

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

November 20, 1990

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

Gentlemen:

Yates Petroleum respectfully requests administrative approval to commingle production from two or more 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 Sara AHA #1 and the Saguaro AGS Federal #6 into a common storage facility located on the Sara #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 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 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.

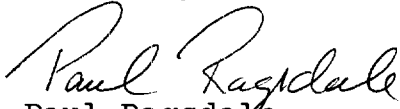
Attachment IV - Notice to lease interest owners of the proposal to commingle production.

Attachment V - Oil analysis from Lower Canyon Formation.

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

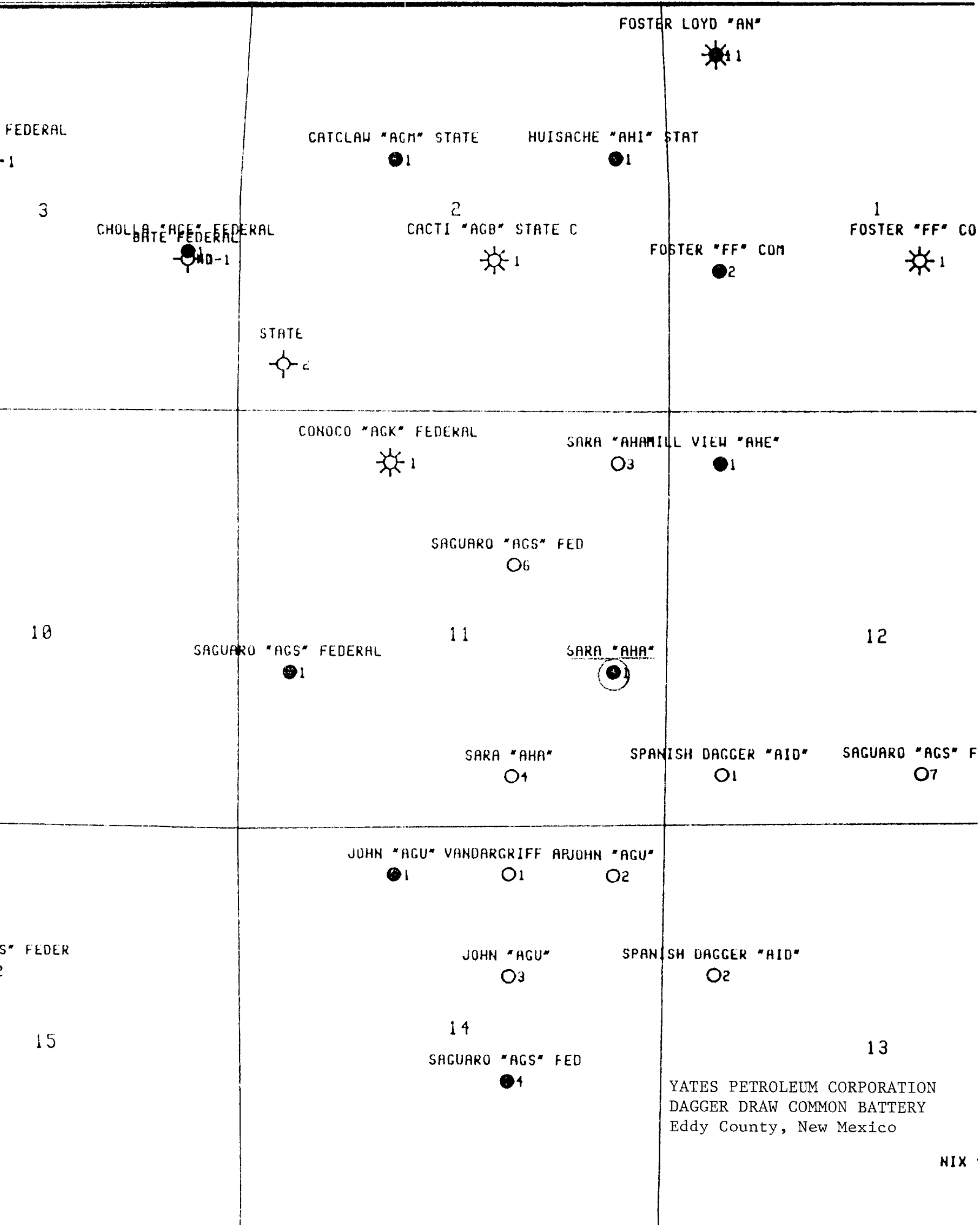
Yates Petroleum appreciates your cooperation in this matter. If you should need further information please contact me.

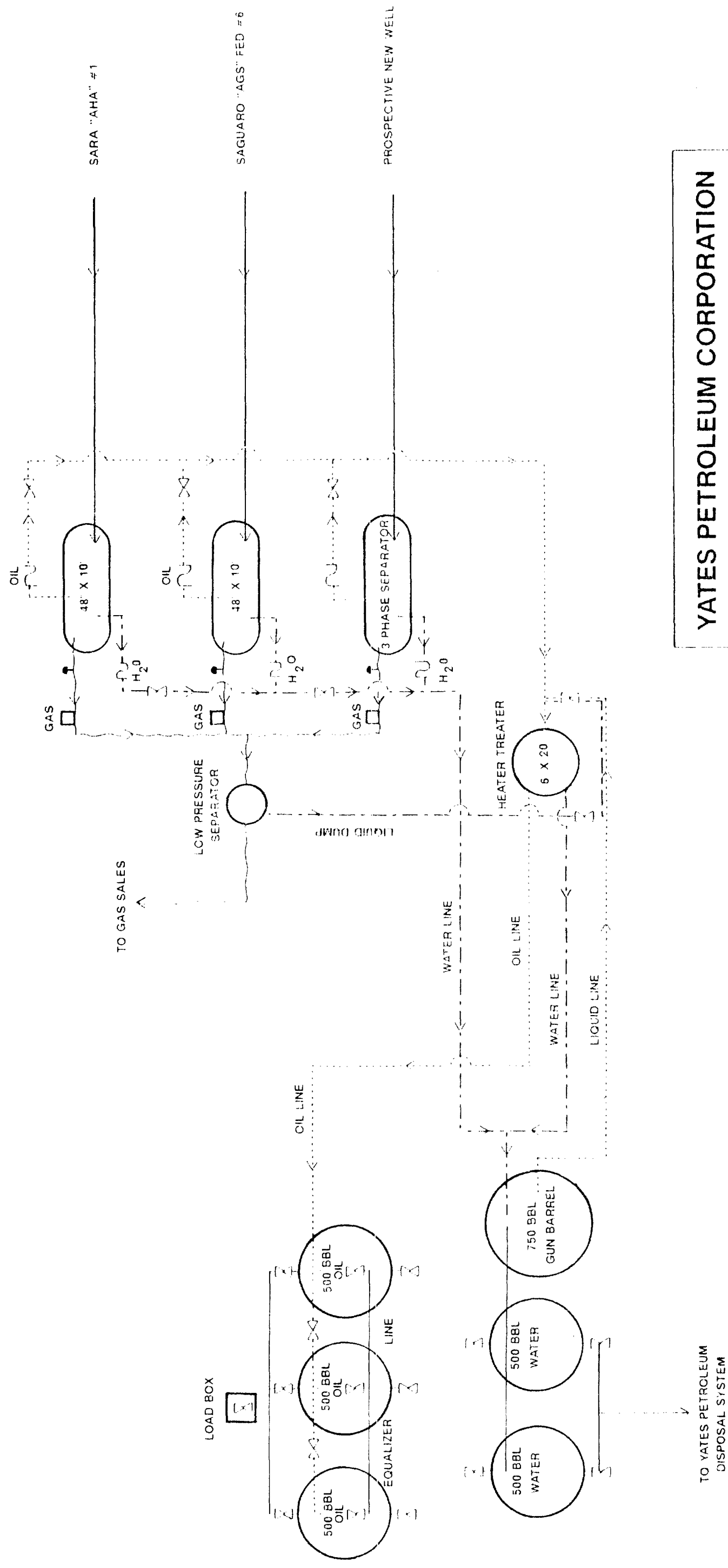
Sincerely,


Paul Ragsdale
Petroleum Engineer

PR/pbs

Attachments





YATES PETROLEUM CORPORATION

DAGGER DRAW COMMON BATTERY
EDDY COUNTY, NEW MEXICO

LIQUID METER

KEY: ☐ GAS METER

VALVES

ATTACHMENT IV

Copy of Notification of Interest Owners

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TREASURER

November 20, 1990

Santa Fe Energy Operating Partners, LP
500 W. Illinois, Suite 500
Midland, TX 79701

ATTACHMENT IV

Dear Interest Owner,


Yates Petroleum is requesting your approval for off-lease storage and surface commingling of production from our proposed Saguaro AGS Federal #6 to be located at 1980' FNL and 1980' FEL of Section 11, T-20S, R-24E, Eddy County, New Mexico.

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 this well. Without approval for utilizing the already existing battery facilities on an adjacent lease, separate facilities would have to be constructed just for this one well. This would increase operating costs and shorten the economic life of the well.

Because interests for the proposed well are different from those from the lease where the proposed storage facilities are located, oil from the Saguaro AGS Federal #6 will be measured by positive displacement, temperature compensated, metering equipment prior to surface commingling. Gas from the well will also be metered separately. This metering will ensure that all production from the Saguaro AGS Federal #6 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 December 10, 1990 in the enclosed postage paid 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,


Paul Ragsdale
Petroleum Engineer

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Yours very truly,
November 20, 1990

APPROVED:

DATE: _____

INTEREST OWNERS

Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

MYCO
105 South 4th Street
Artesia, New Mexico 88210

Santa Fe Energy Operating Partners, LP
Santa Fe Energy Company
500 W. Illinois, Suite 500
Midland, TX 79701



CORE LABORATORIES

2001 Commerce Drive
P O Box 4337
Midland, Texas
79704
(915) 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. GL
Total Depth	9427 ft. TD 8800 ft. PBTD
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:

Tefteller Inc.

YATES PETROLEUM CORPORATION

DAGGER DRAW COMMON BATTERY

EDDY COUNTY, NEW MEXICO

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November 20, 1990

ATTACHMENT VI

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

ATTN: Mr. Richard Manus
Area Manager

RE: 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 two wells in the referenced South Dagger Draw Pool which would require off-lease storage and off lease measurement for one 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 Sara AHA #1, 1980' FSL & 660' FEL of Sec 11-T20S-R-24E, (marked in red on Attachment 1), and then commingle the production from the Saguaro AGS Federal #6 (marked in yellow on Attachment 1). 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 B is a diagram of the proposed metering facilities and the consolidated tank batteries, and identifies all equipment utilized.

Attachment C 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.

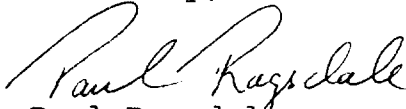
This proposal is a result of the continuous development of our leases in the Dagger Draw Pool. The purpose of the off-lease storage and surface commingling is to reduce operating costs and capital costs for storage and thereby extend the

Mr. Richard Manus
November 20, 1990
Page -2-

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 trucked 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,


Paul Ragsdale
Petroleum Engineer

PR/pbs

Attachments