

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



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

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

August 22, 1991

New Mexico Energy, Minerals &
Natural Resources Department
Oil Conservation Division
State Land Office Building
P.O. Box 2088
Santa Fe, NM 87504

ATTN: Mr. William LeMay
Director

RE: Pincushion "AHN" #2
1980'FSL & 1980'FEL
J 25-19S-24E

Surface Commingling
Lease Commingling
Off-Lease Storage
Rule 303-B, 309-B, 309-C
South Dagger Draw-Upper
Pennsylvanian Pool
Eddy County, New Mexico

Dear Mr. LeMay:

Yates Petroleum respectfully requests administrative approval to commingle production from four wells drilled on two leases into a common tank battery and to permit the production from one lease to be transported prior to measurement to another lease for storage there on. It is proposed to commingle the production from the Dagger ZW #1, the Dagger ZW #2, the Pincushion AHN #1, and the Pincushion AHN #2 into a common storage facility located on the Pincushion AHN #2 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 and royalty interests are different, each of the well's production will be metered separately prior to surface commingling. The production in all four wells will be from the same producing zone which is the Lower Canyon

Dolomite. In accordance with the referenced Rules 303-B, 309-B and 309-C, the following diagrams, maps and well data 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 - Plats of the leases showing the wells and the formations in which they are completed or are proposed to be completed.

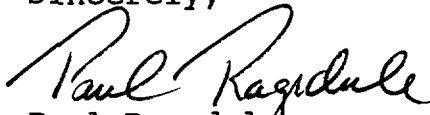
Attachment IV - Notice to lease interest owners of the proposal to commingle production.

Attachment V - Oil analysis from Lower Canyon Formation.

Attachment VI - Notification to the Bureau of Land Management for proposed off-lease storage.

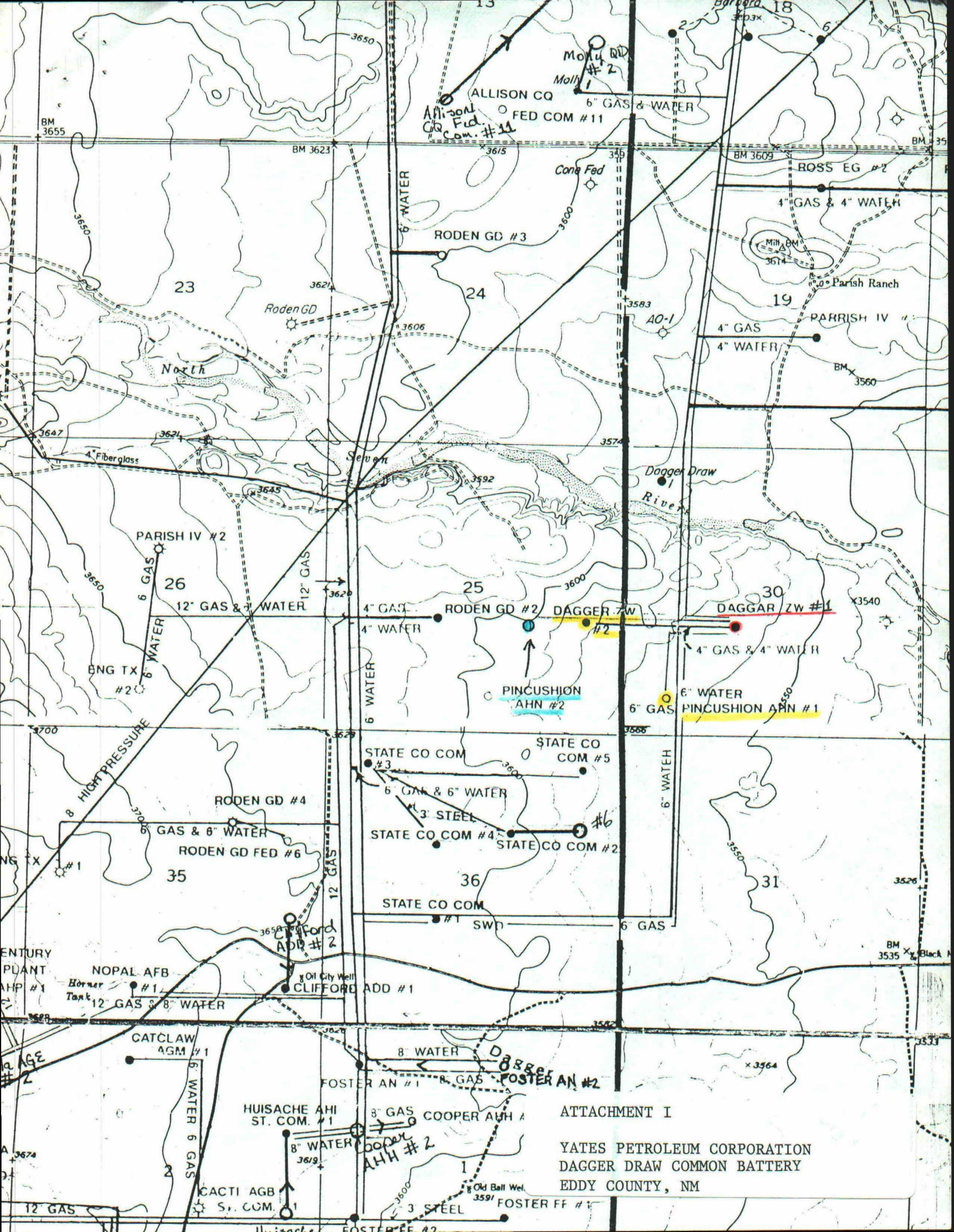
Yates Petroleum appreciates your cooperation in this matter. If you should need further information please contact me.

Sincerely,


Paul Ragsdale
Petroleum Engineer

PR/th

Attachments



ATTACHMENT IV

Copy of Notification of Interest Owners

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TREASURER

August 22, 1991

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

Dear Interest Owner,

Yates Petroleum is requesting your approval for off-lease storage and surface commingling of production from the following wells:

Dagger ZW #1
Sec 30-T 19S-R 25E
1980 FSL and 1980 FWL

Dagger ZW #2
Sec 25-T 19S-R 24E
1980 FSL and 660 FEL

Pincushion AHN #1
Sec 30-T 19S-R 25E
660 FSL and 660 FWL

Pincushion AHN #2
Sec 25-T 19S-R 24E
1980 FSL and 1980 FEL

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Because interests for the proposed wells are different from those from the lease where the proposed storage facilities are located, oil from each of the four 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.

We would appreciate your returning an approved copy of this letter to us by September 19, 1991 in the enclosed self-addressed envelope. 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 Bureau of Land Management and the New Mexico Oil Conservation Division for this proposed off-lease storage and surface commingling.

Yours very truly,

A handwritten signature in cursive script, reading "Paul Ragsdale".

Paul Ragsdale
Petroleum Engineer

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August 22, 1991

Estate of Kathleen Cone
P. O. Drawer 1509
Lovington, NM 88260

Dear Interest Owner,

Yates Petroleum is requesting your approval for off-lease storage and surface commingling of production from the following wells:

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Sec 30-T 19S-R 25E
1980 FSL and 1980 FWL

Dagger ZW #2
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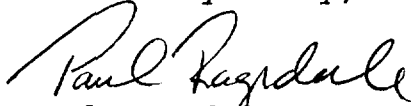
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TREASURER

August 22, 1991

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

Dear Interest Owner,

Yates Petroleum is requesting your approval for off-lease storage and surface commingling of production from the following wells:

Dagger ZW #1
Sec 30-T 19S-R 25E
1980 FSL and 1980 FWL

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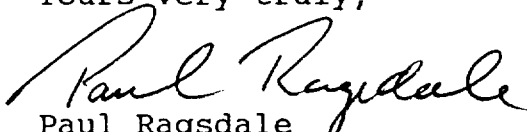
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Paul Ragsdale
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August 22, 1991

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

Dear Interest Owner,

Yates Petroleum is requesting your approval for off-lease storage and surface commingling of production from the following wells:

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Sec 30-T 19S-R 25E
1980 FSL and 1980 FWL

Dagger ZW #2
Sec 25-T 19S-R 24E
1980 FSL and 660 FEL

Pincushion AHN #1
Sec 30-T 19S-R 25E
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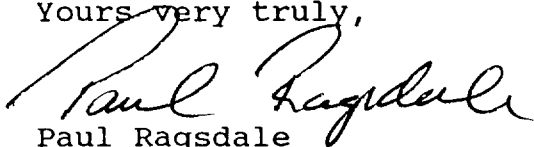
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Paul Ragsdale
Petroleum Engineer

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August 22, 1991

Marathon Oil Company
P. O. Box 552
Midland, TX 79702

Dear Interest Owner,

Yates Petroleum is requesting your approval for off-lease storage and surface commingling of production from the following wells:

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1980 FSL and 1980 FWL

Dagger ZW #2
Sec 25-T 19S-R 24E
1980 FSL and 660 FEL

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Yours very truly,

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Paul Ragsdale
Petroleum Engineer

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August 22, 1991

Oxy USA, Inc.
P. O. Box 50250
Midland, TX 79710

Dear Interest Owner,

Yates Petroleum is requesting your approval for off-lease storage and surface commingling of production from the following wells:

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Sec 30-T 19S-R 25E
1980 FSL and 1980 FWL

Dagger ZW #2
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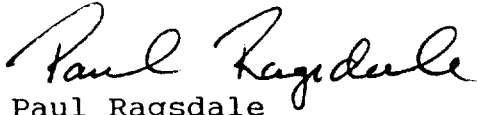
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August 22, 1991

Conoco, Inc.
10 Desta Drive
Suite 100 W.
Midland, TX 77905-4514

Attn: Leslie A. Hall

Dear Interest Owner,

Yates Petroleum is requesting your approval for off-lease storage and surface commingling of production from the following wells:

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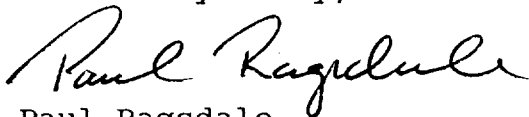
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August 22, 1991

Yates Petroleum Corporation
105 S. 4th Street
Artesia, NM 88210

Attn: Kathy Porter

Dear Interest Owner,

Yates Petroleum is requesting your approval for off-lease storage and surface commingling of production from the following wells:

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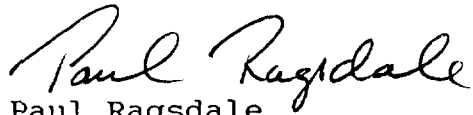
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105 S. 4th Street
Artesia, NM 88210

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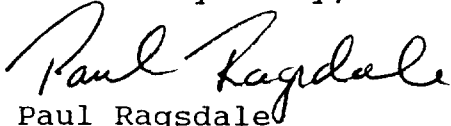
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August 22, 1991

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

Dear Interest Owner,

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1980 FSL and 660 FEL

Pincushion AHN #1
Sec 30-T 19S-R 25E
660 FSL and 660 FWL

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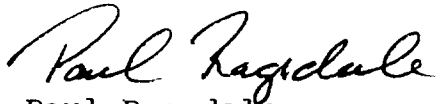
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August 22, 1991

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

Attn: Carlyn Jarm

Dear Interest Owner,

Yates Petroleum is requesting your approval for off-lease storage and surface commingling of production from the following wells:

Dagger ZW #1
Sec 30-T 19S-R 25E
1980 FSL and 1980 FWL

Dagger ZW #2
Sec 25-T 19S-R 24E
1980 FSL and 660 FEL

Pincushion AHN #1
Sec 30-T 19S-R 25E
660 FSL and 660 FWL

Pincushion AHN #2
Sec 25-T 19S-R 24E
1980 FSL and 1980 FEL

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 the already existing battery facilities on an adjacent lease, separate facilities would have to be constructed for each of these wells. This would increase operating costs and shorten the economic life of each of the wells.

Because interests for the proposed wells are different from those from the lease where the proposed storage facilities are located, oil from each of the four 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.

We would appreciate your returning an approved copy of this letter to us by September 19, 1991 in the enclosed self-addressed envelope. 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 Bureau of Land Management and the New Mexico Oil Conservation Division for this proposed off-lease storage and surface commingling.

Yours very truly,

A handwritten signature in cursive script, reading "Paul Ragsdale". The signature is written in dark ink and is positioned above the printed name and title.

Paul Ragsdale
Petroleum Engineer

PR/th

Enclosure

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



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

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

August 22, 1991

Dekalb Energy Company
1625 Broadway
Denver, CO 80202

Attn: K. G. Ranum

Dear Interest Owner,

Yates Petroleum is requesting your approval for off-lease storage and surface commingling of production from the following wells:

Dagger ZW #1
Sec 30-T 19S-R 25E
1980 FSL and 1980 FWL

Dagger ZW #2
Sec 25-T 19S-R 24E
1980 FSL and 660 FEL

Pincushion AHN #1
Sec 30-T 19S-R 25E
660 FSL and 660 FWL

Pincushion AHN #2
Sec 25-T 19S-R 24E
1980 FSL and 1980 FEL

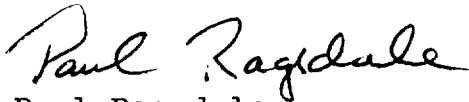
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Because interests for the proposed wells are different from those from the lease where the proposed storage facilities are located, oil from each of the four wells will be measured by positive displacement, temperature compensated, metering equipment prior to surface commingling. Gas from the wells will also be metered separately. This metering

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We would appreciate your returning an approved copy of this letter to us by September 19, 1991 in the enclosed self-addressed envelope. 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 Bureau of Land Management and the New Mexico Oil Conservation Division for this proposed off-lease storage and surface commingling.

Yours very truly,

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Paul Ragsdale
Petroleum Engineer

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DENNIS G. KINSEY
TREASURER

August 22, 1991

Cathie Cone Auvenshine
P. O. Box 658
Dripping Springs, TX 78260-0658

Dear Interest Owner,

Yates Petroleum is requesting your approval for off-lease storage and surface commingling of production from the following wells:

Dagger ZW #1
Sec 30-T 19S-R 25E
1980 FSL and 1980 FWL

Dagger ZW #2
Sec 25-T 19S-R 24E
1980 FSL and 660 FEL

Pincushion AHN #1
Sec 30-T 19S-R 25E
660 FSL and 660 FWL

Pincushion AHN #2
Sec 25-T 19S-R 24E
1980 FSL and 1980 FEL

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 the already existing battery facilities on an adjacent lease, separate facilities would have to be constructed for each of these wells. This would increase operating costs and shorten the economic life of each of the wells.

Because interests for the proposed wells are different from those from the lease where the proposed storage facilities are located, oil from each of the four 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.

We would appreciate your returning an approved copy of this letter to us by September 19, 1991 in the enclosed self-addressed envelope. 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 Bureau of Land Management and the New Mexico Oil Conservation Division for this proposed off-lease storage and surface commingling.

Yours very truly,

A handwritten signature in cursive script that reads "Paul Ragsdale".

Paul Ragsdale
Petroleum Engineer

PR/th

Enclosure



CORE LABORATORIES

2001 Commerce Drive
P.O. Box 4337
Midland, Texas
79704
(817) 694-7761

Page 1 of 17
File RFLM 90017
State CO #2

Date Sampled: December 1, 1989

FORMATION CHARACTERISTICS

Formation Name	Canyon
Date First Well Completed	N/A
Original Reservoir Pressure	3010 psig @ 7572 ft.
Original Produced Gas/Liquid Ratio	N/A SCF/Bbl
Production Rate	N/A Bbls/Day
Separator Pressure and Temperature	N/A psig N/A °F.
Liquid Gravity at 60°F.	N/A °API
Datum	N/A ft. Subsea

WELL CHARACTERISTICS

Elevation	3618 ft. KB, 3605 ft. CL
Total Depth	9427 ft. TD 8800 ft. PBDT
Producing Interval	7751-7843 ft.
Tubing Size and Depth	2 7/8 In. to 7699 ft.
Open Flow Potential	409 BOPD, 817 MCFD, 979 BWPD
Last Reservoir Pressure	2000 psig @ N/A ft.
Date	N/A
Reservoir Temperature	130°F. @ 7565 ft.
Status of Well	N/A
Pressure Gauge	N/A

SAMPLING CONDITIONS

Flowing Tubing Pressure	331 psig
Flowing Bottom Hole Pressure	931 psig
Primary Separator Pressure	67 psig
Primary Separator Temperature	100°F.
Secondary Separator Pressure	29 psig
Secondary Separator Temperature	108°F.
Field Stock Tank Liquid Gravity	44.5°API @ 60°F.
Primary Separator Gas Production Rate	709.711 MSCF/Day
Pressure Base	15.025 psia
Temperature Base	60°F.
Compressibility Factor (Fpv)	1.000
Gas Gravity (Laboratory)	0.737
Gas Gravity Factor (Fg)	1.000
Stock Tank Liquid Production Rate @ 60°F.	735.55 Bbls/Day
Primary Separator Gas/Stock Tank Liquid Ratio	965 SCF/Bbl

Sampled by
REMARKS:

Testteller Inc.

YATES PETROLEUM CORPORATION

DACGER DRAW COMMON BATTERY

EDDY COUNTY, NEW MEXICO

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



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DENNIS G. KINSEY
TREASURER

August 22, 1991

ATTACHMENT VI

Bureau of Land Management
P.O. Box 1778
Carlsbad, NM 88220

ATTN: Mr. Richard Manus
Area Manager

RE: Pincushion "AHN" #2
1980'FSL & 1980'FEL
J 25-19S-24E

Off Lease Storage & Surface Commingling
South Dagger Draw - Upper Pennsylvanian Pool
Eddy County, New Mexico

Dear Mr. Manus:

Yates Petroleum Corporation formally requests approval to commingle production on the surface from four wells in the referenced South Dagger Draw Pool which would require off-lease storage and off-lease measurement for two of the wells. A detailed explanation, including maps and diagrams is enclosed for your information.

The proposal is to build a battery on the location of the Dagger ZW #2 located 1980 FSL and 660 FEL of Section 25, Township 19 South, Range 24 East, (marked in red on Attachment 1), and then commingle the production from the Dagger ZW #1, the Dagger ZW #2, the Pincushion AHN #1 and the Pincushion AHN #2 (marked in blue on Attachment I). Although the production will be commingled into a common battery, each individual well's production will be measured separately by positive displacement, temperature compensated metering equipment prior to commingling. This will ensure that all production from each well will be accounted for equitably. Attachment II is a diagram of the proposed metering facilities and the consolidated tank batteries, and identifies all equipment utilized.

Attachment III is a map showing the lease numbers and location of all leases and wells that will be connected to the proposed off-lease facility. The communitized leases are outlined in red.

This proposal is a result of the continuous development of our leases in the Dagger Draw Pool. The purpose of the off-lease storage and surface commingling is to reduce operating costs and capital costs for storage and thereby extend the economic life of the well. We anticipate that each of these wells will produce on a daily average basis 200-300 BOPD, 500-600 BWPD and 500-750 MCFD. The oil will be stored in tanks and then sold and pipelined to a refinery, the water will be gathered in the Yates Water Disposal System and eventually be injected into disposal wells, and the gas will be gathered into a gas gathering system and then sold. All of these produced fluids will be metered before commingling. It is anticipated that by commingling production into consolidated battery a savings of \$50,000 per well will be realized.

Therefore, we respectfully request the approval to commingle these wells into a consolidated battery and utilize off-lease storage and measurement. If you need any further information please contact me.

Sincerely,

A handwritten signature in black ink, reading "Paul Ragsdale". The signature is written in a cursive, flowing style.

Paul Ragsdale
Petroleum Engineer

PR/th

Attachments