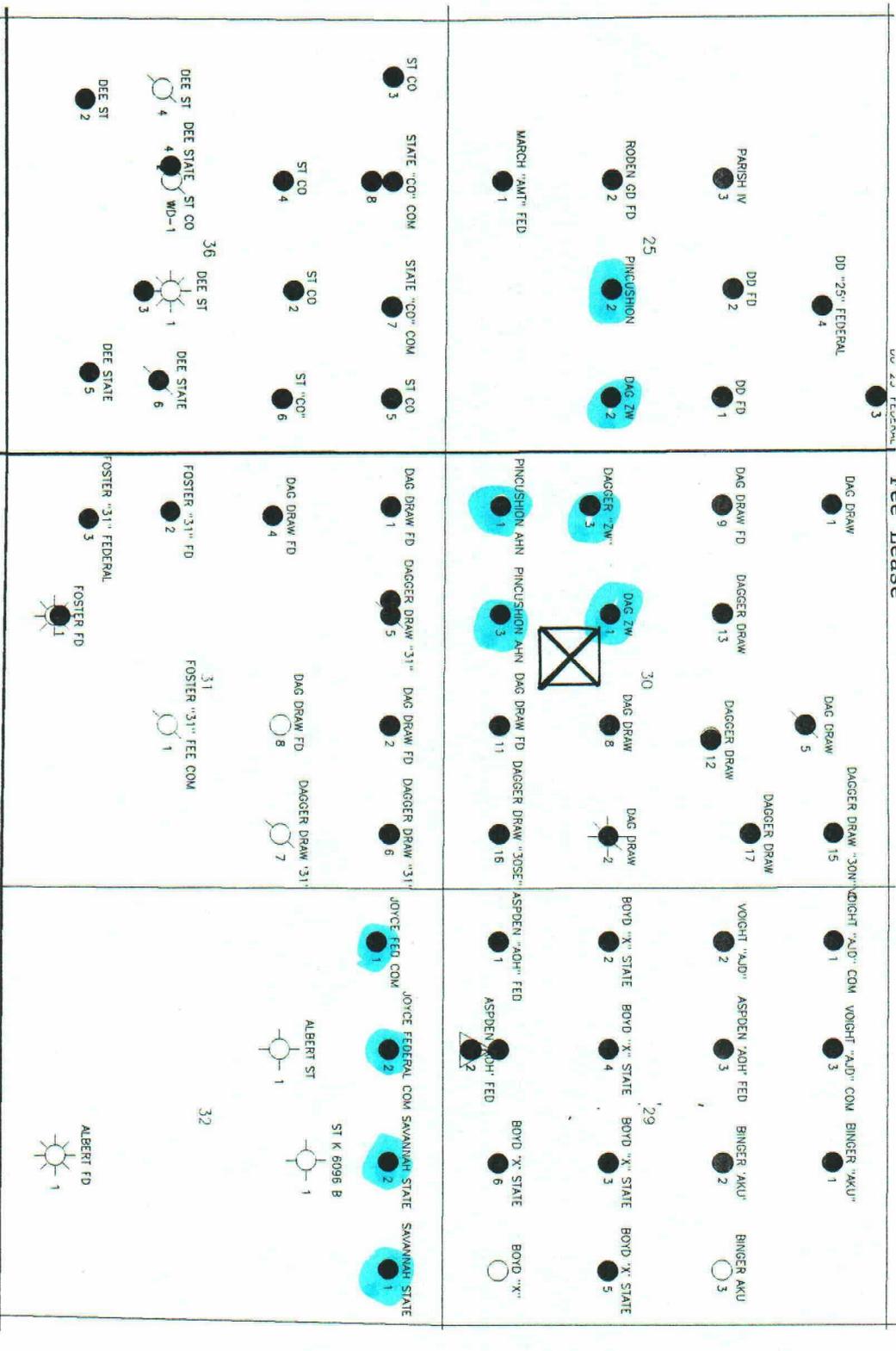
Sincerely



Pamela S. Evans  
Production Clerk

PE  
Attachments

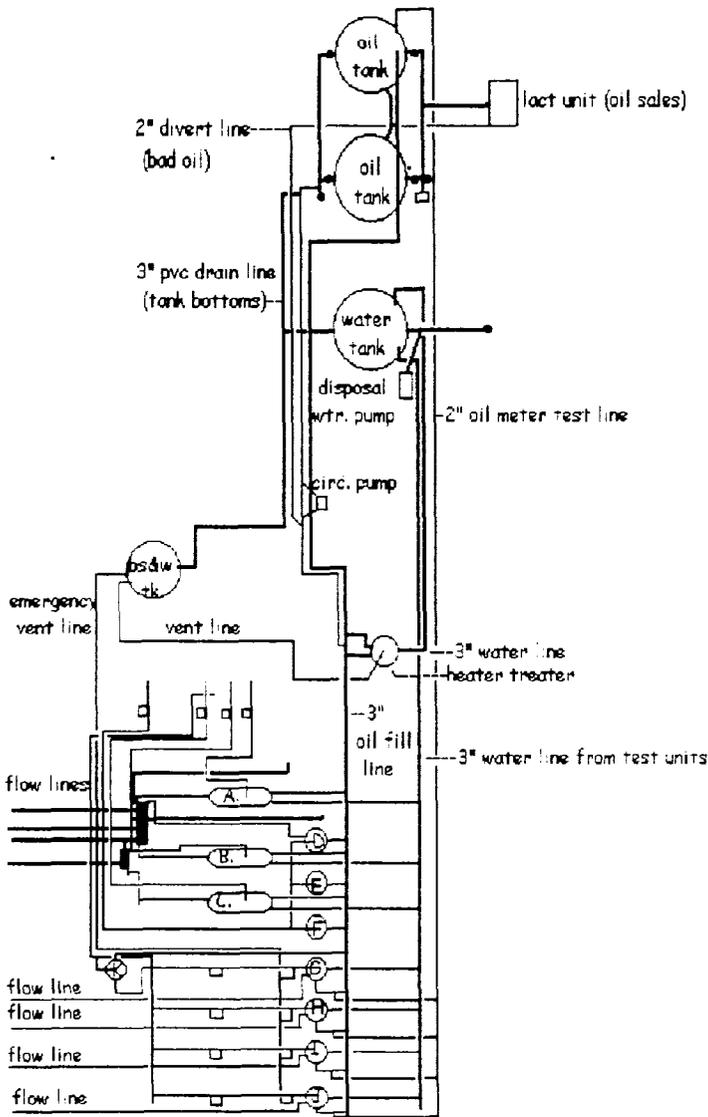
Fee Lease



Storage & Measurement Facility

<b>YATES PETROLEUM CORPORATION</b>		
<b>NEW MEXICO</b>		
<b>DAGGER DRAW 'ZW'</b>		
Pros SD DAGGER ZW	3/17/88	P. Emms
Pres sdgzw.gpl	Scale 1:24000	S. Davidson

Dagger ZW #1  
 Unit K, NESW  
 1980' FSL & 1980' FWE  
 Sec. 30-T19S-R25E  
 Eddy Co., NM  
 Fee Lease



- 4" VALVES (OPEN FOR OIL SALES)
- 3" VALVES SEALED (OPEN ONLY FOR DRAINING BAD TANK BOTTOMS OR EMERGENCY)
- GAS METERS (GAS SALES)
- FLOW LINE HEADERS

- A. 3-PHASE HORIZANTLE TEST SEPERATOR FOR PINCUSHION #2 AND DAGGER ZW #2
- B. 3-PHASE HORIZANTLE TEST SEPERATOR FOR PINCUSHION #1 AND DAGGER ZW #1
- C. 3-PHASE HORIZANTLE TEST SEPERATOR FOR PINCUSHION#3 AND DAGGER ZW #3
- D. VERTICLE 2-PHASE SEPERATOR
- E. VERTICLE 2-PHASE SEPERATOR
- F. VERTICLE 2-PHASE SEPERATOR
- G. 3-PHASE VERTICLE SEPERATOR TEST UNIT FOR SAVANAH #1
- H. 3-PHASE VERTICLE SEPERATOR TEST UNIT FOR SAVANAH #2
- I. 3-PHASE VERTICLE SEPERATOR TEST UNIT FOR JOYCE #1
- J. 3-PHASE VERTICLE SEPERATOR TEST UNIT FOR JOYCE #2
- K. 2-PHASE GAS SEPERATOR FOR EMERGENCY USE (SCRUBBER)

Site facility diagram on 6/1/81  
 Yates Petroleum Corporation  
 105 S. 4th Street  
 Artesia, NM 88210

Working Interest Owners, Royalty Interest Owners, Overriding Royalty Interest

R. E. Chambers Jr.  
2413 Clayton  
Wichita Falls, TX 76308

Lollie Dee King Chambers  
2413 Clayton  
Wichita Falls, TX 76308

Cathie Cone McCown  
P.O. Box 658  
Dripping Springs, TX 78620-0658

OXY USA, Inc.  
P.O. Box 841735  
Dallas, TX 76308

Donna L. Frost  
P/R Kathleen Cone Estate.  
P.O. Box 1609  
Lovington, NM 88260

Alice Ann Hanks Freeman  
P.O. Box 9087  
Wichita Falls, TX 76308-9087

Douglas L. Cone  
P.O. Box 64244  
Lubbock, TX 79464

Clifford Cone  
P.O. Box 1629  
Lovington, NM 88260-1629

Tom R. Cone  
P.O. Box 778  
Jay, OK 74346

Kenneth G. Cone  
P.O. Box 11310  
Midland, TX 79702

Louis Dreyfus Gas Holdings, Inc.  
P.O. Box 960116  
Oklahoma City, OK 73196-0116

W.T. & Jeanette J. Probandt  
415 W. Wall  
Suite 2206  
Midland, TX 79701

S.P. & Barbara Jo Johnson III  
P.O. Box 1641  
Roswell, NM 88202-1641

Marathon Oil Company  
Dept. 0882  
P.O. Box 120001  
Dallas, TX 75312-0882

PJC Limited Partnership  
P.O. Box 1713  
Roswell, NM 88201

Spiral, Inc.  
P.O. Box 1933  
Roswell, NM 88201

Joanne D. Van Winkle  
605 W. McCune  
Roswell, NM 88201

John Mason Carter  
509 Buckeye Trail  
Austin, TX 78746-4425

UMC Petroleum Corp.  
P.O. Box 4600  
Houston, TX 77210

Catherine Carter Malone  
5135 Tangle Lane  
Houston, TX 77056

P 059 489 044

US Postal Service

**Receipt for Certified Mail**

R.E. Chambers Jr.

2413 Clayton

Wichita Falls, TX 76308

PS Form 3800, April 1995

Postage	S
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	S
Postmark or Date	4-15-98

*[Handwritten signature]*

P 059 489 045

US Postal Service

**Receipt for Certified Mail**

No Insurance Coverage Provided.

Lollie Dee King Chambers

2413 Clayton

Wichita Falls, TX 76308

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	
<b>TOTAL Postage &amp; Fees</b>	<b>\$</b>
Postmark or Date	<i>Dagger ZW 4-15-98</i>

P 059 489 046

US Postal Service

**Receipt for Certified Mail**

Cathie Cone McCown

P.O. Box 658

Dripping Springs, TX 78620-0658

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	4-15-98

~~Signature~~

P 059 489 047

US Postal Service

**Receipt for Certified Mail**

No Insurance Coverage Provided.

OXY USA, Inc.  
P.O. Box 841735  
Dallas, TX 76308

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	Dagger 2 W <del>                    </del>

PS Form 3800, April 1995

P 059 489 048

US Postal Service

**Receipt for Certified Mail**

No Insurance Coverage Provided.

Donna L. Frost  
P/R Kathleen Cone Estate  
P.O. Box 1609  
Lovington, NM 88260

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	Dagger ZW 4-15-98

P 059 489 C49

US Postal Service

**Receipt for Certified Mail**

No Insurance Coverage Provided

Alice Ann Hanks Freeman

P.O. Box 0987

Wichita Falls, TX 86308-9087

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	
<b>TOTAL Postage &amp; Fees</b>	<b>\$</b>
Postmark or Date	Dagger 2W 4-15-98

P 059 489 050

US Postal Service

**Receipt for Certified Mail**

No Insurance Coverage Provided.

Douglas L. Cone  
P.O. Box 64244  
Lubbock, TX 79464

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	Dagger ZW 4-15-98

P 059 489 051

US Postal Service

**Receipt for Certified Mail**

No Insurance Coverage Provided.

Clifford Cone

P.O. Box 1629

Lovington, NM 88260-1629

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	
<b>TOTAL Postage &amp; Fees</b>	<b>\$</b>
Postmark or Date <i>Dagger 2W 4-15-98</i>	

P 059 489 C52

US Postal Service

**Receipt for Certified Mail**

No Insurance Coverage Provided.

Tom R. Cone

P.O. Box 778

Jay, OK 74346

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>Chigger ZW 4-15-98</i>	

P 059 489 053

US Postal Service

**Receipt for Certified Mail**

No Insurance Coverage Provided.

Kenneth G. Cone  
P.O. Box 1629  
Midland, TX 79702

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	

*Dagger 2w 4-15-98*

P 059 489 054

US Postal Service  
**Receipt for Certified Mail**

No Insurance Coverage Provided.  
(See reverse)

Louis Dreyfus Gas Holdings, Inc.  
P.O. Box 960116  
Oklahoma City, OK 73196-0116

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	Dagger 2W 4-15-98

P 059 489 055

US Postal Service

**Receipt for Certified Mail**

No Insurance Coverage Provided.

W.T. & Jeanette J. Probrandt

415 W. Wall

Suite 2206

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	<i>Daggle 2w 4-15-98</i>

P 059 489 056

US Postal Service

**Receipt for Certified Mail**

No Insurance Coverage Provided.

S.P. & Barbara Jo Johnson III

P.O. Box 1541

Roswell, NM 88202-1641

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	Dagger 2w 4-15-98

P 059 489 057

US Postal Service

**Receipt for Certified Mail**

No Insurance Coverage Provided

Marathon Oil Company

Dept. 0882

P.O. Box 120001

Dallas, TX 75312-0882

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	
<b>TOTAL Postage &amp; Fees</b>	<b>\$</b>
Postmark or Date	
<i>Dagger 2W 4-15-98</i>	

P 059 489 058

US Postal Service

**Receipt for Certified Mail**

No Insurance Coverage Provided.

Postage and Fees for International Mail (See reverse)

PJC Limited Partnership  
P.O. Box 1713  
Roswell, NM 88201

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	Dagger ZW 4-15-98

P 059 489 059

US Postal Service

**Receipt for Certified Mail**

No Insurance Coverage Provided.

Spiral, Inc.

P.O. Box 1933

Roswell, NM 88201

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	Dagger 2W 4-15-98

PS Form 3800, April 1995

P 059 489 060

US Postal Service  
**Receipt for Certified Mail**  
No Insurance Coverage Provided.

Joanne D. Van Winkle  
605 W. McCune  
Roswell, NM 88201

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>Daguer ZW 4-15-98</i>

P 059 489 061

US Postal Service  
**Receipt for Certified Mail**  
No Insurance Coverage Provided.

John Mason Carter  
509 Buckeye Trail  
Austin, TX 78746-4425

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	Dagger 2W 4-15-98

P 059 489 063

US Postal Service  
**Receipt for Certified Mail**

UMC Petroleum Corporation  
P.O. Box 4600  
Houston, TX 77210

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>Dagger 2w 4-15-98</i>

P 059 489 062

US Postal Service

**Receipt for Certified Mail**

No Insurance Coverage Provided.

Postage for International Mail (See reverse)

Catherine Carter Malone

5135 Tangle Lane

Houston, TX 77056

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	Dagger 2w 4-15-98

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-0553777

6. If Indian, Allottee or Tribe Name

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

7. If Unit or CA, Agreement Designation

1. Type of Well

Oil  Gas   
 Well  Well  Other

8. Well Name and No.

Joyce Federal Com #1

2. Name of Operator

YATES PETROLEUM CORPORATION

9. API Well No.

30-015-28208

3. Address and Telephone No.

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

10. Field and Pool, or Exploratory Area

Dagger Draw Upper Penn, North

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

810' FNL & 660' FWL, Sec. 32-T19S-R25E (Unit D, NWNW)

11. County or Parish, State

Eddy Co., NM

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 4/16/98

(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-0553777; Lease Name: Joyce Federal Com.

<u>Well No.</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>	<u>Formation</u>
<u>1</u>	<u>D</u>	<u>32</u>	<u>19S</u>	<u>25E</u>	<u>Dagger Draw Upper Penn. North</u>
<u>2</u>	<u>C</u>	<u>32</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 Fee lease: Dagger ZW

<u>No.</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>	<u>Formation</u>
<u>1</u>	<u>K</u>	<u>30</u>	<u>19S</u>	<u>25E</u>	<u>Dagger Draw Upper Penn. North</u>
<u>2</u>	<u>I</u>	<u>25</u>	<u>19S</u>	<u>25E</u>	<u>Dagger Draw Upper Penn. North</u>
<u>3</u>	<u>L</u>	<u>30</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 Fee lease: Pincushion AHN

<u>No.</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>	<u>Formation</u>
<u>1</u>	<u>M</u>	<u>30</u>	<u>19S</u>	<u>25E</u>	<u>Dagger Draw Upper Penn. North</u>
<u>2</u>	<u>J</u>	<u>25</u>	<u>19S</u>	<u>25E</u>	<u>Dagger Draw Upper Penn. North</u>
<u>3</u>	<u>N</u>	<u>30</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 State lease: Savannah State

<u>No.</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>	<u>Formation</u>
<u>1</u>	<u>A</u>	<u>32</u>	<u>19S</u>	<u>25E</u>	<u>Dagger Draw Upper Penn. North</u>
<u>2</u>	<u>B</u>	<u>32</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>Joyce Federal Com #1</u>	<u>15.46</u>	<u>45.1</u>	<u>99.57</u>
<u>Joyce Federal Com #1</u>	<u>16.36</u>	<u>45.1</u>	<u>97.61</u>
<u>Dagger ZW #1</u>	<u>1.54</u>	<u>44.3</u>	<u>49.89</u>
<u>Dagger ZW #2</u>	<u>3.61</u>	<u>44.3</u>	<u>19.04</u>
<u>Dagger ZW #3</u>	<u>6.29</u>	<u>44.3</u>	<u>18.75</u>
<u>Pincushion AHN #1</u>	<u>3</u>	<u>44.3</u>	<u>21.96</u>
<u>Pincushion AHN #2</u>	<u>5.12</u>	<u>44.3</u>	<u>24.12</u>
<u>Pincushion AHN #3</u>	<u>12.93</u>	<u>44.3</u>	<u>113.18</u>
<u>Savannah State #1</u>	<u>72.43</u>	<u>45.1</u>	<u>211</u>
<u>Savannah State #2</u>	<u>4.04</u>	<u>45.1</u>	<u>29.36</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 NESW-1/4, Sec. 30, T19S, R25E, Fee lease Dagger ZW #1 Eddy Co. NM. 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:

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: \_\_\_\_\_



**COMMERCIAL RESOURCES**  
(505)-827-5724

**SURFACE RESOURCES**  
(505)-827-5793

**MINERAL RESOURCES**  
(505)-827-5744

**ROYALTY**  
(505)-827-5772

**State of New Mexico**  
**Commissioner of Public Lands**

**Ray Powell, M.S., D.V.M.**  
310 Old Santa Fe Trail, P. O. Box 1148  
Santa Fe, New Mexico 87504-1148  
Phone (505)-827-5760, Fax (505)-827-5766

**PUBLIC AFFAIRS**  
(505)-827-5765

**ADMINISTRATIVE MGMT.**  
(505)-827-5700

**LEGAL**  
(505)-827-5715

**PLANNING**  
(505)-827-5752

August 25, 1998

Yates Petroleum Corporation  
105 South 4th Street  
Artesia, New Mexico 88210

Attn: Ms. Pamela S. Evans

Re: Application for Surface Commingling  
Dagger 'ZW' Well Nos. 1, 2, and 3  
Section 30-19S-25E, NE/4SW/4, NE/4SE/4  
Section 25-19S-24E, NE/4SE/4  
Pincushion 'AHN' Well Nos. 1, 2, 3  
Section 30-19S-25E, S/2SW/4  
Section 25-19S-24E, NW/4SE/4  
Savannah State Well Nos. 1, 2  
Section 32-19S-25E, N/2NE/4  
Joyce Federal Com Well Nos. 1, 2  
Section 32-19S-25E, N/2NW/4  
Dagger 'ZW' No. 1 Tank Battery  
Unit Letter K, Section 30-19S-25E  
North Dagger Draw Upper Penn Pool  
Eddy County, New Mexico

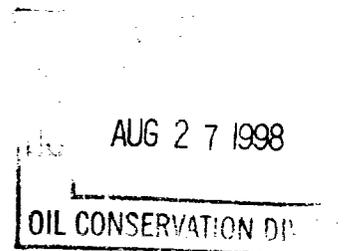
Dear Ms. Evans:

We are in receipt of your application of August 3, 1998, wherein you have requested our approval for surface commingling, off-lease storage and measurement of the production from the above wells.

We understand that the production from the subject wells will be metered separately and then commingled and stored at Dagger 'ZW' Well No. 1 tank battery located in Unit Letter K, Section 30-19S-25E.

Since it appears that there will be no loss of revenue to the State of New Mexico's beneficiaries as a result of your proposed operation, your request is hereby approved. Our approval is given with the understanding that the Commissioner of Public Lands reserves the right to amend or withdraw his approval, should this operation prove to be unprofitable to the state at any time in the future. Also, our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

Your \$30.00 filing fee has been received.

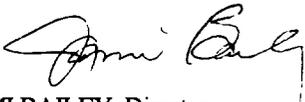


Yates Petroleum Corporation  
August 25, 1998  
Page 2

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.  
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY, Director  
Oil, Gas and Minerals Division  
(505) 827-5744

RP/JB/cpm

Enclosure

pc: Reader File

~~OCD - Mr. David Catanach~~, Mr. Ben Stone

BLM



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ADMINISTRATIVE MGMT.  
(505)-827-5700

LEGAL  
(505)-827-5713

PLANNING  
(505)-827-5752

July 20, 1998

Yates Petroleum Corporation  
105 South 4th Street  
Artesia, New Mexico 88210

Attn: Ms. Pamela S. Evans

Re: Application for Surface Commingling  
Dagger 'ZW' Well Nos. 1, 2, and 3  
Section 30-19S-25E, NE/4, NE/4  
Section 25-19S-25E, NE/4SE/4  
Pincushion 'AHN' Well Nos. 1, 2, 3  
Section 30-19S-25E, S/2SW/4  
Section 25-19S-25E, NW/4SE/4  
Savannah State Well Nos. 1, 2  
Section 32-19S-25E, N/2NE/4  
Joyce Federal Com Well Nos. 1, 2  
Section 32-19S-25E, N/2NW/4  
Dagger 'ZW' No. 1 Tank Battery  
Unit Letter K, Section 30-19S-25E  
North Dagger Draw Upper Penn Pool  
Eddy County, New Mexico

Dear Ms. Evans:

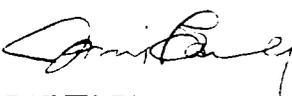
We have received a copy of the New Mexico Oil Conservation Division's Order #CTB-471 which notifies this office of your application to surface commingle the production from the above-captioned wells.

Pursuant to State Land Office Rule Nos. 1.053, 1.054 and 1.055, please submit a copy of your commingling request to this office. Enclosed is a copy of our commingling rules and regulations. The filing fee for a commingling application is thirty (\$30.00) dollars.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.  
COMMISSIONER OF PUBLIC LANDS

BY:   
JAMI BAILEY, Director  
Oil, Gas and Minerals Division  
(505) 827-5744  
RP/JB/cpm  
Enclosure  
pc: Reader File

OCD