

MAY 06 1993

3162 (067)
NM-0486

MAY 06 1993

CERTIFIED-RETURN RECEIPT REQUIRED
P 135 585 959

Yates Petroleum Corporation
Attention: Rusty Klein
105 South Fourth Street
Artesia, NM 88210

RE: Lease NM-0486
Well No. 1-Garretson AMI Federal & Well No. 79Y-Big Eddy Unit
NE $\frac{1}{4}$ SW $\frac{1}{4}$ and NW $\frac{1}{4}$ SE $\frac{1}{4}$, Sec. 21, T21S, R28E
Eddy County, New Mexico

Gentlemen:

Your request to surface commingle production including off-lease storage and off-lease measurement and off-lease sales from the Well No. 1-Garretson AMI Federal and Well No. 79Y-Big Eddy Unit at the well No. 79Y-Big Eddy Unit tank battery, located in the NW $\frac{1}{4}$ SE $\frac{1}{4}$, Sec. 21, is hereby approved subject to the following conditions of approval:

1. This agency be notified of any change in your sales method or location of the sales meter.
2. This agency shall be notified of any spill or discharge as required by NTL-3A.
3. This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
4. This commingling is based on economics and will not result in reduced royalty.
5. This approval does not constitute right-of-way approval for any off ease activities. You need to submit within 30 days an application for right-of-way approval to the Realty Section in this office if you have not already done so.
6. This approval is subject to the concurrence of the New Mexico Oil Conservation Division.

As stated in your application, production will be allocated by measuring the production from each well separately prior to commingling using positive displacement temperature compensated metering equipment.

Please contact Adam Salameh, Petroleum Engineer, at (505) 887-6544 or at the letterhead address if any further information is required.

Sincerely,

/s/ Cary Bowers

FOR Richard L. Manus
Area Manager

bcc:
NM (065, B. Lopez, D. Glass)
NM (067, A. Salameh, G. Bowers, E. Inman)

NMOCD - Attn.: Mr. D. R. Catanach
P. O. Box 2088
Santa Fe, NM 87504

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



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

OIL CONSERVATION DIVISION
RECEIVED
FEB 22 1993

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

February 22, 1993

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

ATTENTION: Mr. William LeMay, Director

RE: Surface Commingling
Lease Commingling
Off-Lease Storage
Rule 303-B, 309-B & 309-C
Fenton Delaware Pool
Eddy County, New Mexico

Garretson AMI Federal #1
Unit K, 1980' FSL & 2310' FWL
Section 21-T21S-R28E

Big Eddy Unit #79-Y
Unit J, 1980' FSL & 1930' FEL
Section 21-T21S-R28E

Dear Mr. LeMay:

Yates Petroleum Corporation respectfully requests administrative approval to commingle production from two wells drilled on one lease into a common tank battery and to permit the production from one well to be transported prior to measurement to another well for storage thereon. It is proposed to commingle the production from the Garretson AMI Federal #1 and the Big Eddy Unit #79-Y into a common storage facility located on the Big Eddy Unit #79-Y 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 both wells will be from the same producing zone which is the Delaware. 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 the Delaware Formation.
- Attachment VI Notification to Bureau of Land Management for proposed off-lease storage.

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

Sincerely,



Rusty Klein
Production Clerk

rk

Attachments

17

16

15

21S 28E

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Garretson AMI Federal #1
Unit K, 1980' FSL & 2310' FWL
Section 21-T21S-R28E

Big Eddy Unit #79-Y
Unit J, 1980' FSL & 1930' FEL
Section 21-T21S-R28E

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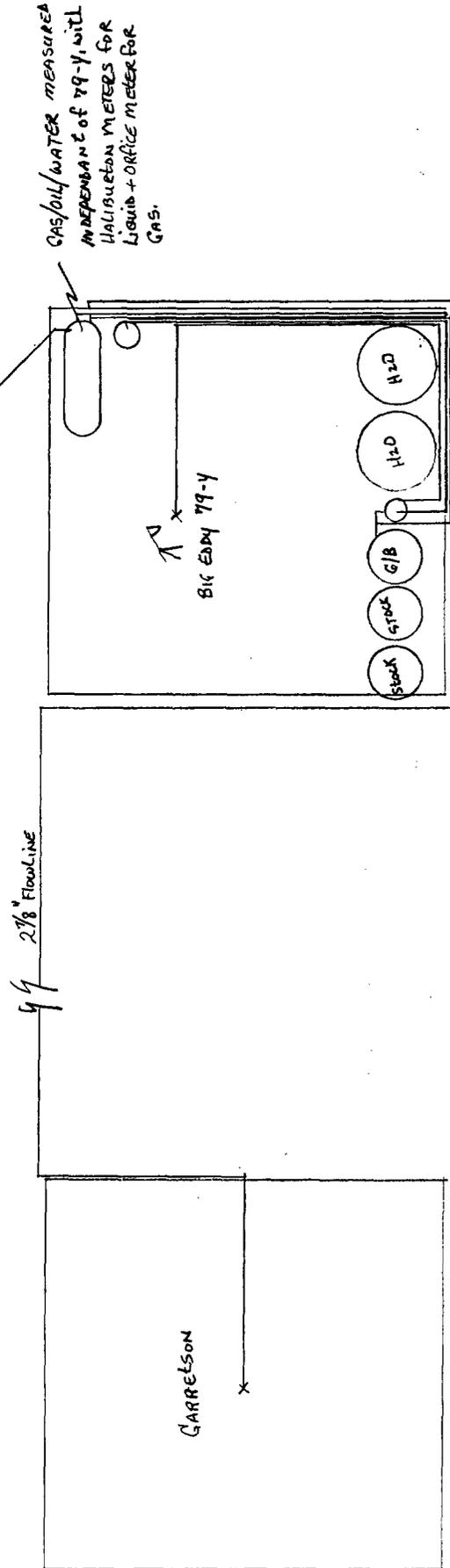
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33

ATTACHMENT I

YATES PETROLEUM CORPORATION
FENTON DELAWARE COMMON BATTERY
EDDY COUNTY, NEW MEXICO



YATES PETROLEUM CORPORATION
 FENTON DELAWARE COMMON BATTERY

for
 Garretson AMI Federal #1
 and

Big Eddy Unit #79-Y
 Section 21-T21S-R28E
 Eddy County, New Mexico

ATTACHMENT II

WORKING INTEREST OWNERS

Garretson #1

Yates Petroleum Corporation
Yates Drilling Company
Myco Industries, Inc.
Abo Petroleum Company

Big Eddy Unit #79-Y

Abo Petroleum Company
Mary D. Duggan
Estate of Lillie M. Yates
Yates Drilling Company
Estate of Martin Yates III
Yates Petroleum Corporation

ROYALTY OWNERS

U. S. Government

U. S. Government

OVERRIDING ROYALTY INTEREST OWNERS

Ralph Nix, Jr.
Frances Nix
Mary D. Duggan
Shirley D. McGeahearty
Gladys Koontz
Sara Garretson
Loneta S. Curtis, as Trustee of the
Loneta S. Curtis Living Trust under
Agreement dated March 24, 1992

Loneta S. Curtis
Mary D. Duggan
Gladys Koontz
Shirley McGeahearty
Ralph Nix, Jr.
Yates Bros.

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
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PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

February 22, 1993

Yates Petroleum Corporation
Yates Drilling Company
Myco Industries, Inc.
Abo Petroleum Company
Yates Brothers
105 South Fourth Street
Artesia, NM 88210

ATTENTION: Randy Patterson
Land Manager

RE: Surface Commingling, Lease
Commingling and Off-Lease Storage
Fenton Delaware Pool
Eddy County, New Mexico

Dear Mr. Patterson:

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

Garretson AMI Federal #1
Unit K, 1980' FSL & 2310' FWL
Section 21-T21S-R28E

Big Eddy Unit #79-Y
Unit J, 1980' FSL & 1930' FEL
Section 21-T21S-R28E

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.

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 me in the enclosed self-addressed stamped envelope, by March 15, 1993. If we do not hear from you

Off-Lease Storage & Surface Commingling

Page 2:

February 22, 1993

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.

Sincerely,



Rusty Klein
Production Clerk

rk

Approved and Accepted this _____ day of March, 1993.

Signature

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



105 SOUTH FOURTH STREET
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TREASURER

February 22, 1993

Estate of Martin Yates III
Estate of Lillie M. Yates
105 South Fourth Street
Artesia, NM 88210

ATTENTION: Randy Patterson
Land Manager

RE: Surface Commingling, Lease Commingling
and Off-Lease Storage
Fenton Delaware Pool
Eddy County, New Mexico

Dear Mr. Patterson:

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

Garretson AMI Federal #1	Big Eddy Unit #79-Y
Unit K, 1980' FSL & 2310' FWL	Unit J, 1980' FSL & 1930' FEL
Section 21-T21S-R28E	Section 21-T21S-R28E

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.

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Off-Lease Storage and Surface Commingling

Page 2:

February 22, 1993

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Sincerely,



Rusty Klein
Production Clerk

rk

Enclosures

Approved and Accepted this _____ day of March, 1993.

Signature

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



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DENNIS G. KINSEY
TREASURER

February 22, 1993

Ralph Nix, Jr.
Frances Nix
P. O. Box 440
Artesia, NM 88210

RE: Surface Commingling, Lease
Commingling and Off-Lease Storage
Fenton Delaware Pool
Eddy County, New Mexico

Dear Mr. Nix:

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

Garretson AMI Federal #1
Unit K, 1980' FSL & 2310' FWL
Section 21-T21S-R28E

Big Eddy Unit #79-Y
Unit J, 1980' FSL & 1930' FEL
Section 21-T21S-R28E

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.

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Off-Lease Storage and Surface Commingling

Page 2:

February 22, 1993

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Sincerely,



Rusty Klein
Production Clerk

rk

Enclosures

Approved and Accepted this _____ day of March, 1993.

Signature

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1912 - 1985
FRANK W. YATES
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DENNIS G. KINSEY
TREASURER

February 22, 1993

Mary D. Duggan
c/o Bill J. McCaw
P. O. Box 376
Artesia, NM 88210

RE: Surface Commingling, Lease
Commingling and Off-Lease Storage
Fenton Delaware Pool
Eddy County, New Mexico

Dear Ms. Duggan and Mr. McCaw:

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

Garretson AMI Federal #1
Unit K, 1980' FSL & 2310' FWL
Section 21-T21S-R28E

Big Eddy Unit #79-Y
Unit J, 1980' FSL & 1930' FEL
Section 21-T21S-R28E

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.

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Off-Lease Storage and Surface Commingling

Page 2:

February 22, 1993.

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Sincerely,



Rusty Klein
Production Clerk

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Enclosures

Approved and Accepted this _____ day of March, 1993.

Signature

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



105 SOUTH FOURTH STREET
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RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

February 22, 1993

Loneta S. Curtis
c/o Bill J. McCaw
P. O. Box 376
Artesia, NM 88210

RE: Surface Commingling, Lease
Commingling and Off-Lease Storage
Fenton Delaware Pool
Eddy County, New Mexico

Dear Ms. Curtis and Mr. McCaw:

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

Garretson AMI Federal #1
Unit K, 1980' FSL & 2310' FWL
Section 21-T21S-R28E

Big Eddy Unit #79-Y
Unit J, 1980' FSL & 1930' FEL
Section 21-T21S-R28E

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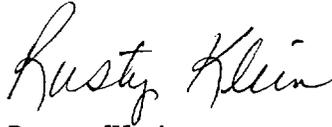
Off-Lease Storage and Surface Commingling

Page 2:

February 22, 1993

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Sincerely,



Rusty Klein
Production Clerk

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Enclosure

Approved and Accepted this _____ day of March, 1993.

Signature

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



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DENNIS G. KINSEY
TREASURER

February 22, 1993

Gladys Koontz
c/o Bill J. McCaw
P. O. Box 376
Artesia, NM 88210

RE: Surface Commingling, Lease
Commingling and Off-Lease Storage
Fenton Delaware Pool
Eddy County, New Mexico

Dear Ms. Koontz and Mr. McCaw:

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

Garretson AMI Federal #1	Big Eddy Unit #79-Y
Unit K, 1980' FSL & 2310' FWL	Unit J, 1980' FSL & 1930' FEL
Section 21-T21S-R28E	Section 21-T21S-R28E

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.

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Off-Lease Storage and Surface Commingling

Page 2:

February 22, 1993

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Sincerely,



Rusty Klein
Production Clerk

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Enclosure

Approved and Accepted this _____ day of March, 1993.

Signature

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1912 - 1985
FRANK W. YATES
1936 - 1986



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RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

February 22, 1993

Shirley McGeahearty
c/o Bill J. McCaw
P. O. Box 376
Artesia, NM 88210

RE: Surface Commingling, Lease
Commingling and Off-Lease Storage
Fenton Delaware Pool
Eddy County, New Mexico

Dear Ms. McGeahearty and Mr. McCaw:

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

Garretson AMI Federal #1	Big Eddy Unit #79-Y
Unit K, 1980' FSL & 2310' FWL	Unit J, 1980' FSL & 1930' FEL
Section 21-T21S-R28E	Section 21-T21S-R28E

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Off-Lease Storage and Surface Commingling

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Sincerely,



Rusty Klein
Production Clerk

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Enclosure

Approved and Accepted this _____ day of March, 1993.

Signature

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1912 - 1985
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DENNIS G. KINSEY
TREASURER

February 22, 1993

Sara Garretson
c/o Bill J. McCaw
P. O. Box 376
Artesia, NM 88210

RE: Surface Commingling, Lease
Commingling and Off-Lease Storage
Fenton Delaware Pool
Eddy County, New Mexico

Dear Ms. Garretson and Mr. McCaw:

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

Garretson AMI Federal #1
Unit K, 1980' FSL & 2310' FWL
Section 21-T21S-R28E

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Unit J, 1980' FSL & 1930' FEL
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Sincerely,



Rusty Klein
Production Clerk

rk

Enclosure

Agreed and Accepted this _____ day of March, 1993.

Signature

P 864 871 551



Certified Mail Receipt

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to Ralph Nix, Jr.	
Frances Nix	
Street & No. P. O. Box 440	
P.O., State & ZIP Code Artesia, NM 88210	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Address of Delivery	
TOTAL Postage & Fees	\$
Postmark or Date February 26, 1993 Off Lease Storage & Surface Comm. - Garretson	

PS Form 3800, June 1990

P 864 871 553



Certified Mail Receipt

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to Loneta S. Curtis	
c/o Bill J. McGaw	
Street & No. P. O. Box 376	
P.O., State & ZIP Code Artesia, NM 88210	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Address of Delivery	
TOTAL Postage & Fees	\$
Postmark or Date February 26, 1993 Off Lease Storage & Surface Comm. - Garretson AMI #1	

PS Form 3800, June 1990

P 864 871 552



Certified Mail Receipt

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to Mary D. Duggan	
c/o Bill J. McGaw	
Street & No. P. O. Box 376	
P.O., State & ZIP Code Artesia, NM 88210	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Address of Delivery	
TOTAL Postage & Fees	\$
Postmark or Date February 26, 1993 Off Lease Storage & Surface Comm. - Garretson AMI #1	

PS Form 3800, June 1990

P 064 871 554



Certified Mail Receipt

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Do not use for International Mail
(See Reverse)

Sent to Gladys Koontz	
c/o Bill J. McCaw	
Street & No. P. O. Box 376	
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PS Form 3800, June 1990

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



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

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DENNIS G. KINSEY
TREASURER

February 22, 1993

Bureau of Land Management
P. O. Box 1778
Carlsbad, NM 88221-1778

ATTENTION: Mr. Richard Manus
Area Manager

RE: Surface Commingling, Lease
Commingling and Off-Lease Storage
Fenton Delaware Pool
Eddy County, New Mexico

Garretson AMI Federal #1
Unit K, 1980' FSL & 2310' FWL
Section 21-T21S-R28E

Big Eddy Unit #79-Y
Unit J, 1980' FSL & 1930' FEL
Section 21-T21S-R28E

Dear Mr. Manus:

Yates Petroleum Corporation formally requests approval to commingle production on the surface from two wells in the referenced Fenton Delaware Pool which would include off-lease storage and off-lease measurement for both wells. A detailed explanation, including maps and diagrams is enclosed for your information.

There is a battery located on the Big Eddy Unit #79-Y location, into which we would commingle the production of the Garretson AMI Federal #1 and the Big Eddy Unit #79-Y. 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 leases are outlined in red.

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

Off-Lease Storage and Surface Commingling

Page 2:

February 22, 1993

life of the well. We anticipate that the wells combined production will average 100 BOPD, 250 BWPD and 25 MCFPD. The oil will be stored in tanks and then sold and trucked to a refinery. The water will be stored in tanks and will eventually be injected into a disposal well. The gas will be sold. All of these produced fluids will be metered before commingling. It is anticipated that by commingling production into a 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 cursive script that reads "Rusty Klein".

Rusty Klein
Production Clerk

rk

Enclosure

TELEPHONE
(505) 748-3311



REFINING COMPANY

501 EAST MAIN STREET • P. O. DRAWER 159

EASYLINK
62905278
FAX
(505) 746-6410

ARTESIA, NEW MEXICO 88210

February 25, 1993

Mr. David Lanning
Yates Petroleum Corp.
207 South Fourth St.
Artesia, NM 88210-2193

Dear David:

The results of the requested analysis are as follows:

<u>Lease Name</u>	<u>Sulfer</u>	<u>Gravity</u>
YCO Garretson AMI #1	.26	41.5

Please advise if we can be of further assistance.

Sincerely,

A handwritten signature in dark ink, appearing to read "E E Cox". The signature is written in a cursive, somewhat stylized font.

E. E. Cox
Manager Lease Crude & Trucking

EEC/clm