MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986

YATES PETROLEUM CORPORATION

105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
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RECEIVED
SEP 14 2005
OCD-ARTESIA

September 13, 2005

Tim Gum
State of New Mexico
OIL CONSERVATION DIVISION
1301 W. Grand
Artesia, New Mexico 88210

Re: Louise AYI #2

Dear Mr. Gum;

Yates Petroleum Corporation hereby seeks administrative approval to downhole commingle the production from Undesignated Happy Valley Strawn NE, Undesignated Crozier Bluff Atoka and Burton Flat Morrow pools in our Louise AYI #2 located in Unit letter B, of Section 25, Township 21 South, Range 26 East, in Eddy County, NM.

If you have any questions or need additional information, please call me at (505) 748-4219.

Sincerely,

Mike Hill
Operations Engineer

MH/dc

Enclosures

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

State of New Mexico
Energy, Minerals and Natural Resources Department

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

Form C-107A
Revised June 10, 2003

APPLICATION TYPE
_X_ Single Well
____ Establish Pre-Approved Pools
EXISTING WELLBORE
_X_ Yes ____ No

APPLICATION FOR DOWNHOLE COMMINGLING

Yates Petroleum Corporation — **105 South Forth Street, Artesia, NM 88210**
Operator — Address

Louise AYI #2 — **Unit B – Section 25 - 21S-26E** — **Eddy**
Lease — Well No. — Unit Letter-Section-Township-Range — County

OGRID No. **025575** Property Code **27525** API No. **30-015-33938** Lease Type: ___ Federal ___ State ___X___ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	**Undesignated Happy Valley Strawn NE**	**Undesignated Crozier Bluff Atoka**	**Burton Flat Morrow**
Pool Code	**78075**	**73730**	**73280**
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)			
Method of Production (Flowing or Artificial Lift)	**Flowing**	**Flowing**	**Flowing**
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)			
Producing, Shut-In or New Zone	**New Zone**	**New Zone**	**New Zone**
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.)	***New Zone*** Date: Rates:	***New Zone***	***New Zone*** Date: Rates:
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas Allocation % will be submitted when completed	Oil Gas Allocation % will be submitted when completed	Oil Gas Allocation % will be submitted when completed

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes___X___ 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___X___ No_____

Will commingling decrease the value of production? Yes_____ No___X_

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___X___ 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.

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 9-13-05

TYPE OR PRINT NAME Mike Hill TELEPHONE NO. (505) 748-4219

E-MAIL ADDRESS _____ mhill@ypcnm.com

There are no working, royalty and overriding royalty interests in this well other than Yates Petroleum Corporation.

The Burton Flat Morrow is a new zone and production curves are not available.

The Undesignated Happy Valley Strawn NE is a new zone and production curves are not available.

The Undesignated Crozier Bluff Atoka is a new zone and production curves are not available.