



207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 746.3558

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

May 15, 1978

Mr. Joe D. Ramey, Secretary-Director
New Mexico Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Off Lease Storage, Penasco Draw
(Yeso, SA) Field

Dear Sir:

Under Provisions of OCC Rule 309C, Yates Petroleum Corporation seeks administrative approval for an exception to OCC Rule 309A whereby production from our Nix & Curtis JF lease may be transported by pipeline prior to measurement to individual tank batteries to be located on our McDonald JB lease in Unit A of Section 32-18S-26E. The Nix & Curtis lease is located in Unit D of 32-18S-26E.

The McDonald lease has a salt water disposal line, and a natural gas gathering line installed. The Nix & Curtis lease does not. Your approval of this request would allow Yates Petroleum Corporation to use the existing lines for both leases the savings to Yates would be approximately \$6,600.

The surface land is being used for ranching. Your approval of this request will better utilize the surface as the installation of additional pipelines would require 2.7 acres of land for right of ways.

1. All leases concerned have Yeso, San Andres production only.
2. Commingling of production will not result.
3. There will be no intercommunication of the handling, separating, treating, or storage facilities designated to each lease.

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4. Yates Petroleum is the sole working interest owner for leases concerned.
5. Ownership plats of the leases are attached.

Your approval of this exception will prevent waste and undue hardship but will protect correlative rights.

Yours very truly,

YATES PETROLEUM CORPORATION

A handwritten signature in black ink, appearing to read "Johnny M. Morgan". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Johnny M. Morgan
Production Superintendent

JMM/ob
Enclosure

[illegible]