

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

COMMINGLING ORDER PC-781

Yates Energy Corporation
P.O. Box 2323
Roswell, NM 88202

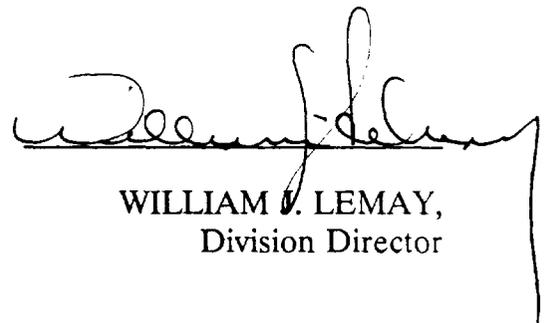
Attention: Sharon R. Hamilton

LEASE NAME: Desert Rose Federal Lease
DESCRIPTION: E/2 Section 27, T-23 South, R-23 East, NMPM, Eddy County, New Mexico.

The above-named company is hereby authorized to commingle Bandana Point Strawn and East Hess Morrow Pool production in a common tank battery and in a common gas sales line and to determine the production from each pool by well tests. (All commingled production must be of marginal nature; further, the operator shall notify the Santa Fe office of the Division in the event any well in the commingled battery becomes capable of top allowable production, at which time the Division will amend this order or take such other action as may be appropriate.

NOTE: This installation shall be installed and operated in accordance with the applicable provisions of Rule 303 of the Division Rules and Regulations and the Division "Manual for the Installation and Operation of Commingling Facilities." It is the responsibility of the producer to notify the transporter of this commingling authority.

DONE at Santa Fe, New Mexico, on this 11th day of December, 1990.



WILLIAM V. LEMAY,
Division Director