

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



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~~CTB~~ 4-22-46
Pcc 122

S. P. YATES
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March 29, 1996

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

ATTENTION: Mr. Ben Stone

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

Dear Ben:

Yates Petroleum Corporation respectfully requests administrative approval to amend
Commingling Order CTB-404 (a copy of which is attached) to include the Ottawa
AOW Federal #1 well. The wells that will be included in this commingling order
are:

| | |
|------------------------------|------------------------------|
| Matlock AJW #1 | Bradshaw #1 |
| 1980' FSL & 1980' FEL | 660' FSL & 660' FEL |
| Unit J, NWSE | Unit P, SESE |
| Section 4-T19S-R25E | Section 4-T19S-R25E |
| Eddy County, New Mexico | Eddy County, New Mexico |
| Fee Lease | Fee Lease |
| Penasco Draw Upper Penn Pool | Penasco Draw Upper Penn Pool |

Ottawa AOW Federal #1
1980' FSL & 1699' FWL
Unit K, NESW
Section 3-T19S-R25E
Eddy County, New Mexico
Federal Lease No.: LC-064488E
Dagger Draw Upper Penn, North Pool

The production from these wells is transported prior to measurement to a common
tank battery located at the Matlock AJW #1 location (NWSE of Section 4-T19S-R25E).

Surface Commingling, Etc.

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The purpose of the surface commingling, lease commingling, pool 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 Upper Penn/Canyon formation.

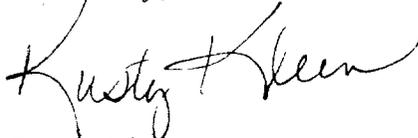
In accordance with the Oil Conservation Division's Rules 303-B, 309-B and 309-C, the following diagrams and maps are attached for your information:

- | | |
|----------------|--|
| Attachment I | A map showing the location of the wells |
| Attachment II | A diagram of the proposed measurement equipment, separators and storage tanks in accordance with the "Manual for Installation and Operation of Commingling Facilities" |
| Attachment III | Notification of working interest, royalty interest and overriding royalty interest owners |
| Attachment IV | Notification to the Bureau of Land Management |

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

Thank you for your cooperation.

Sincerely,



Rusty Klein
Production Clerk

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Attachments