

~~CONFIDENTIAL~~

7/20/98

PLC 145

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



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

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

June 26, 1998

JUN 29 1998

Oil Conservation Division
P.O. Box 6429
Santa Fe, NM 87505-6429
Attn: Lori Wrotenbery

Re: Surface Commingling, Lease Commingling,
Off-Lease Storage and Measurement.
Dagger Draw Upper Penn., ~~North~~ Pool and
Undesignated Strawn ^{SOUTH}
Eddy County, New Mexico

Dear Ms. Wrotenbery,

Yates Petroleum Corporation respectfully requests administrative approval to amend Ammended Commingling Order CTB-359 (a copy of which is attached), to add the following well(s).

Hillview AHE Federal Com. #10
1730' FNL & 660' FEL
Unit H, SENE
Section 23-T20S-R24E
Eddy Co., NM
Undesignated ~~Strawn~~
^{WOLF CANYON}

The production from this well is transported prior to measurement to a common tank battery, located at the Hill View AHE Fed. Com. #2, Unit G, SWNE, Sec: 23-T20S-24E.

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 turban 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.

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

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".

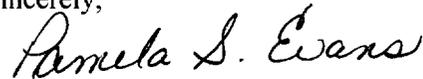
Notification of working interest, royalty interest and overriding royalty interest owners.

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 Secretary

PE
Attachments



STATE OF NEW MEXICO
 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
 OIL CONSERVATION DIVISION



BRUCE KING
 GOVERNOR
 ANITA LOCKWOOD
 DEPARTMENT SECRETARY

POST OFFICE BOX 2088
 STATE LAND OFFICE BUILDING
 SANTA FE, NEW MEXICO 87504
 (505) 827-5800

AMENDED COMMINGLING ORDER CTB-359

Yates Petroleum Corporation
 105 South Fourth Street
 Artesia, NM 88210

Attention: Rusty Klein

The above named company is hereby authorized to commingle South Dagger Draw-Upper Pennsylvanian Associated Pool production from the following leases:

- Lease: Hillview "AHE" - Prickley Pear "AIE" Federal Lease (Communitized)
- Description: E/2 of Section 23, Township 20 South, Range 24 East, NMPM; and

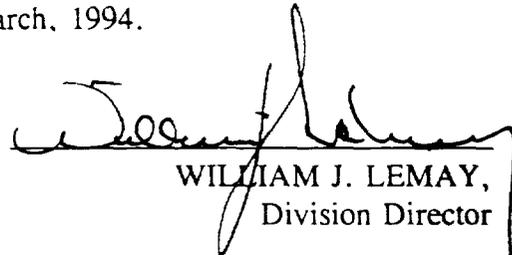
- Lease: Hillview "AHE" - Saguaro "AGS" Federal Lease (Communitized)
- Description: W/2 of Section 23, Township 20 South, Range 24 East, NMPM

both in Eddy County, New Mexico.

Production shall be allocated to each well by separately metering the production from each well prior to commingling.

NOTE: This installation shall be installed and operated in accordance with the applicable provisions of Rule 303 of the Division Rules and Regulations and the Division "Manual for the Installation and Operation of Commingling Facilities." It is the responsibility of the producer to notify the transporter of this commingling authority.

DONE at Santa Fe, New Mexico, on this 16th day of March, 1994.


 WILLIAM J. LEMAY,
 Division Director

cc: Oil Conservation Division - Artesia
 US Bureau of Land Management - Carlsbad

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

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 Other
 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)
 1650' FNL & 1780' FEL Section 23-T20S-R24E (Unit G, SWNE)

5. Lease Designation and Serial No.
NM-045274

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.
Hill View AHE Fed. Com. #2

9. API Well No.
30-015-23541

10. Field and Pool, or Exploratory Area
Dagger Draw Upper Penn, South

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
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input checked="" type="checkbox"/> Other Surface Commingling & Storage
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> 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 *Amelia S. Evans*

Title Production Secretary

Date 6/26/98

(This space for Federal or State office use)

Approved by _____

Title _____

Date _____

Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*See Instruction on Reverse Side

**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-86241; Lease Name: Hill View AHE.

<u>Well No.</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>	<u>Formation</u>
<u>2</u>	<u>G</u>	<u>23</u>	<u>20S</u>	<u>24E</u>	<u>Dagger Draw Upper Penn. South</u>
<u>3</u>	<u>N</u>	<u>23</u>	<u>20S</u>	<u>24E</u>	<u>Dagger Draw Upper Penn. South</u>
<u>4</u>	<u>J</u>	<u>23</u>	<u>20S</u>	<u>24E</u>	<u>Dagger Draw Upper Penn. South</u>
<u>5</u>	<u>A</u>	<u>23</u>	<u>20S</u>	<u>24E</u>	<u>Dagger Draw Upper Penn. South</u>
<u>6</u>	<u>B</u>	<u>23</u>	<u>20S</u>	<u>24E</u>	<u>Dagger Draw Upper Penn. South</u>

with hydrocarbon production from the following formation(s) and well(s) on a Federal lease: Hill View AHE.

<u>10</u>	<u>H</u>	<u>23</u>	<u>20S</u>	<u>24E</u>	<u>Undesignated Strawn</u>
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with hydrocarbon production from the following formation(s) and well(s) on a Federal lease: Prickly Pear AIE.

<u>1</u>	<u>P</u>	<u>23</u>	<u>20S</u>	<u>24E</u>	<u>Dagger Draw Upper Penn. South</u>
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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>Hill View AHE Fed. Com. #2</u>	<u>0</u>	<u>NA</u>	<u>0</u>
<u>Hill View AHE Fed. Com. #3</u>	<u>0</u>	<u>NA</u>	<u>13</u>
<u>Hill View AHE Fed. Com. #4</u>	<u>0</u>	<u>NA</u>	<u>0</u>
<u>Hill View AHE Fed. Com. #5</u>	<u>0</u>	<u>NA</u>	<u>0</u>
<u>Hill View AHE Fed. Com. #6</u>	<u>0</u>	<u>NA</u>	<u>0</u>
<u>Hill View AHE Fed. Com. #10</u>	<u>0</u>	<u>NA</u>	<u>11</u>
<u>Prickly Pear AIE Fed. Com. #1</u>	<u>0</u>	<u>NA</u>	<u>29</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 SWNE-1/4, Sec. 23, T20S, R24E, Federal lease Hill View AHE #2 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 turban 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: 6-26-98

CONOCO "NOV" FEEDER

20S 24E

WATER TAP

CARL TP

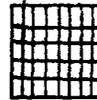
CARL TP

22

CARL TP

FOSTER MARCH TD

CONOCO



Storage & Measurement Facility

HILL VIEW "NOV" TD

SIXMAY "NOV" FEEDER

SQUAWD "NOV" TD

HILLVIEW AVE

SQUAWD ACS TD

SQUAWD ACS

HILLVIEW AVE

HILLVIEW AVE

Federal Lease # NM-04274

SQUAWD ACS TD

HILLVIEW AVE TD



HILLVIEW AVE

HILLVIEW AVE

23

HILLVIEW AVE TD

HILLVIEW AVE

HILLVIEW AVE TD

HILLVIEW "NOV" TD

HILLVIEW "NOV" TD

HILLVIEW AVE TD

HILLVIEW AVE

HILLVIEW "NOV" FEEDER

PRICKLY POON AVE TD

SQUAWD "NOV" TD

CONOCO "NOV" FEEDER

CONOCO "NOV" TD

HILLVIEW AVE TD

WATER TAP

WATER

WATER TAP

WATER TAP

24

PAID VERGE "NOV" TD

PAID VERGE "NOV" TD

MURKIN HCU

CHARLOTTE "NOV" TD

CHARLOTTE "NOV" FE

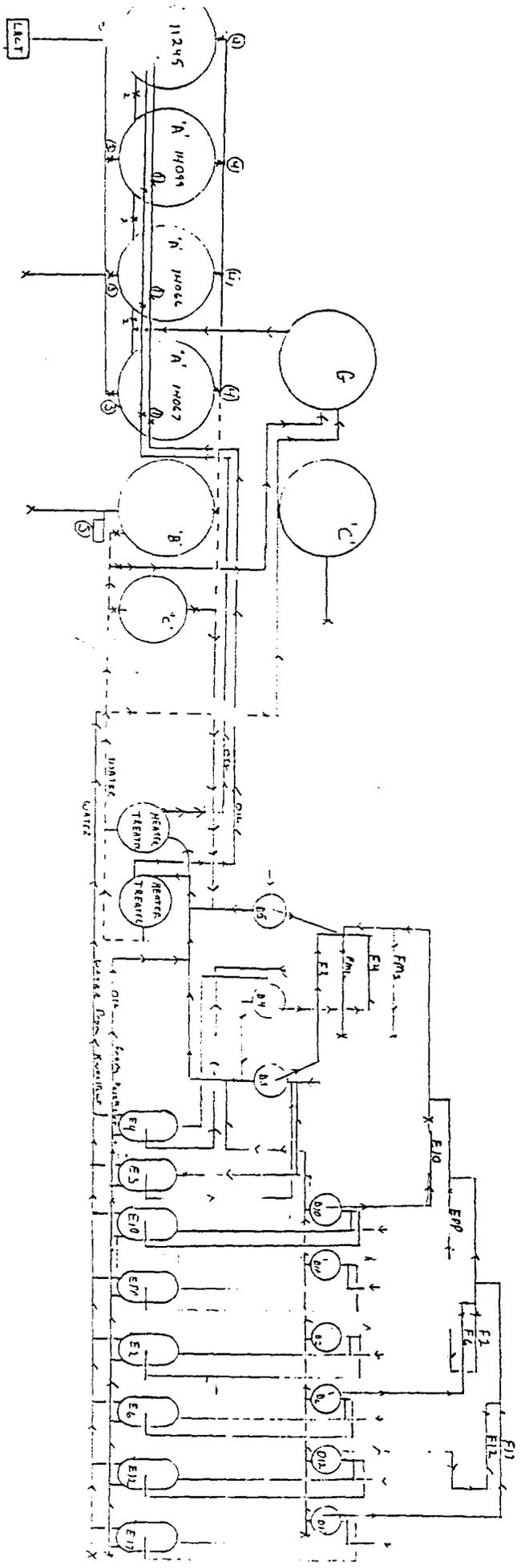
HILLVIEW AHE Fed. Com #2 TINK. BATTERY

Lease No. SCR # 70

Legal Description: Sec 23 T20S R24E

County: Eddy, NM

PATES Petro Corp



Hillview AHE Fed Com #2 TANK Battery

- ① OIL FILL LINES sealed during sales
- ② OIL Equalizer LINES sealed closed during sales
- ③ OIL SALES LINES sealed closed except during sales
- ④ Emergency Drains sealed closed
- ⑤ WATER TO AN APPROVED disposal system

A 500 BBL OIL STORAGE

B 500 BBL WATER STORAGE

C 210 BBL BSAW STORAGE

G 750 BBL GUNDRILL

D2 Hillview #2 Separator

FM1 MAIN METER #1 CDP

D3 Hillview #3 " "

FM2 MAIN METER #2 CDP

D4 Hillview #4 " "

F2 Hillview #2 METER RUN

D5 Hillview 5 " "

F5 Hillview #3 "

D6 Hillview 6 " "

F4 Hillview #4 "

D10 Hillview 10 " "

F6 Hillview #6 "

D12 Hillview 12 " "

F10 Hillview #10 "

D17 Hillview 17 " "

F12 Hillview 12 "

DPP Prickly Pear " "

F17 Hillview 17 "

E2 Hillview #2 WATER KNOCKOUT

FPP Prickly Pear "

E3 Hillview #3 " "

E4 Hillview #4 " "

E6 Hillview #6 " "

E10 Hillview 10 " "

E12 Hillview 12 " "

E17 Hillview 17 " "

EPP Prickly Pear " "

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

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

John Franklin Roe
19382 Surfdale
Huntington Beach, CA 92648

Bonnie Morrison
1200 California St, Apt. 17A
San Francisco, CA 94109-5075

Joan Roe Islas Trust
Carlsbad National Bank
P.O. Box 1359
Carlsbad, NM 88221

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

The Riggs-Mills Limited
P.O. Box 230430
Anchorage, AK 99523-0430

Wills Royalty, Inc.
P.O. Box 1658
Carlsbad, NM 88221-1658

Graham Hanks Hamilton Young
3004 Oak Bend
Round Rock, TX 78681

Preston B. Hanks
16009 W. Dorman Dr.
Austin, TX 78717-4804

Roger C. Hanks Jr.
6308 B Taggart
Houston, TX 77007-2052

Marcia P. Lane
9440 Santa Monica
Suite 300
Beverly Hills, CA 90210

Z 378 961 478

US Postal Service

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R.E. Chambers

2413 Clayton

Wichita Falls, TX 76308

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>Hillview</i> <i>2, 3, 4, 5, 6, +10</i> <i>Archie Bar</i> <i>6-10-98</i>	

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Lollie Dee King Chambers

2413 Clayton

Wichita Falls, TX 76308

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Alice Ann Hanks Freeman

P.O. Box 9087

Wichita Falls, TX 76308-9087

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Postmark or Date Helixville Prickly Pear 6-10-98	

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John Franklin Roe

19382 Surfside

Huntington Beach, CA 92648

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TOTAL Postage & Fees	\$
Postmark or Date <i>Hillview + Pineley Pear</i> 6-10-98	

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Bonnie Morrison

1200 California St.

Apt. 17A

San Francisco, CA 94109-5075

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Joan Roe Islas Trust
P.O. Box 1359
Carlsbad, NM 88221

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Postmark or Date	
Hillview + Prickly Pear 6-10-98	

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W.T. & Jeanette J. Probandt

415 W. Wall

Suite 2206

Midland, TX 79701

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TOTAL Postage & Fees	\$
Postmark or Date	
<i>Hillman</i>	<i>6-10-98</i>
<i>Trickley Bar</i>	

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The Riggs-Mills Limited

P.O. Box 230430

Anchorage, AK 99523-0430

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Restricted Delivery Fee	
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Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date Hillview 6-10-98 Pricely Pear	

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Wills Royalty, Inc.

P.O. Box 1658

Carlsbad, NM 88221-1658

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Restricted Delivery Fee	
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Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	
Hellman + Prickly Pear 6-10-98	

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Graham Hanks Hamilton Young

3004 Oak Bend

Round Rock, TX 78681

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TOTAL Postage & Fees	\$
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Hillview 6-10-98 Pineley Pear	

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Preston B. Hanks

16009 W. Dorman Dr.

Austin, TX 78717-4804

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TOTAL Postage & Fees	\$
Postmark or Date Yellow 6-10-98 Picky Pear	

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Roger C. Hanks Jr.

6308 B Taggart

Houston, TX 77007-2052

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Restricted Delivery Fee	
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Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date Hillview 6-10-98 Puckey Pear	

Z 378 961 490

US Postal Service

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Marcia P. Lane
9440 Santa Monica
Suite 300
Beverly Hills, CA 90210

PS Form 3800, April 1995

	\$
Certified Fee	
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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 Hillview Picky Bar 6-10-98	