



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



May 5, 2011

Administrative Order DHC-4372
Application Reference Number: pTGW1111152508

Yates Petroleum Corporation
Attn: Mr. Mike Hill
105 South Fourth Street
Artesia, NM 88210

Re: Loving AIB State Well No. 7
API No. 30-015-37126
Unit P, Section 16-23S-28E
Eddy County, New Mexico

Pool: South Loving Delaware Pool (Oil) (40380)
Wilcat Bone Spring (Gas)

Dear Mr. Hill:

Reference is made to your application for an exception to Division Rule 12.9A [19.15.12.9.A NMAC] to permit down hole commingling of production from the subject pools within the above-described wellbore.

It appears that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 12.11.A [19.15.12.11.A NMAC], that reservoir damage or waste will not result from such down hole commingling and correlative rights will not be violated. Accordingly, you are hereby authorized to commingle the production as described.

In accordance with Division Rule 12.11.A(6) [19.15.12.11.A(6) NMAC], the production attributed to any commingled pool within the well shall not exceed the allowable applicable to that pool.

Assignment of allowable and allocation of production from the well shall be as follows:

South Loving Delaware Pool	Pct Gas: 46%	Pct Oil: 95%
Wildcat Bone Spring (Gas) Pool	Pct Gas: 54%	Pct Oil: 5%

Oil Conservation Division

1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/OCD



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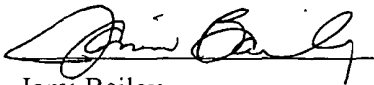
It is our understanding that the above allocation percentages are based on historical production from this well.

It is also understood that ownership of all interests in the pools from which production is being commingled is identical.

This approval is conditional upon approval by the New Mexico State Land Office prior to commencement of commingling.

The operator shall notify the Division's Artesia district office upon implementation of commingling operations.

Pursuant to Rule 12.11B [19.15.12.11.B NMAC], the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.



Jami Bailey
Director

JB/db

cc: Oil Conservation Division – Artesia
New Mexico State Land Office – Santa Fe

District I
1625 N French Drive, Hobbs, NM 88240

District II
1301 W Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S St. Francis Dr., Santa Fe, NM 87505

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE
☒ Single Well
☐ Establish Pre-Approved Pools
EXISTING WELLBORE
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

Yates Petroleum Corporation 105 South Forth Street, Artesia, NM 88210

Operator Address
Lease Well No. Unit Letter-Section-Township-Range County
Loving AIB 7 Unit P – Section 16 - 23S-28E Eddy

OGRID No. 025575 Property Code 12521 API No. 30-015-37126 Lease Type: Federal ☒ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Loving; Delaware South		Wildcat; Bone Springs (Gas)
Pool Code	40380		
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	6,048-6,224'		6,430-6,514'
Method of Production (Flowing or Artificial Lift)			
Bottomhole Pressure (Note Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)			
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1182 BTU		1144 BTU
Producing, Shut-In or New Zone	Shut In		Producing
Date and Oil/Gas/Water Rates of Last Production. (Note For new zones with no production history, applicant shall be required to attach production estimates and supporting data)	Date: 4/10/11 21 BO Rates: 105 MCFD 228 BW		Date: 2/27/11 1 BO Rates: 124 MCFD 1 BW
Fixed Allocation Percentage (Note If allocation is based upon something other than current or past production, supporting data or explanation will be required)	Oil 95% Gas 46%		Oil 5% Gas 54%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☒ No ☐
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes ☐ No ☐
Are all produced fluids from all commingled zones compatible with each other? Yes ☒ No ☐
Will commingling decrease the value of production? Yes ☐ No ☒
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes ☒ No ☐
NMOCD Reference Case No. applicable to this well: DHC - 4372 - 0

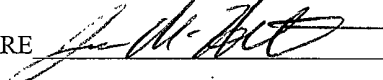
- Attachments:
- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
 - Production curve for each zone for at least one year. (If not available, attach explanation.)
 - For zones with no production history, estimated production rates and supporting data.
 - Data to support allocation method or formula.
 - Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
 - Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE  TITLE Operations Engineer DATE 4/19/11
TYPE OR PRINT NAME Mike Hill TELEPHONE NO. (575) 748-4219
E-MAIL ADDRESS mikeh@yatespetroleum.com

MARTIN YATES, III

1912-1985

FRANK W. YATES

1936-1986

S.P. YATES

1914-2008



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (575) 748-1471

JOHN A. YATES
CHAIRMAN OF THE BOARD

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PRESIDENT

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CHIEF OPERATING OFFICER

JOHN D. PERINI
CHIEF FINANCIAL OFFICER

March 25, 2011

OIL CONSERVATION DIVISION
1301 West Grand
Artesia, NM 88210
Attention: Randy Dade

Re: Loving AIB #7



Dear Mr. Dade:

Enclosed please find an amended copy of form C-107A (Application for Downhole Commingling) on Yates Petroleum Corporation Loving AIB #7 of Section 16- 23S-28E, Eddy County, New Mexico.

If you have any questions or need additional information, please call me at (575) 748-4361

Sincerely,

Debbie Chavez
Engineering Technician

Enclosure(s)
Complimentary Copy

KATHY H. PORTER
SECRETARY

DENNIS G. KINSEY
TREASURER

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☒ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or X Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U S Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Mike Hill

Print or Type Name

Signature

Area Engineer

Title

3/25/11

Date

mikeh@yatespetroleum.com
 e-mail Address

District I
1625 N French Drive, Hobbs, NM 88240
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1301 W Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S St Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE
☒ Single Well
☐ Establish Pre-Approved Pools
EXISTING WELLBORE
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

Yates Petroleum Corporation 105 South Forth Street, Artesia, NM 88210

Operator Address

Loving AIB 7 Unit P – Section 16 - 23S-28E Eddy
Lease Well No Unit Letter-Section-Township-Range County

OGRID No.025575 Property Code 12521 API No. 30-015-37126 Lease Type: Federal ☒ State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Loving; Delaware South		Wildcat; Bone Springs (Gas) <i>CULBERTA BLUFF; H, Long</i>
Pool Code	40380		
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	6,048-6,224'		6,430-6,514'
Method of Production (Flowing or Artificial Lift)			
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)			
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1182 BTU		1144 BTU
Producing, Shut-In or New Zone	Shut In		Producing
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: 3/8/11 Rates: 0 BOPD 112 MCFD 0 BWPD		Date: 3/25/11 Rates: 5 BOPD 60 MCFD 188 BWPD
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil 0% Gas 65%		Oil 100% Gas 35%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☒ No ☐
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes ☐ No ☐
Are all produced fluids from all commingled zones compatible with each other? Yes ☒ No ☐
Will commingling decrease the value of production? Yes ☐ No ☒
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes ☐ No ☐
NMOCD Reference Case No. applicable to this well: _____

Attachments:
C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
Production curve for each zone for at least one year. (If not available, attach explanation.)
For zones with no production history, estimated production rates and supporting data.
Data to support allocation method or formula.
Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
Any additional statements, data or documents required to support commingling.

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If application is to establish Pre-Approved Pools, the following additional information will be required:
List of other orders approving downhole commingling within the proposed Pre-Approved Pools
List of all operators within the proposed Pre-Approved Pools
Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.
SIGNATURE *Mike Hill* TITLE Operations Engineer DATE 3/25/11
TYPE OR PRINT NAME Mike Hill TELEPHONE NO. (575) 748-4219
E-MAIL ADDRESS mikeh@yatespetroleum.com

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State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-015-37126	² Pool Code	³ Pool Name CULEBRA BLUFF Wildcat; Bone Springs (Gas) - SOUTH
⁴ Property Code 12521	⁵ Property Name Loving AIB	
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation	
		⁶ Well Number #7
		⁹ Elevation 3,032'

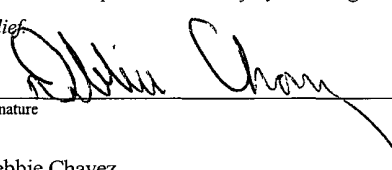
¹⁰ Surface Location

UL or lot no. P	Section 16	Township 23S	Range 28E	Lot Idn	Feet from the 510'	North/South line FSL	Feet from the 660'	East/West line FEL	County Eddy
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres 160		¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ Order No.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

					¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i>  Signature Debbie Chavez Printed Name Engineering Technician Title and E-mail Address 3/17/11 Date	
					¹⁸ SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i> Refer to Original Plat Date of Survey Signature and Seal of Professional Surveyor.	
					Certificate Number	

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
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1000 Rio Brazos Rd., Aztec, NM 87410
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1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-015-37126	² Pool Code 40380	³ Pool Name Loving; Delaware South
⁴ Property Code 12521	⁵ Property Name Loving AIB	
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation	
		⁶ Well Number #7
		⁹ Elevation 3,032'

¹⁰ Surface Location

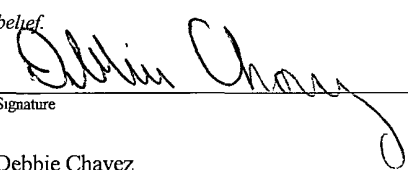
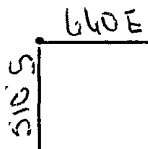
UL or lot no. P	Section 16	Township 23S	Range 28E	Lot Idn	Feet from the 510'	North/South line FSL	Feet from the 660'	East/West line FEL	County Eddy
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UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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				¹⁸ SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i> Refer to Original Plat Date of Survey Signature and Seal of Professional Surveyor
				Certificate Number

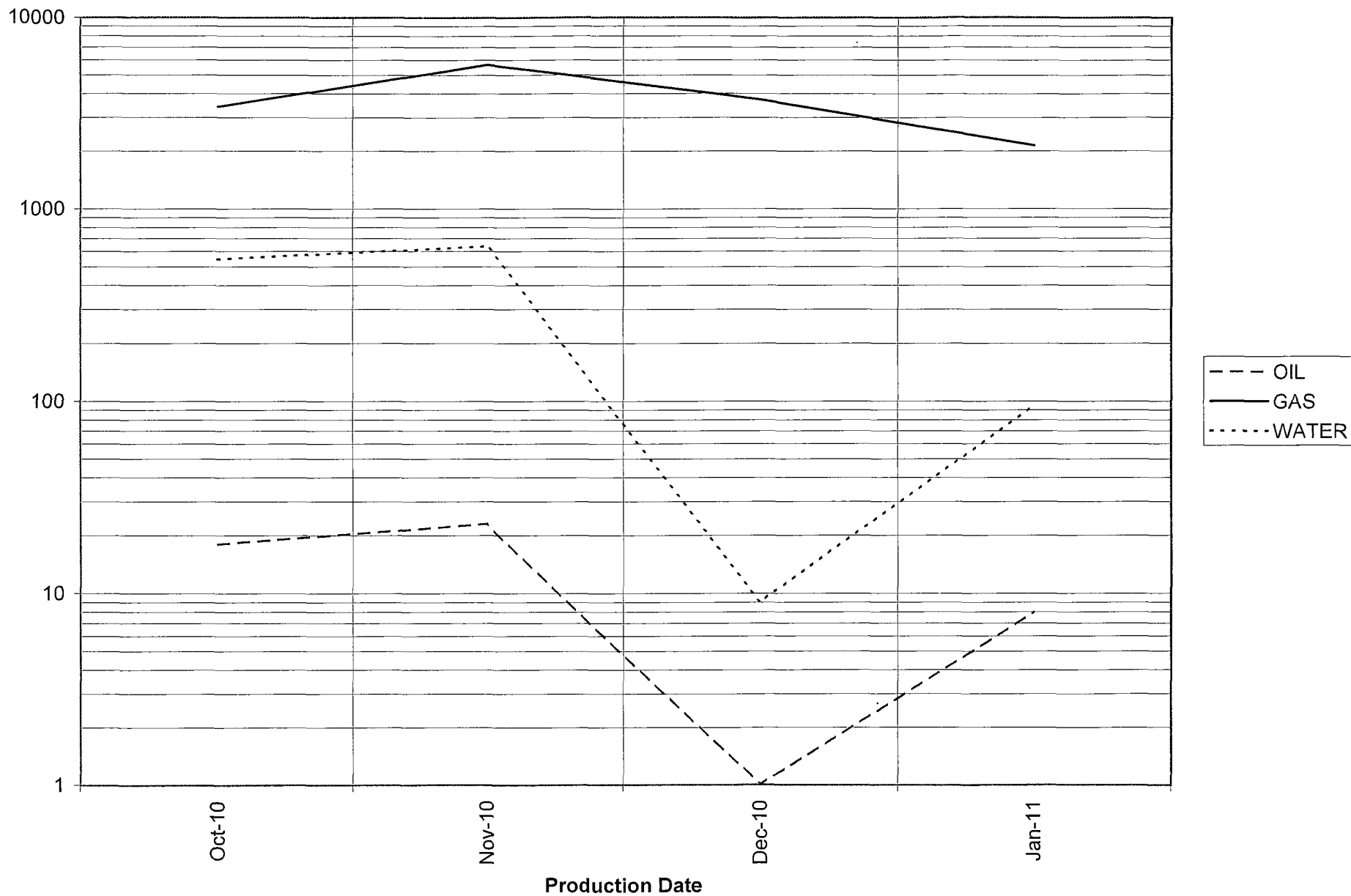
LOVING AIB STATE #7 (036993-007)

Cum Monthly Prod:

Oil = 50

Gas = 14,854

Water = 1,287



PRODDATE	OIL	GAS	WATER
10/1/2010	18	3403	546
11/1/2010	23	5622	637
12/1/2010	1	3698	9
1/1/2011	8	2131	95

We need to complete both zones to make an economic well.

The Delaware is a new zone and production curves are not available.