

K. K. K. 10-20-93 CYB

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



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

DIVISION

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

November 23, 1993

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87504-2088

ATTENTION: Mr. William LeMay
Director

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

Dear Mr. LeMay:

Yates Petroleum Corporation respectfully requests administrative approval to commingle production from two wells into a common tank battery and to permit production from each well to be transported prior to measurement to another well for storage thereon. It is proposed to commingle the production from the following wells:

Ocotillo ACI Federal #2
660' FSL & 660' FEL of
Section 10-T20S-R24E
Eddy County, New Mexico
NM-42787

Saguaro AGS Federal #1
1980' FSL & 660' FWL of
Section 11-T20S-R24E
Eddy County, New Mexico
NM-043625

The production from both wells will be commingled into a common storage facility located on the Saguaro AGS Federal #1 location. A map labeled Attachment I is enclosed for your information.

The purpose of this off-lease storage and surface commingling is to reduce operating costs for storage and treating and thereby extend 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 well.

Because working interests for the proposed wells are different from the well where the proposed storage facilities are located, 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

Off-Lease Storage, Etc.:

Page 2:

November 23, 1993

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 in both wells will be from the same producing zone which is the Canyon.

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

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".

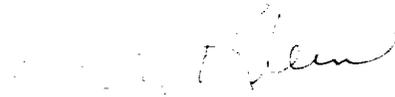
Attachment III Notification of working interest owners of the proposal to commingle production.

Attachment IV Notification to the Bureau of Land Management.

Yates Petroleum Corporation appreciates your cooperation in this matter. If you should have any questions or need further information, please give me a call at 505-748-1471.

Thank you.

Sincerely,



Rusty Klein
Production Clerk

rk

Attachments

ATTACHMENT I



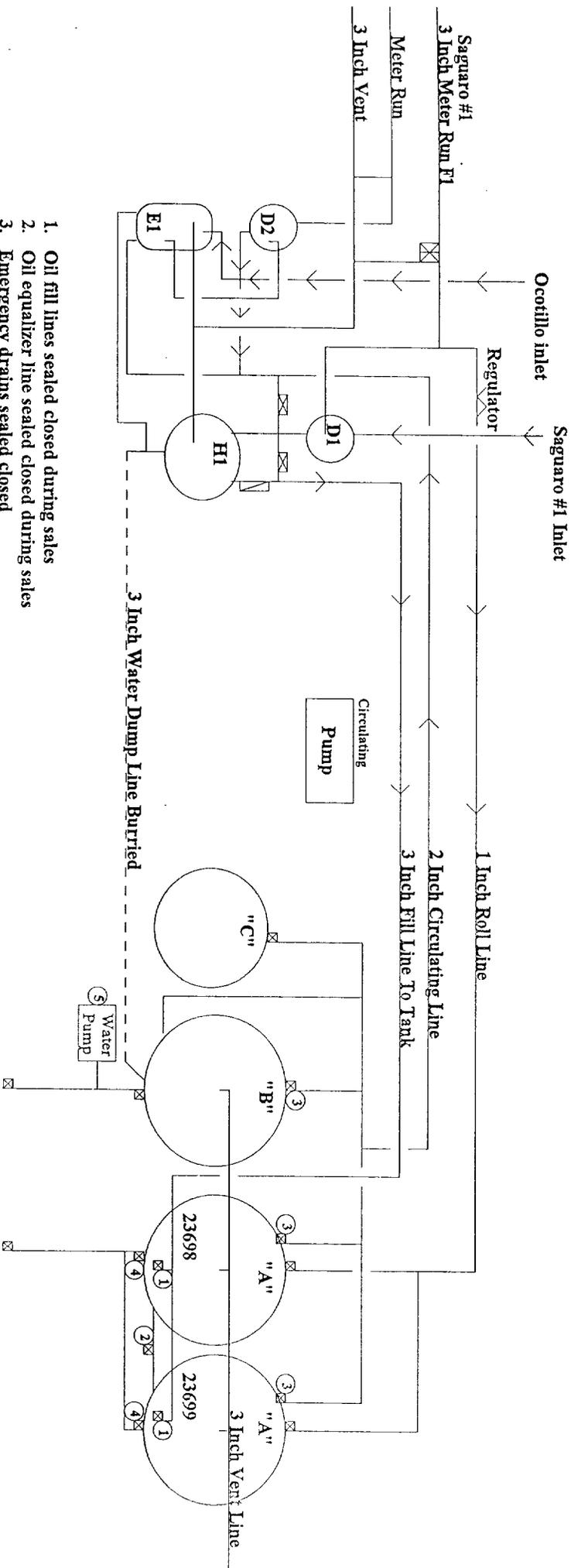
Yates Petroleum Corporation	
NEW MEXICO	
SEC. 10, 11 T20S-R24E	
San Francisco	Scale 1:25000
	11/27/95



105 SOUTH FOURTH STREET
 ARTESIA, NEW MEXICO 88210

Yates Petroleum

Saguaro 'AGS' #1 Tank Battery
 Sec. 11, T20S, R24E NM#043625
 Eddy County

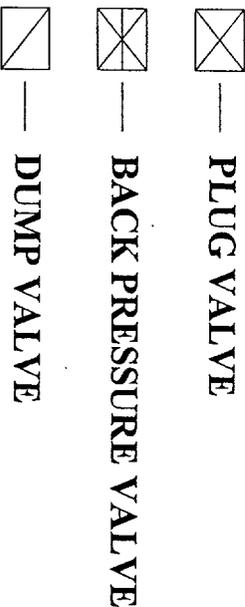


1. Oil fill lines sealed closed during sales
2. Oil equalizer line sealed closed during sales
3. Emergency drains sealed closed
4. Oil sales sealed closed except during sales
5. Water to Dagger Draw disposal

- A. 500 BBL oil storage
- B. 500 BBL water storage
- C. 210 BBL BS + W storage

- D1. Saguaro #1 separator
- D2. Ocotillo #2 separator
- E1. Ocotillo #2 water knockout
- F1. Saguaro #1 meter run
- F2. Ocotillo #2 meter run

G Heater treater



WORKING INTEREST OWNERS

Ocotillo ACI Federal #2 and Saguaro AGS Federal #1

Santa Fe Energy Company
550 W. Texas - Suite 1330
Midland, TX 79701
ATTN: Land Department

Santa Fe Operating Partners LP
P. O. Box 911701
Dallas, TX 75391-1701

Myco Industries, Inc.
Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

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November 23, 1993

Santa Fe Operating Partners LP
P. O. Box 911701
Dallas, TX 75391-1701

ATTENTION: Land Department

RE: Surface Commingling, Lease Commingling
and Off-Lease Storage
South Dagger Draw Upper Penn Pool
Eddy County, New Mexico .

Dear Sirs:

Yates Petroleum Corporation respectfully requests your approval for surface commingling, lease commingling and off-lease storage of production for the following wells:

Ocotillo ACI Federal #2
660' FSL & 660' FEL of
Section 10-T20S-R24E
Eddy County, New Mexico
NM-42787

Saguaro AGS Federal #1
1980' FSL & 660' FWL of
Section 11-T20S-R24E
Eddy County, New Mexico
NM-043625

The purpose of this off-lease storage and surface commingling is to reduce the operating costs for storage and treating and thereby extend the economic life of each well. Without approval for utilizing the already existing battery facilities on an adjacent location, separate facilities would have to be constructed for each of the wells. This would increase the operating costs and shorten the economic life of each of the wells.

Because interests for the proposed wells are different from those from the well where the proposed storage facilities are located, 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.

Off-Lease Storage, Etc.:

Page 2:

November 23, 1993

Enclosed you will find two (2) copies of this letter. Please sign both copies, retain one (1) copy for your files and return one (1) copy to my by December 23, 1993. If we do not hear from you by that date, we will assume that you have no objections to our proposal, and will request approval from the New Mexico Oil Conservation Division and the Bureau of Land Management for this proposed off-lease storage and surface commingling.

If you should have any questions, please give me a call at 505-748-1471.

Thank you for your cooperation.

Sincerely,



Rusty Klein
Production Clerk

rk

Agreed and accepted this _____ day of _____, 1993.

Signature

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1912 - 1985
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November 23, 1993

Santa Fe Energy
550 W. Texas - Suite 1330
Midland, TX 79701

ATTENTION: Land Department

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and Off-Lease Storage
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Eddy County, New Mexico

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Thank you for your cooperation.

Sincerely,



Rusty Klein
Production Clerk

rk

Agreed and accepted this _____ day of _____, 1993.

Signature

P 384 292 584

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

U.S.G.P.O. 1989-294-555

PS Form 3800, June 1985

Sent to Oil Conservation Division	
Street and No. P. O. Box 2088	
P.O., State and ZIP Code Santa Fe, NM 87504-2088	
Message Ben Stone	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date November 23, 1993 Ocotillo ACI Federal #2	

P 384 292 587

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

U.S.G.P.O. 1989-234-555

PS Form 3800, June 1985

Sent to Santa Fe Operating Partners	
Street and No. P. O. Box 911701	
P.O., State and ZIP Code Dallas, TX 75391-1701	
ATTN: Land Department	
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date November 23, 1993 Ocotillo ACI Federal #2	

P 384 292 586

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

U.S.G.P.O. 1989-234-555

PS Form 3800, June 1985

Sent to	Santa Fe Energy Company
Street and No.	550 W. Texas - Suite 1330
P.O., State and ZIP Code	Midland, TX 79701
Pay to the order of	Land Department
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	November 23, 1993 Ocotillo ACI Federal #2

P 384 292 585

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

U.S.G.P.O. 1989-234-555

PS Form 3800, June 1985

Sent to Bureau of Land Management	
Street and No. P. O. Box 1778	
P.O., State and ZIP Code Carlsbad, NM 88221-1778	
Postage	Richard Manus \$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date November 23, 1993 Ocotillo ACI Federal #2	