

S. P. YATES CHAIRMAN OF THE BOARD

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PEYTON YATES
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RANDY G. PATTERSON

SECRETARY
DENNIS G. KINSEY
TREASURER

105 SOUTH FOURTH STREET

ARTESIA, NEW MEXICO 88210

TELEPHONE (505) 748-1471

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,

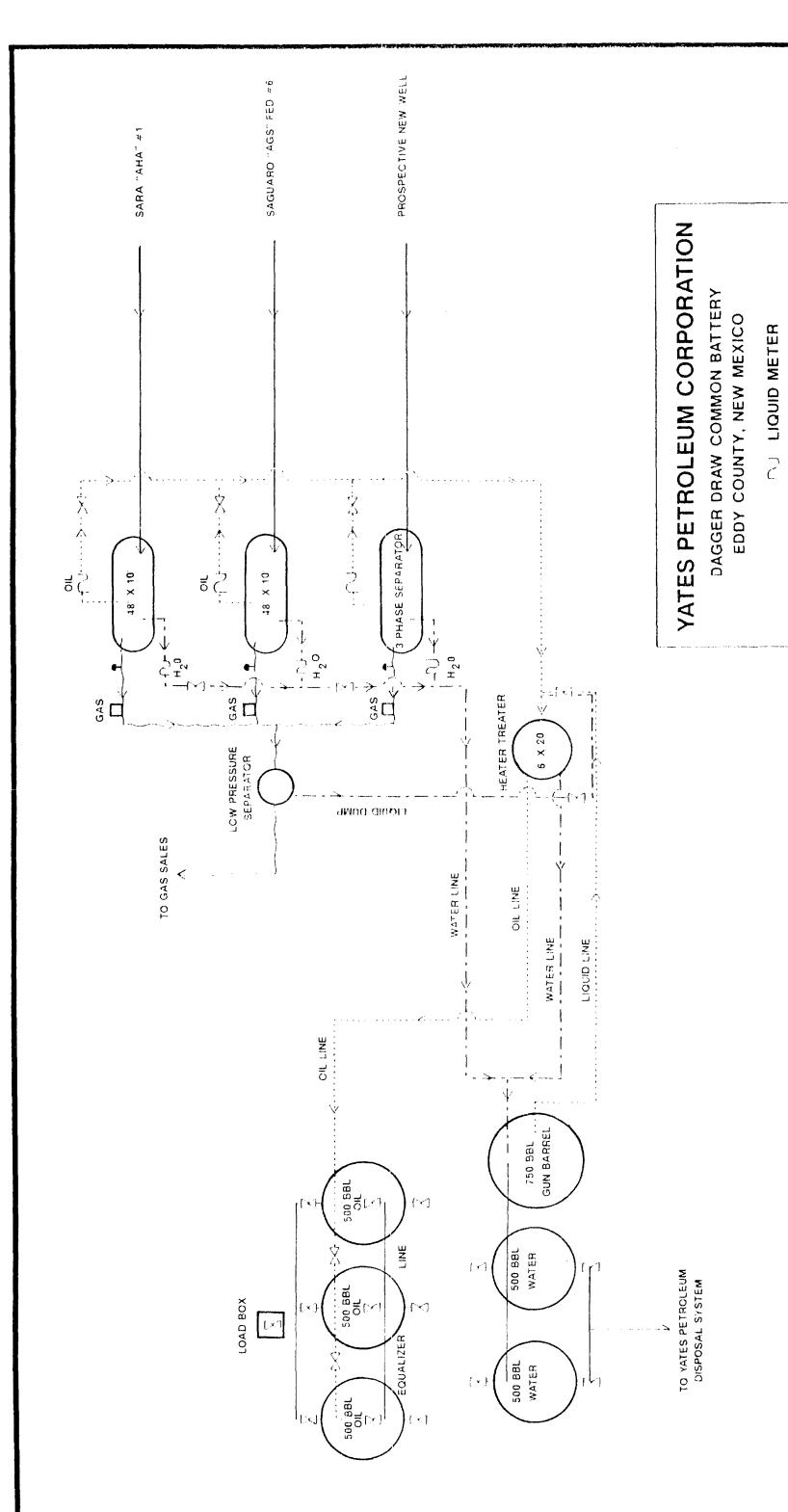
Paul Ragsdale

Petroleum Engineer

PR/pbs

Attachments

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ATTACHMENT IV

Copy of Notification of Interest Owners



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

105 SOUTH FOURTH STREET ARTESIA, NEW MEXICO 88210

TELEPHONE (505) 748-1471

November 20, 1990

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

ATTACHMENT IV

5 P. YATES CHAIRMAN OF THE BOARD JOHN A. YATES

PRESIDENT

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 Ragsda⁄le Petroleum Engineer



105 South Fourth Street ARTESIA, NEW MEXICO 88210

TELEPHONE (505) 748-1471

S. P. VATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
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November 20, 1990

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Yours very truly,	APPROVED:
November 20, 1990	
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/ Vaul Kazidale	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 psiq @ 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 15.025 psia Pressure Base 60°F. Temperature Base Compressibility Factor (Fpv) 1.000 0.737 Gas Gravity (Laboratory) 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



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

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TREASURER

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 offlease 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 Saquaro AGS Federal #6 (marked in yellow Attachment 1). Although the production will 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 offlease 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