Exhibit 3 page 3-1



S. P. YATES
PRESIDENT

JOHN A. YATES
VICE PRESIDENT

B. W. HARPER
SEC. - TREAS.

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

January 7, 1988

Bureau of Land Management P. O. Drawer 1857 Roswell, New Mexico 88201

ATTN: Peter Chester

RE: Off-Lease Measurement

Dear Mr. Chester:

Yates Petroleum asks that you approve the enclosed applications for off-lease measurement at seven gas wells in Chaves County that produce Federal minerals. The seven wells are:

1.	Caudill "RZ" Com #7	K	17-6S-26E
2.	Crosby "TV" Federal #1	Α	15-8S-25E
3.	Filaree "AEL" Federal #1	0	33-8S-26E
4.	Huckaby "TJ" Federal #5	K	19-8S-26E
5.	Sacra "SA" #7Z	Ρ	22-6S-25E
6.	Wheeler "AEE" Federal #1	P	25-7S-24E
7.	Zane "ABS" Federal #1	0	15-9S-26E

Yates has many completed gas wells shutin waiting on a pipeline connection. Recently, Transwestern Pipeline Company agreed to transport gas from Yates wells provided Yates delivers the gas to existing Transwestern pipeline facilities. Transwestern will provide pipeline taps and metering equipment for gas sales while Yates will lay gathering lines from the wells to the Transwestern metering stations. In some cases, the Transwestern meter is located on a nearby lease and it will be necessary to take the gas off-lease for sales measurement. This is the situation for the seven wells listed above. All necessary rights-of-way will be obtained before installation of the gathering lines. Yates agrees that any leaks or breaks between the wellhead and point of measurement will be borne by the operator and royalty will be based on the preceeding 30-day average rate. Except for off-lease gas measurement, all other facets of production handling will remain the same as for existing wells nearby. Any condensate produced will be separated, stored, measured and sold at the wellsite.

Peter Chester January 7, 1988

Attached as part of these applications for approval of off-lease measurement are:

- 1. Table 1 -- Basic Data on Each Well
- 2. Table 2 -- Leases Involved in Each Well
- 3. Figure 1 -- Schematic Diagram of Production Equipment
- 4. Sundry Notice and map for each well

I ask that your office send Yates a signed copy of each Sundry Notice to signify your approval of these applications for off-lease measurement.

You should approve these applications because of economic conditions. The proposed arrangement is a good compromise that has worked for some Pecos Slope Abo wells since 1983. Production of gas from these wells benefits the operator, the pipeline, the royalty owners, the taxing authorities and the public. I believe off-lease measurement is a proven way to handle a serious problem with shutin production in Chaves County. Yates Petroleum Corporation respectfully requests your approval of these applications.

Please call me if you need further information.

Sincerely,

DAVID F. BONEAU

Engineering Manager

are Boneau

DFB/cvg

Attachments

Table 1

Summary of Basic Data on Wells Requiring Off-Lease Measurement

	Well	Spaci	Spacing Unit	Lea In Spa	Lease (s) In Spacing Unit	Completion Date	Potential Mcf/D	Producing Formation	Perforations (Feet)
÷.	Caudill "RZ" Com #7	SW/4	SW/4 17-6S-26E	80A 40A 40A	Fee KGS Fee	12-29-84	2273	Abo	37543972
2.	Crosby "TV" Federal #1	NE/4	15-8S-25E	160A	NM 27061	1-24-83	877	Abo	38054024
e e	Filaree "AEL" Federal #1	SE/4	33-8S-26E	160A	NM 29623	4-27-87	2493	Abo	4750475Ġ
4.	Huckaby "TJ" Federal #5	SW/4	19-8S-26E	160A	NM 18031	4-19-83	170	Abo	41644488
5.	Sacra "SA" #7Z	SE/4	22-6S-25E	80A 80A	Fee NM 20052	6-30-83	2085	Abo	36513706
9	Wheeler "AEE" Federal #1	SE/4	25-7S-24E	160A	NM 29821	5-18-87	1200	Abo	36523656
7.	Zane "ABS" Federal #1	SE/4	SE/4 15-9S-26E	160A	NM 27791	7-28-86	2461	Abo	45464849

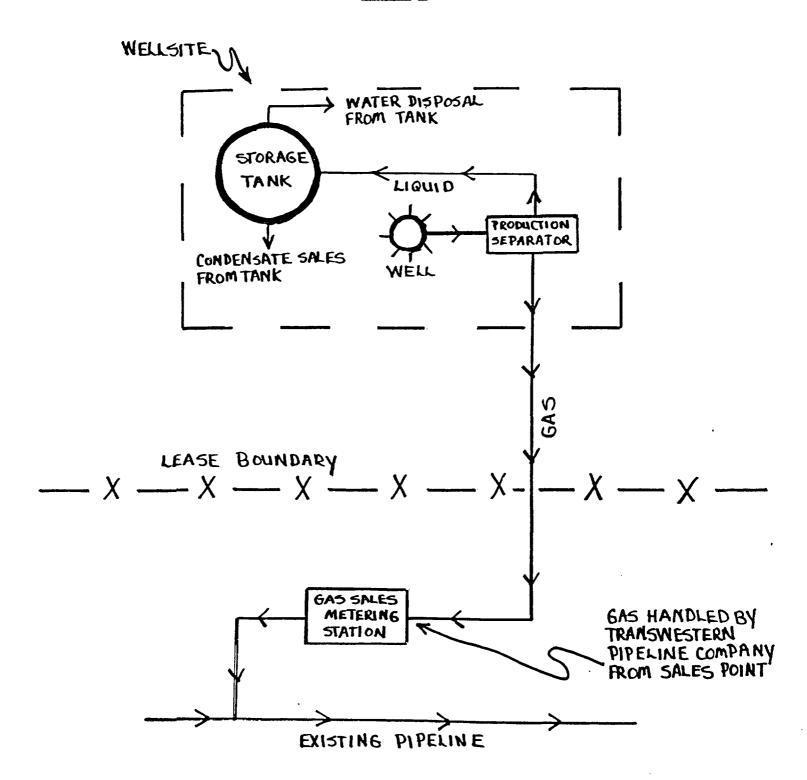
Table 2

Summary of Lands Involved in Off-Lease Measurements

	Well	Location	Lease Containing Subject Well	Other Leases in Same 160 Acres	Lease Containing Measurement Point	Other Leases Crossed by Gathering Line
.	Caudill "RZ" Com #7	1980s + 1980w 17-6s-26E	Fee	40A KGS 40A Fee	Fee	None
5	Crosby "TV" Federal #1	660N + 660E 15-8S-25E	Federal NM 27061	None	Federal NM 18483	None
e,	Filaree "AEL" Federal #1	660s + 1650E 33-8S-26E	Federal NM 29623	None	Federal NM 16790	Federal NM 29211
4.	Huckaby "TJ" Federal #5	1980S + 1980W 19-8S-26E	Federal NM 18031	None	Fee	None
'n	Sacra "SA" #7Z	660s + 660E 22-6s-25E	Fee.	Federal NM 20052	Federal NM 10588	None
9	Wheeler "AEE" Federal #1	660S + 660E 25-7S-24E	Federal NM 29821	None	State LG 4352	None
7.	Zane "ABS" Federal #1	660s + 1980E 15-9S-26E	Federal NM 27791	None	Federal NM 29171	None

SCHEMATIC DIAGRAM OF OFF-LEASE GAS MEASUREMENT

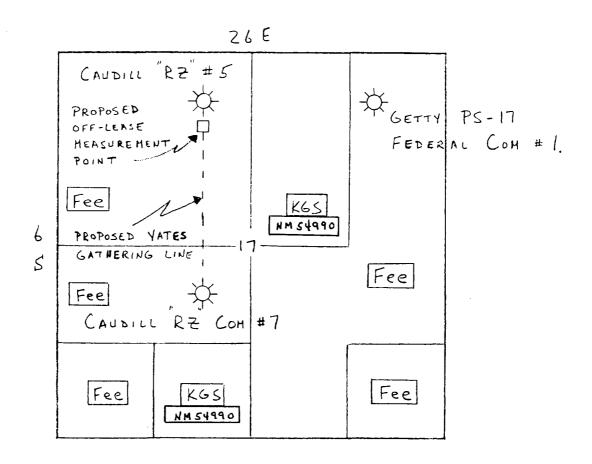
Figure 1



Form 3160-5 November 1983) Formerly 9-331) DEPARTMENT OF THE INTERIOR (Other Instruction of the Interior of t	page 3-6 Budget Bureau No. 1004-0135 Expires August 31, 1985 5. LEASE DESIGNATION AND SERIAL NO. 40A KGS NM 54990
SUNDRY NOTICES AND REPORTS ON WELLS (Do not use this form for proposals to drill or to deepen or plug back to a different reser Use "APPLICATION FOR PERMIT—" for such proposals.)	6. IF INDIAN, ALLOTTEE OR TEIBE NAME VOIR.
I.	7. UNIT AGREEMENT NAME
WELL L. WELL CA OTHER	8. FARM OR LEASE NAME
2. Name of OPERATOR Value Detroloum Corporation	Caudill "RZ" Com
Yates Petroleum Corporation 3. ADDRESS OF OPERATOR	9. WELL NO.
105 South 4th Street, Artesia, NM 88210	#7
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.* See also space 17 below.)	10. FIELD AND POOL, OR WILDCAT
At surface	Pecos Slope Abo
1980S + 1980W Sec. 17-6S-26E	11. SEC., T., E., M., OR BLK. AND SURVEY OR AREA
	17-6S-26E
14. PERMIT NO. 15. ELEVATIONS (Show whether DF, RT, CR, etc.)	12. COUNTY OF PARISH 18. STATE
API #30-005-62214 3672.1 GR	Chaves NM
Check Appropriate Box To Indicate Nature of Notice, Re	port, or Other Data
NOTICE OF INTENTION TO:	SUBSEQUENT EMPORT OF:
TEST WATER SHUT-OFF PULL OR ALTER CASING WATER SHUT-OFF	P REPAIRING WELL
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SHOOT OR ACIDIZE ABANDON* SHOOTING OR AC	IDIZING ABANDONMENT*
REPAIR WELL CHANGE PLANS (Other) (Other) Off Lease Measurement X (Other) Completion	port results of multiple completion on Well
This request seeks approval for off-lease measurement subject well. Transwestern Pipeline Company agreed to well if Yates would build a gathering line to deliver western pipeline facilities. The gas sales meter will Transwestern, but the meter is located nearby off-leas will maintain the gathering flow lines in a safe condi due on gas lost to leaks or failures based on the prec Yates will obtain all necessary rights-of-way before i separation and liquid storage and sales facilities will ating lease. Yates believes that off-lease measuremen as the only practical way to bring this gas to market benefit to working interest owners, royalty owners and taxes.	transport gas from this the gas to existing Trans- be read and maintained by e (see attached map). Yates tion and will pay royalty eeding 30-day average rate. nstalling flow lines. All l be located on the origin- t is necessary for this well with attendant economic
SIGNED TITLE Engineering Man (This space for Federal or State office use)	DAIN
CONDITIONS OF APPROVAL, IF ANY:	DATE

*See Instructions on Reverse Side

CAUDILL RZ COM #7



page 3-8 Budget Bureau No. 1004-0135 Form 3160-5 UNITED STATES

SUBMIT IN TRIPLICATE®

(Other instructions on reverse side) UNITED STATES Expires August 31, 1985 November 1983) 5. LEASE DESIGNATION AND SERIAL NO. Formerly 9-331) BUREAU OF LAND MANAGEMENT Federal NM 27061 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 plug back to a different reservoir.

Use "APPLICATION FOR PERMIT—" for such proposals.) 7. UNIT AGREEMENT NAME OIL GAS WELL X OTHER WELL. 2. NAME OF OPERATOR 8. FARM OR LEASE NAME Yates Petroleum Corporation "TV" Federal Crosby 3. ADDRESS OF OPERATOR 9. WELL NO. 105 South 4th Street, Artesia, NM 88210 LOCATION OF WELL (Report location clearly and in accordance with any State requirements.* See also space 17 below.)
At surface 10. FIELD AND POOL, OR WILDCAT Pecos Slope Abo
11. SEC., T., E., M., OR ELE. AND
SURVEY OR AREA Sec. 15-8S-25E 660N + 660E15-8S-25E 15. ELEVATIONS (Show whether DF. RT. GR. etc.) 14. PERMIT NO. 12. COUNTY OR PARISH 18. STATE Chaves NM API #30-005-61618 3599.3 GR 16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data TEST WATER SHUT-OFF PULL OR ALTER CASING WATER SHUT-OFF REPAIRING WELL FRACTURE TREAT MULTIPLE COMPLETE FRACTURE TREATMENT ALTERING CABING SHOOT OR ACIDIZE ABANDON* SHOOTING OR ACIDIZING ARANDON MENT® REPAIR WELL CHANGE PLANS (Other) (NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.) (Other) Off Lease Measurement 17. 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 directionally drilled, give subsurface locations and measured and true vertical depths for all markers and sones pertinent to this work.) • This request seeks approval for off-lease measurement of natural gas from the subject Transwestern Pipeline Company agreed to transport gas from this well if Yates would build a gathering line to deliver the gas to existing Transwestern pipeline facilities. The gas sales meter will be read and maintained by Transwestern, but the meter is located nearby off-lease (see attached map). Yates will maintain the gathering flow lines in a safe condition and will pay royalty due on gas lost to leaks or

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SIGNED SIGNED SIGNED SIGNED Bowlaw	TITLEEngineering Manager	DATE January 7, 1988
(This space for Federal or State office use)		
APPROVED BYCONDITIONS OF APPROVAL, IF ANY:	TITLE	DATE

CROSBY "TV" FEDERAL # 1

	25 E	
	MORTON "SZ" FEDERAL #3	
	MM18483	
	HORTON "SZ" FEDERAL # 1	
8 \$	MORTON SZ" FEDERAL # 4 PROPOSED OFF-LEASE HEASUREHENT POINT FEDERAL NMZ7061 CROSBY "TV"	PROPOSED VATES GATHERING LINE
	FEDERAL # 1 FEDERAL # 1 BITTER LAKE NATIONAL WILDLIFE REFUGE	

Hudget Bureau No. 1004 0135

Form 3160-5 November 1983) Formerly 9-331)	DEPARTM	JNITED STATES IENT OF THE INTERIO	SUBMIT IN TRIPLICATE® (Other instructions on re-	Expires August 5. LEASE DESIGNATION	31, 1985 AND BERIAL NO.
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Yates Pet	roleum Corp	oration		Filaree "A	AEL" Federa
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See also space 17 b At surface	elow.)	Sec. 33-85-26E	Ate requirements.*	Pecos Slop 11. SRC., T., E., M., OR E SURVEY OR AREA 33-8S-26E	pe Abo
14. PERMIT NO.		15. ELEVATIONS (Show whether DF, R	T, GR, etc.)	12. COUNTY OR PARISH	18. STATE
API #30-0	005-62486	3850.1' GR		Chaves	NM
16.	Check Appropriate Check Approp	propriate Box To Indicate Nation to:		ther Data	
TEST WATER SHUT FRACTURE TREAT SHOOT OR ACIDIZE REPAIR WELL (Other) Off	Lease Measu	CLL OR ALTER CASING ULTIPLE COMPLETE BANDON® HANGE PLANS I'rement X	Completion or Recomple	ALTERING C. ABANDONMEN of multiple completion etion Report and Log for	on Well

17. 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 directionally drilled, give subsurface locations and measured and true vertical depths for all markers and gones pertinent to this work.) *

This request seeks approval for off-lease measurement of natural gas from the subject well. Transwestern Pipeline Company agreed to transport gas from this well if Yates would build a gathering line to deliver the gas to existing Transwestern pipeline facilities. The gas sales meter will be read and maintained by Transwestern, but the meter is located nearby off-lease (see attached map). Yates will maintain the gathering flow lines in a safe condition and will pay royalty due on gas lost to leaks or failures based on the preceeding 30-day average rate. Yates will obtain all necessary rights-of-way before installing flow lines. All separation and liquid storage and sales facilities will be located on the originating lease. Yates believes that off-lease measurement is necessary for this well as the only practical way to bring this gas to market with attendant economic benefit to working interest owners, royalty owners and the public through production

S. I hereby certify that the foregoing is true and correct SIGNED Lawl Boulau		DATE January 7, 1988
(This space for Federal or State office use)		
APPROVED BY CONDITIONS OF APPROVAL, IF ANY:	TITLE	DATE

FILAREE AEL FEDERAL # 1

OFF-LEASE MEASUREMENT

26 E Fee NH 27790 NH Z9623 8 33 34 FILAREE "AEL" MARTIN ADW FEDERAL # 1 FEDERAL # 1 -FEDERAL FEDERAL FEDERAL IX # Z PROPOSED YATES NM 16790 GATHERING 1 PROPOSED OFF-LEASE MEASUREMENT POINT NH 28170 NH 29211 NH 28171 ENGWALL RL FEBERAL # 1 NM 16790 FEDFRAL FEDE RAL

10.5 South 4th Street, Artesia, NM 88210 1. Incrinor or WELL (Report location clearly and in accordance with any State requirement.* 1. Incrinor or WELL (Report location clearly and in accordance with any State requirement.* 1. Incrinor or WELL (Report location clearly and in accordance with any State requirement.* 1. Incrinor or WELL (Report location clearly and in accordance with any State requirement.* 1. Incrinor or WELL (Report location clearly and in accordance with any State requirement.* 1. Incrinor or WELL (Report location clearly and in accordance with any State requirement.* 1. Incrinor or WELL (Report location clearly and in accordance with any State requirement.* 1. Incrinor or WELL (Report or PLANIER LAND) 1. Incrinor or WELL (Report or PLANIER LAND) 1. Incrinor or WELL (Report or PLANIER LAND) 1. Incrinor or WELL (Report requirement.* 1. Incrinor or WELL (Report or PLANIER LAND) 1. Incrinor or WELL (Report requirement.* 1. Incrinor or WELL (Report requirement.* 1. Incrinor or WELL (Report requirement.* 1. Incrinor or WELL (Report or PLANIER LAND) 1. Incrinor or WELL (Report requirement.* 1. Incrinor or WELL (Report or PLANIER LAND) 1. Incrinor or WELL (Report requirement.* 1. Incrinor or WELL (Report or PLANIER LAND) 1. Incrinor or WELL (Report requirement.* 2. Incrinor or WELL (Report requirement.* 2. Incrinor or WELL (Report requirement.*	Form 3160-5 November 1983) Formerly 9-331) DEPARTMENT OF THE INTER BUREAU OF LAND MANAGEMEN	page 3-12 Budget Bureau No. 1004-0135 Expires August 31, 1985 5. LEASE DESIGNATION AND SERIAL NO. Federal NM 18031				
ONLY OF STREAMS 2. NAME OF OFFERDOR Yates Petroleum Corp. 3. ADDRESS of OFFERDOR 105 South 4th Street, Artesia, NM 88210 45 See also spec 17 below.) 105 South 4th Street, Artesia, NM 88210 5 See also spec 17 below.) 106 South 4th Street, Artesia, NM 88210 5 See also spec 17 below.) 107 Sec 18 See also spec 17 below.) 108 Sec 19-88-26E 11. Sec 18 Sec 19 Sec 19 Sec 19 Sec 19-88-26E 11. Sec 18 Sec 19 S	SUNDRY NOTICES AND REPORTS	ON WELLS	6. IF INDIAN, ALLOTTEE OR TRIBE NAME			
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105 South 4th Street, Artesia, NM 88210 105 South 4th Street, Artesia, NM 88210 105 South 4th Street, Report location clearly and in accordance with any State requirement.* 105 South 4th Street, Report location clearly and in accordance with any State requirement.* 106 South 4th Street, Report location clearly and in accordance with any State requirement.* 107 Peccos Slope Abbo 118 SELVATIONS (Show whether Dr. M. G. etc.) 119 -85-26E 110 COMPT ON ALEA TO POST ALEA 110 -85-26E 111 COMPT ON ALEA 112 COMPT OF PARTIEW IN TO: 113 COMPT OF PARTIEW IN TO: 114 FEBRUARY STATE AND TO PROVIDE THE COMPT. 115 FEBRUARY STATE AND TO PROVIDE THE COMPT. 116 FEBRUARY STATE AND TO PROVIDE THE COMPT. 117 FEBRUARY STATE AND TO PROVIDE THE COMPT. 118 FEBRUARY STATE AND TO PROVIDE THE COMPT. 119 FEBRUARY STATE AND TO PROVIDE THE COMPT. 110 FEBRUARY STATE AND TO PROVIDE THE COMPT. 111 FEBRUARY STATE AND TO PROVIDE THE COMPT. 112 COMPT OF PARTIEW STATE AND TO PROVIDE THE COMPT. 113 FEBRUARY STATE AND TO PROVIDE THE COMPT. 114 FEBRUARY STATE AND TO PROVIDE THE COMPT. 115 FEBRUARY STATE AND TO PROVIDE THE COMPT. 116 FEBRUARY STATE AND TO PROVIDE THE COMPT. 117 FEBRUARY STATE AND TO PROVIDE THE COMPT. 118 FEBRUARY STATE AND THE CALL AND THE CASE AND THE CASE AND THE COMPT. 119 FEBRUARY STATE AND THE CASE AND T			8. FARM OR LEASE NAME			
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Pecos Slope Abo 1980S + 1980W Sec. 19-8S-26E 10. PERMIT NO. API #30-005-61952 3652' GR Chaves NM 10. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data NOTICE OF INTENTION TO: TEST WATER SBUT-OFF PEAL ON ALTER CASING MULTIPLE COMPLETE ABANDON' REPAIR WELL (Other) Off Lease Measurement (Other) Off Lease Measurement This request seeks approval for off-lease measurement of natural gas from the subject well. Transwestern Pipeline Company agreed to transport gas from this well if Yates would build a gathering line to deliver the gas to existing Transwestern, but the meter is located nearby off-lease (see attached map). Yates will maintain the gathering flow lines in a safe condition and will pay royalty due on gas lost to leaks or failures based on the preceding 10 on the Subject will be located on the originating lease. Yates believes that off-lease measurement is necessary for this well as the only practical way to bring this gas to market with attendant economic benefit to working interest owners, royalty owners and the public through production benefit to working interest owners, royalty owners and the public through production benefit to working interest owners, royalty owners and the public through production						
16. FEBRIT NO. API #30-005-61952 16. REPARTIONS (Show whether Dr. NT. CR. etc.) API #30-005-61952 17. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data NOTICE OF INTENTION TO: TEST WATER SHOT-OFF FRACTORE TREATMENT SHOOT OF ACIDIES REPARE WILL (Other) Off Lease Measurement (Other) This request seeks approval for off-lease measurement of natural gas from the subject well. Transwestern Pipeline Company agreed to transport gas from this well if Yates would build a gathering line to deliver the gas to existing Transwestern, but the meter is located nearby off-lease (see attached map). Yates will maintain the gathering flow lines in a safe condition and will pay royalty due on gas lost to leaks or failures based on the preceding 30-day average rate. Yates will obtain all necessary rights-of-way before installing flow lines. All separation and liquid storage and sales facilities will be recessary for this well as the only practical way to bring this gas to market with attendant economic benefit to working interest owners, royalty owners and the public through production taxes.	See also space 17 below.)					
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	SIGNED DOWN TITLE	Engineering Manager	DATE January 7, 1988			

*See Instructions on Reverse Side

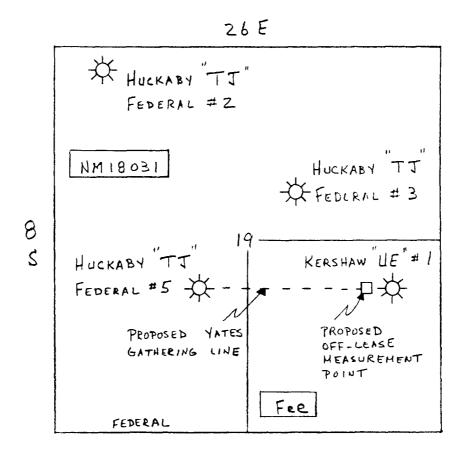
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TITLE ___

(This space for Federal or State office use)

APPROVED BY _______ CONDITIONS OF APPROVAL. IF ANY:

HUCKABY TT FEDERAL #5



page 3-14 Budget Bureau No. 1004-0135 UNITED STATES

SUBMIT IN TRIPLICATE*

(Other Instructions on reverse alde) Form 3160-5 Expires August 31, 1985 November 1983) 5. LEASE DESIGNATION AND SERIAL NO. Formerly 9-331) Federal NM 20052 BUREAU OF LAND MANAGEMENT 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 plug back to a different reservoir.

•••					
OIL GAS X OTHER			7. UNIT AGREEMENT NA	ME	
2. NAME OF OPERATOR			8. FARM OR LEASE NAM	E .	
Yates Petroleum Cor	poration		Sacra "SA'	•	
3. ADDRESS OF OPERATOR			9. WELL NO.		
105 South 4th Street	t, Artesia, NM 8821	LO	#7z		
4. LOCATION OF WELL (Report location of See also space 17 below.) At surface	early and in accordance with any	State requirements.	10. FIELD AND POOL, OR Pecos Slor		
660S + 660E Sec.	22-6S-25E		11. SHC., T., R., M., OR B. SURVEY OR AREA		
			22-6S-25E		
14. PERMIT NO.	15. ELEVATIONS (Show whether D	F, RT, GR, etc.)	12. COUNTY OR PARISH	18. STATE	
API #30-005-61899	3787.6' GR		Chaves	NM	
16. Check Ap	Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data				
NOTICE OF INTENTION TO: SUBSEQUENT REPORT OF:					
TEST WATER SHUT-OFF	CLL OR ALTER CASING	WATER SHUT-OFF	REPAIRING W	ELL	
FRACTURE TREAT	IULTIPLE COMPLETE	FRACTURE TREATMENT	ALTERING CA	BING	
SHOOT OR ACIDIZE	BANDON*	SHOOTING OR ACIDIZING	ABANDONMEN	T*	
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s. I hereby ferthy that the foregoing is true and correct signed bare Bouleur		DATE January 7, 1988
(This space for Federal or State office use)		
APPROVED BY CONDITIONS OF APPROVAL, IF ANY:	TITLE	DATE

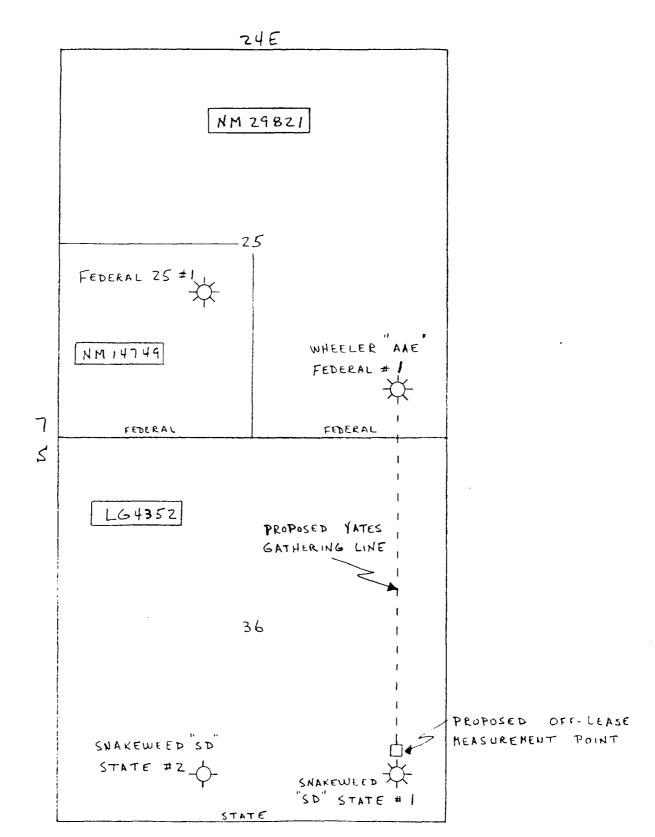
SACRA SA #72

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	2	Z	SACRA SA	3 FEDERAL Fee
6	FEDERAL	SACRA SA #72	PROPOSED YATES GATHERING LINE PROPOSED OFF-L	SACRA SA # Z EASE
\$	NM 14755	SACRA "SA" #5	HEASUREMENT GEORGE QJ FEDERAL #6	COTTENWOOD
	2-	7 Fee	NM 10588	FEDERAL #Z
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	FEDERAL	GEORGE WT TY	FEDERAL	FCDERAL

Form 3160-5 November 1983) Formerly 9-331)	DEPARTM	JNITED STATI IENT OF THE J OF LAND MAN	INTERIO	SUBMIT IN TRIPLICAT (Other instructions on verse side)	re	Budget Bureau N Expires August : LEASE DESIGNATION A Fed NM 2982	31, 1985 AND SERIAL NO.
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Yates Petrol	oum Corn	oration			"	Wheeler "A	
3. ADDRESS OF OPERATOR	eum corp	oracion			9.	WELL NO.	EL Federa
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REPAIR WELL (Other) Off Lea		HANGE PLANS	$\frac{1}{x}$	(Other)(Norm: Report res	nits of a	multiple completion o	on Well
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13. I hereby certify that th	e foregoing is	true and correct			·	·····	
SIGNED Have	-Bow	rail T	TLE Engi	neering Manager		DATE Januar	cy 7, 1988
(This space for Federal	or State office	use)					

APPROVED BY CONDITIONS OF APPROVAL, IF ANY:

WHEELER "AAE" FEDERAL # 1



page 3-18 Budget Bureau No. 1004-0135 UNITED STATES

SUBMIT IN TRIPLICATE*

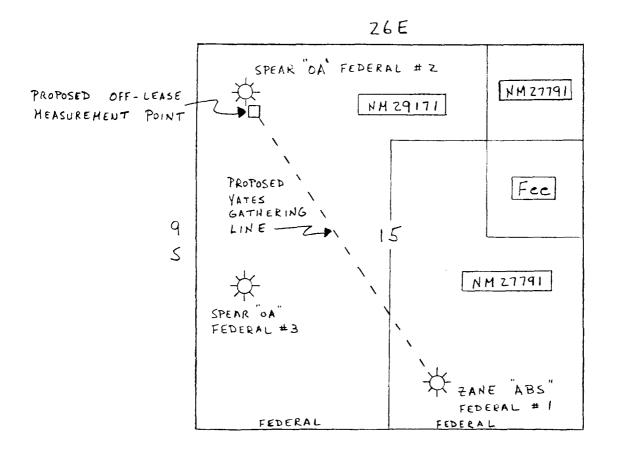
Other instructions on reverse aide) Form 3160-5 Expires August 31, 1985 November 1983) 5. LEASE DESIGNATION AND SERIAL NO. Formetly 9-331) BUREAU OF LAND MANAGEMENT Fed NM 27791 6. IF INDIAN, ALLOTTEE OR TRIBE NAME SUNDRY NOTICES AND REPORTS ON WELLS (Do not use this form for proposals to drill or to deepen or plug back to a different reservoir.

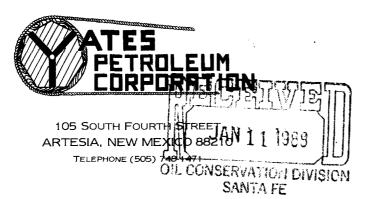
Use "APPLICATION FOR PERMIT—" for such proposals.) 7. UNIT AGREEMENT NAME GAS WELL XХ WELL. OTHER 8. FARM OR LEASE NAME 2. NAME OF OPERATOR Yates Petroleum Corporation Zane "ABS" Federal 3. ADDRESS OF OPERATOR 9. WELL NO. 105 South 4th Street, Artesia, NM 88210 LOCATION OF WELL (Report location clearly and in accordance with any State requirements.* See also space 17 below.)
At surface 10. FIELD AND POOL, OR WILDCAT Pecos Slope Abo 11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA 660S + 1980E Sec. 15-9S-26E 15-9S-26E 14. PERMIT NO. 15. ELEVATIONS (Show whether DF, RT, GR, etc.) 12. COUNTY OR PARISH | 18. STATE 3775' GR Chaves NM API #30-005-62257 16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data TEST WATER SHUT-OF PULL OR ALTER CASING WATER SHUT-OFF REPAIRING WELL MULTIPLE COMPLETE PRACTURE TREAT FRACTURE TREATMENT ALTERING CARING ABANDON* SHOOT OR ACIDIZE SHOOTING OR ACIDIZING ABANDONMENT* REPAIR WELL CHANGE PLANS (Other) (NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.) (Other) Off Lease Measurement 17. 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 directionally drilled, give subsurface locations and measured and true vertical depths for all markers and gones pertinent to this work.) This request seeks approval for off-lease measurement of natural gas from the subject Transwestern Pipeline Company agreed to transport gas from this well if Yates would build a gathering line to deliver the gas to existing Transwestern pipeline facilities. The gas sales meter will be read and maintained by Transwestern, but the meter is located nearby off-lease (see attached map). Yates will maintain the gathering flow lines in a safe condition and will pay royalty due on gas lost to leaks or failures based on preceeding 30-day average rate. Yates will obtain all necessary rights-of-way before installing flow lines. All separation and liquid storage and

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SIGNED Dave Boulau	TITLE Engineering Manager	DATE January 7, 1988
(This space for Federal or State office use)		
APPROVED BYCONDITIONS OF APPROVAL, IF ANY:	TITLE	DATE

ZANE ABS FEDERAL #1





S. P. YATES
PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC. - TREAS.

January 7, 1988

New Mexico Oil Conservation Division P. O. Box 2088 Santa Fe, New Mexico 87501

ATTN: David Catanach

RE: Off-Lease Measurement

Dear Mr. Catanach:

1

This letter is an application seeking approval for off-lease measurement of natural gas from the following ten wells in Chaves County, New Mexico:

1.	Caudill "RZ" Com #7	K	17-6S-26E
2.	Crosby "TV" Federal #1	Α	15-8S-25E
3.	Filaree "AEL" Federal #1	0	33-8S-26E
4.	Huckaby "TJ" Federal #5	K	19-8S-26E
5.	Sacra "SA" #7Z	P	22-6S-25E
6.	Sacra "SA" #9	M	19-6S-26E
7.	Sandlewood "AEW" State #1	N	31-8S-27E
8.	Snell "QZ" #1	С	31-6S-25E
9.	Wheeler "AEE" Federal #1	P	25-7S-24E
10.	Zane "ABS" Federal #1	0	15-9S-26E

Transwestern Pipeline Company has agreed to transport gas from shutin Yates gas wells provided Yates delivers the gas to existing Transwestern pipeline facilities. Transwestern will install, read and maintain metering equipment for gas sales while Yates will lay gathering lines from the wells to the metering stations. The Transwestern metering stations for the ten wells above are located off-lease. All flow lines will be maintained by Yates in a safe condition and any leaks or failures will be reported to the NMOCD.

Exhibit I shows basic location and completion data for the ten wells. Except for off-lease gas measurement, all facets of production handling will remain the same as for existing wells in the area. Any condensate produced will be separated, stored, measured and sold at the wellsite. Transwestern will install a meter house at each measurement point and pipeline employees will do the actual metering of the natural gas produced.

David Catanach January 7, 1988

Exhibit 2 presents details of the plans for off-lease measurement. There is a summary page, one general schematic diagram and then a map for each well showing the route of the flowline from well to point of off-lease gas measurement. The summary page includes information on both mineral and surface ownership for all leases involved. The gathering lines will be constructed of welded tubing laid on the surface except where burying is required by the surface owner or regulatory agency. All necessary rights-of-way will be obtained before these gathering lines are installed.

Yates has applied for off-lease measurement from the Bureau of Land Management for the seven wells where the Federal government owns some or all of the mineral rights. Exhibit 3 contains a copy of the request sent to the BLM office in Roswell.

This request for off-lease measurement approval is based on economic considerations. Some of these wells have been shutin for over four years and have produced no revenue for anyone. Production from the wells obviously benefits the owners of the wells, but the public shares the direct benefits through government royalties and production taxes. Some Pecos Slope Abo wells have produced since 1983 via off-lease measurement with no apparent problems. Off-lease measurement for these wells is a reasonable compromise to help sell some New Mexico gas.

Yates Petroleum Corporation respectfully requests your approval of this application. If additional information is required, please contact me at 748-1471.

Sincerely,

DAVID F. BONEAU

Engineering Manager

Have Boneau

DFB/cvg

Attachments

Exhibit 1

Summary of Basic Data on Wells Requiring Off-Lease Measurement

	Well	Spac	Spacing Unit	Lease In Spaci	.ease (s) Spacing Unit	Completion Date	Potential Mcf/D	Producing Formation	Perforations (Feet)
i.	Caudill "RZ" Com #7	SW/4	17-6S-26E	80A 40A 40A	Fee KGS Fee	12-29-84	2273	Abo	37543972
2.	Crosby "TV" Federal #1	NE/4	15-8S-25E	160A	NM 27061	1-24-83	877	Abo	38054024
	Filaree "AEL" Federal #1	SE/4	33-8S-26E	160A	NM 29623	4-27-87	2493	Abo	47504756
4.	Huckaby "TJ" Federal #5	SW/4	19-8S-26E	160A	NM 18031	4-19-83	170	Abo	41644488
'n	Sacra "SA" #7Z	SE/4	22-6S-25E	80A 80A	Fee NM 20052	6-30-83	2085	Abo	36513706
9	Sacra "SA" #9	SW/4	19-6S-26E	160A	тее	3-29-83	725	Abo	3790-4038
7.	Sandlewood "AEW" State #1	SW/4	31-8S-27E	160A	LG 4916	11-23-87	784	Penn	62476270
8	Snell "Qz" #1	NW/4	31-6S-25E	160A	ъ Рее	8-27-84	1648	Abo	36263820
9.	Wheeler "AEE" Federal #1	SE/4	25-7S-24E	160A	NM 29821	5-18-87	1200	Abo	36523656
10.	Zane "ABS" Federal #1	SE/4	15-9S-26E	160A	NM 27791	7-28-86	2461	Abo	45464849

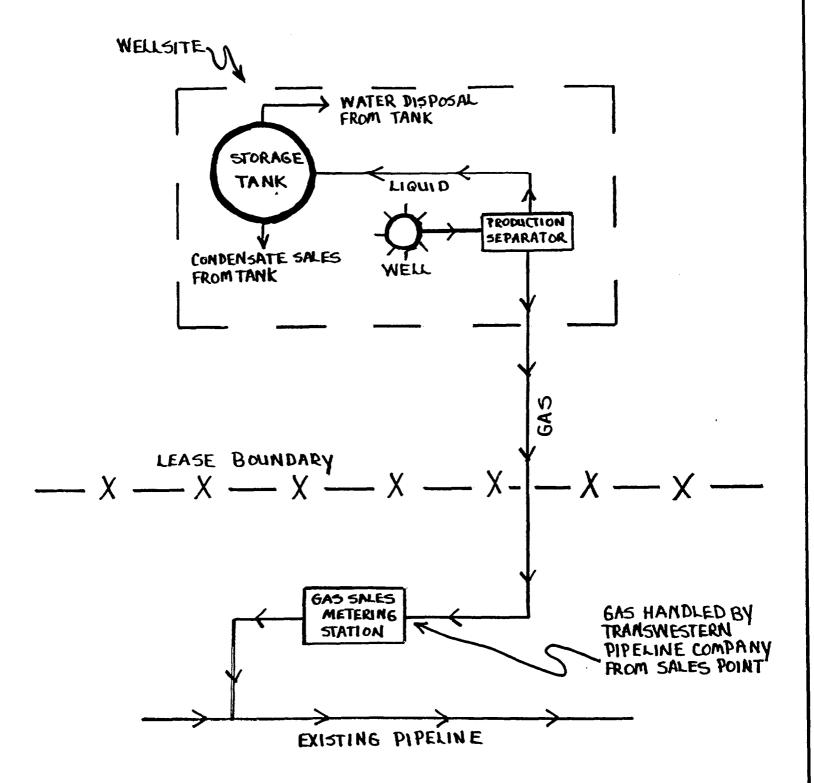
Contents of Exhibit 2

	Page
ass Lance Measurement	2-2
1. Summary of Lands Involved in Off-Lease Measurement	2-3
2. Schematic Diagram of Off-Lease Measurement	2-4
3. Map of Area around Caudill "RZ" Com #1	2-5
4. Map of Area around Crosby "TV" Federal #1	2-6
5. Map of Area around Filaree "AEL" Federal #1	2-7
6. Map of Area around Huckaby "TF" Federal #5	2-8
7. Map of Area around Sacra "SA" #7Z	2-9
8. Map of Area around Sacra "SA" #9 9. Map of Area around Sandlewood "AEW" State #1	2-10
9. Map of Area around Sandio	2-11
10. Map of Area around Snell "QZ" #1 11. Map of Area around Wheeler "AEE" Federal #1	2-12
11. Map of Area around Zane "ABS" Federal #1	2-13
12. Map of Area around 200	

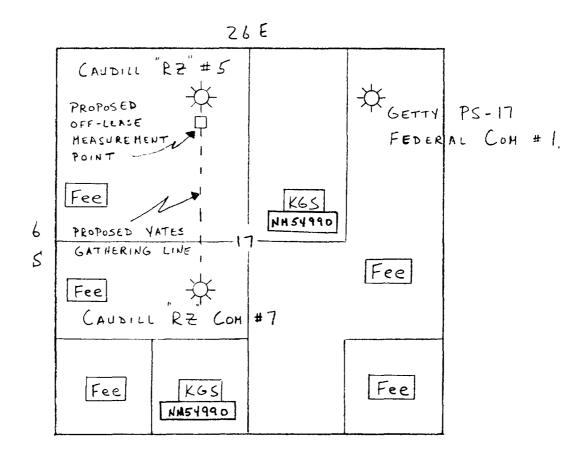
Summary of Lands Involved in Off-Lease Measurements

	Well	Location	Lease Containing Subject Well	Other Leases in Same 160 Acres	Lease Containing Otl Measurement Point by	Other Leases Crossed by Gathering Line
.	Caudill "RZ" Com #7	1980S + 1980W 17-6S-26E	Fee	40A KGS 40A Fee	Fee	None
2.	Crosby "TV" Federal #1	660N + 660E 15-8S-25E	Federal NM 27061	None	Federal NM 18483	None
÷	Filaree "AEL" Federal #1	660S + 1650E 33-8S-26E	Federal NM 29623	None	Federal NM 16790	Federal NM 29211
4.	Huckaby "TJ" Federal #5	1980S + 1980W 19-8S-26E	Federal NM 18031	None	Fee	None
5.	Sacra "SA" #7Z	660S + 660E 22-6S-25E	Fee	Federal NM 20052	Federal NM 10588	None
	Sacra "SA" #9	660S + 660W 19-6S-26E	Fee	None	Federal NM 25473	None
7.	Sandlewood "AEW" State #1	660S + 1980W 31-8S-27E	State LG 4916	None	State L 6406	State I 5441
œ́	Snell "QZ" #1	660N + 1980W 31-6S-25E	Fее	None	Fee	None
6	Wheeler "AEE" Federal #1	660S + 660E 25-7S-24E	Federal NM 29821	None	State LG 4352	None
10.	Zane "ABS" Federal #1	660S + 1980E 15-9S-26E	Federal NM 27791	None	Federal NM 29171	None

SCHEMATIC DIAGRAM OF OFF-LEASE GAS MEASUREMENT



CAUDILL RZ COM #7



CROSBY "TV" FEDERAL # 1

OFF-LEASE MEASUREHENT

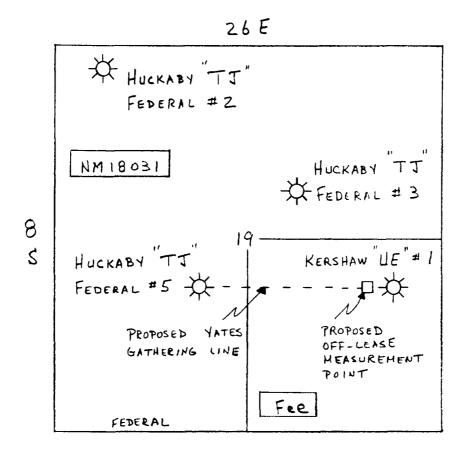
25 E MORTON "SZ" FEDERAL #3 NM18483 FEDERAL # 2 10 MORTON SZ" FEDERAL # 4 PROPOSED OFF-LEASE MEASUREMENT POINT PRUPOSED YATES 8 GATHERING LINE S NM27061 FEDERAL # 1 FEDERAL 15-BITTER LAKE NATIONAL WILDLIFE REFUGE

FILAREE AEL FEDERAL # 1

OFF-LEASE MEASUREMENT

26 E Fee NH 27790 NH 29623 34 33 FILAREE AEL" MARTIN ADW FEDERAL # 1 FEDERAL # 1 FEDERAL FEDERAL FEDERAL IX # 2 PROPOSED YATES NH 16790 GATHERING LINE -PROPOSED OFF-LEASE MEASUREMENT POINT 7 NH 28170 NH 29211 NM 28171 ENGWALL RL FEBERAL # 1 NM 16790 FEDERAL FEDE RAL

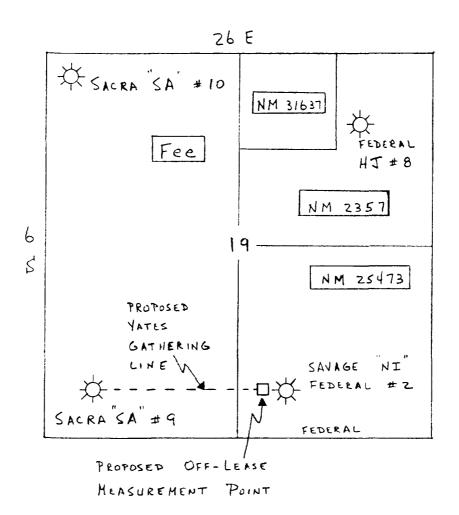
HUCKABY TJ FEDERAL #5



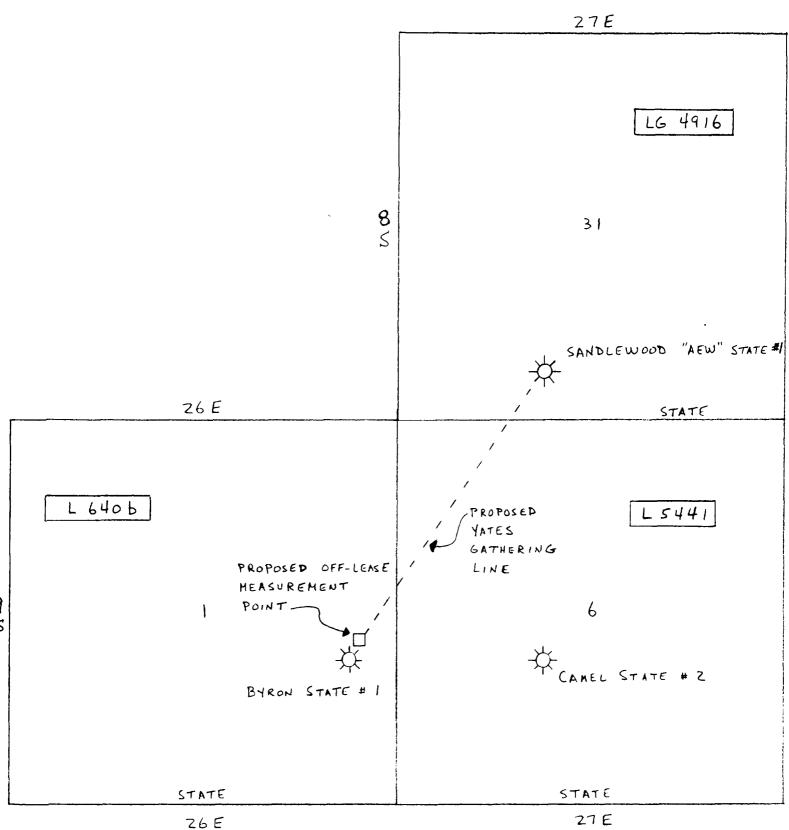
SACRA SA #72

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	NM 15862		NM 15862	QUAIL FEDERAL #2
	2	Z	- 2	3 FEDERAL
		NH 20052	SACRA SA	Fee #6
6	FEDERAL	SACRA SA #72	PROPOSED VATES GATHERING LINE PROPOSED OFF-L	SACRA SA # Z
\$		SACRA"SA" #5	GEORGE QJ" FEDERAL #6	POINT
	NM 14755		NM 10588	COTTENWOOD FEDERAL #Z
	2-	Fee	<u>2</u> →	6 NM15863
	POWERS "OL" FEDERAL #6	NH 10 < 88	GEORGE QT" FEDERAL #7	COTTENWOOD FEDERAL # 1
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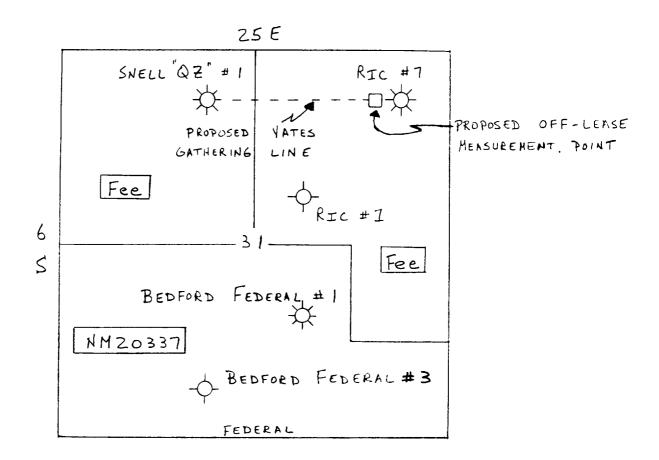
SACRA SA" #9

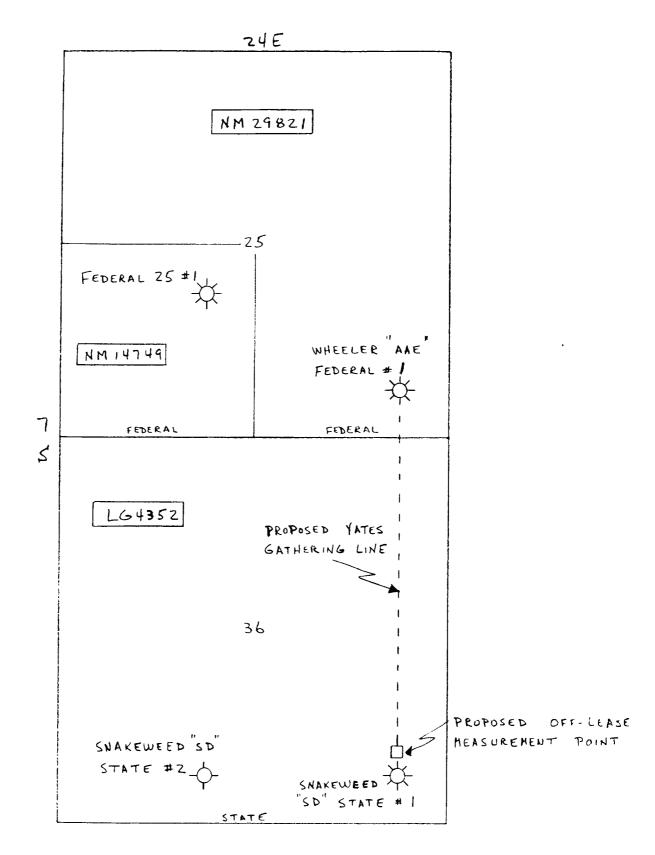


SANDLEWOOD ÄEW" STATE # 1

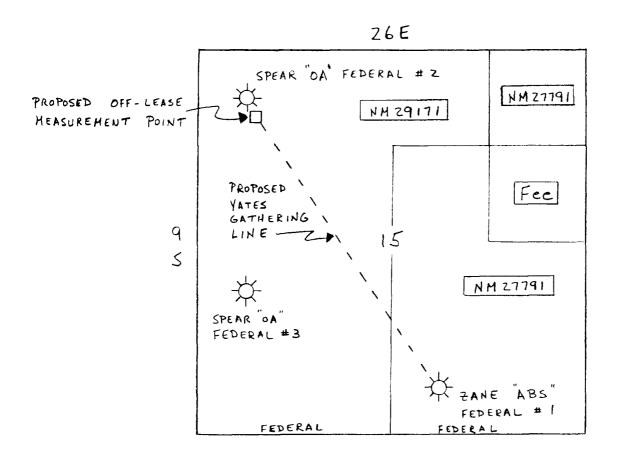


SNELL QZ" #1





ZANE ABS FEDERAL #1





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

February 15, 1988

S. P. YATES
PRESIDENT

JOHN A. YATES
VICE PRESIDENT

B. W. HARPER
SEC. - TREAS.

File-OCK-7

New Mexico Oil Conservation Division P. O. Box 2088 Santa Fe, New Mexico 87501

ATTN: David Catanach

RE: Off-Lease Measurement

Dear Mr. Catanach:

I enclose for your files a copy of the letter I sent to Floyd Prando of the State Land Office concerning off-lease measurement on the Sandlewood "AEW" State #1 in Unit M of Section 31-8S-27E in Chaves County, New Mexico.

Thank you for helping in this matter.

Sincerely,

DAVID F. BONEAU Engineering Manager

me Boneau

DFB/cvq

Attachment

FEB 17 19.3

FEB 17 1989