

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

FORM APPROVED OMB NO. 1004-0135 Expires: July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.

5. Lease Serial No. NMLC064488E

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

7. If Unit or CA/Agreement, Name and/or No.

1. Type of Well [X] Oil Well [ ] Gas Well [ ] Other

8. Well Name and No. OTTAWA AOW FED 3

2. Name of Operator YATES PETROLEUM CORPORATION Contact: MIRIAM MORALES Email: mmorales@yatespetroleum.com

9. API Well No. 30-015-28897-00-S2

3a. Address 105 SOUTH FOURTH STREET ARTESIA, NM 88210

3b. Phone No. (include area code) Ph: 575-748-4200

10. Field and Pool, or Exploratory PENASCO DRAW

4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Sec 10 T19S R25E NWNE 660FNL 1980FEL

11. County or Parish, and State EDDY COUNTY, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

Table with 2 main columns: TYPE OF SUBMISSION and TYPE OF ACTION. Includes checkboxes for Notice of Intent, Subsequent Report, Final Abandonment Notice, Acidize, Deepen, Production (Start/Resume), Water Shut-Off, etc.

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Yates Petroleum respectfully requests approval to off lease measure, sale and store production for the Ottawa AOW Federal #3.

NM OIL CONSERVATION ARTESIA DISTRICT

The production will be measured and sold at the Patrick API battery located at NWNW, Sec. 10-T19S-R25E. Please see site facility diagram and other documentation attach.

JAN 09 2015

The ownership is diversified. Included are the name and addresses of notified owners.

RECEIVED

Oil measurement Tanks will be isolated and no surface commingling will take place.

SEE ATTACHED FOR CONDITIONS OF APPROVAL

Gas measurement

14. I hereby certify that the foregoing is true and correct. Electronic Submission #234478 verified by the BLM Well Information System For YATES PETROLEUM CORPORATION, sent to the Carlsbad Committed to AFMSS for processing by MELIGHAN SALAS on 05/01/2014 (14MMS0058SE) Name (Printed/Typed) MIRIAM MORALES Title PRODUCTION ANALYST Signature (Electronic Submission) Date 02/04/2014 Accepted for records AOD RECORDED 1/14/15

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By [Signature] Title CFO / EPS Date 1/7/15 Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. Office CFO

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

**Additional data for EC transaction #234478 that would not fit on the form**

**32. Additional remarks, continued**

Each well will have its own meter and no surface commingle will take place.

All equipment is located on Fee land and waiver to access property will be given to BLM.

By utilizing the existing facilities the off lease measurement of production is in the interest of conservation, the reduction of environmental impact area, and overall emissions. It will not reduce royalty or improper measurement of production. No royalty rate or values will be affected.

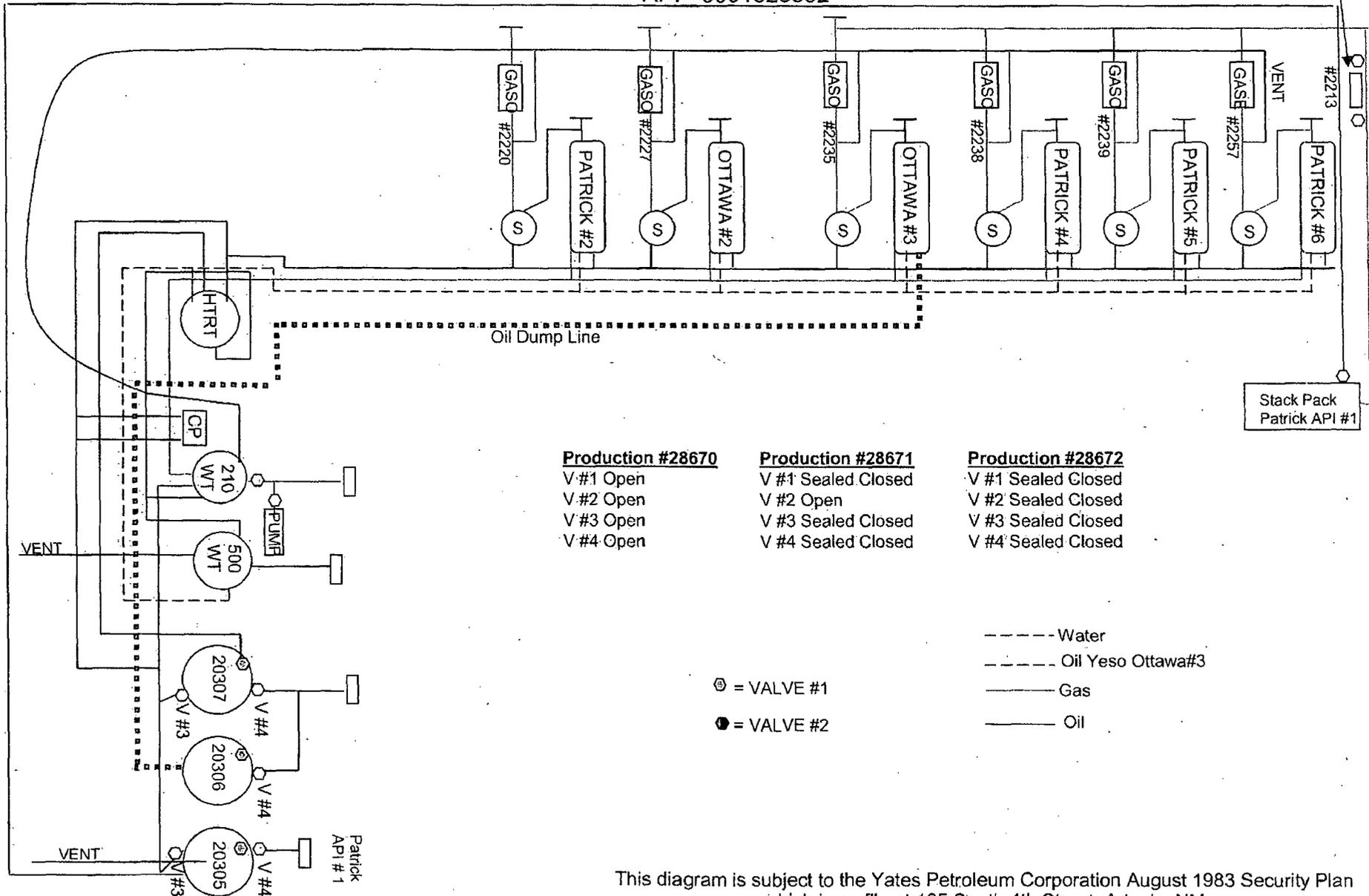
We understand that the request approval will not constitute the granting of any right-of-way or construction right not granted by the lease instrument. And, we will submit within 30 days an application for right-of-way approval to the BLM's Realty Section in your office if we have not already done so.



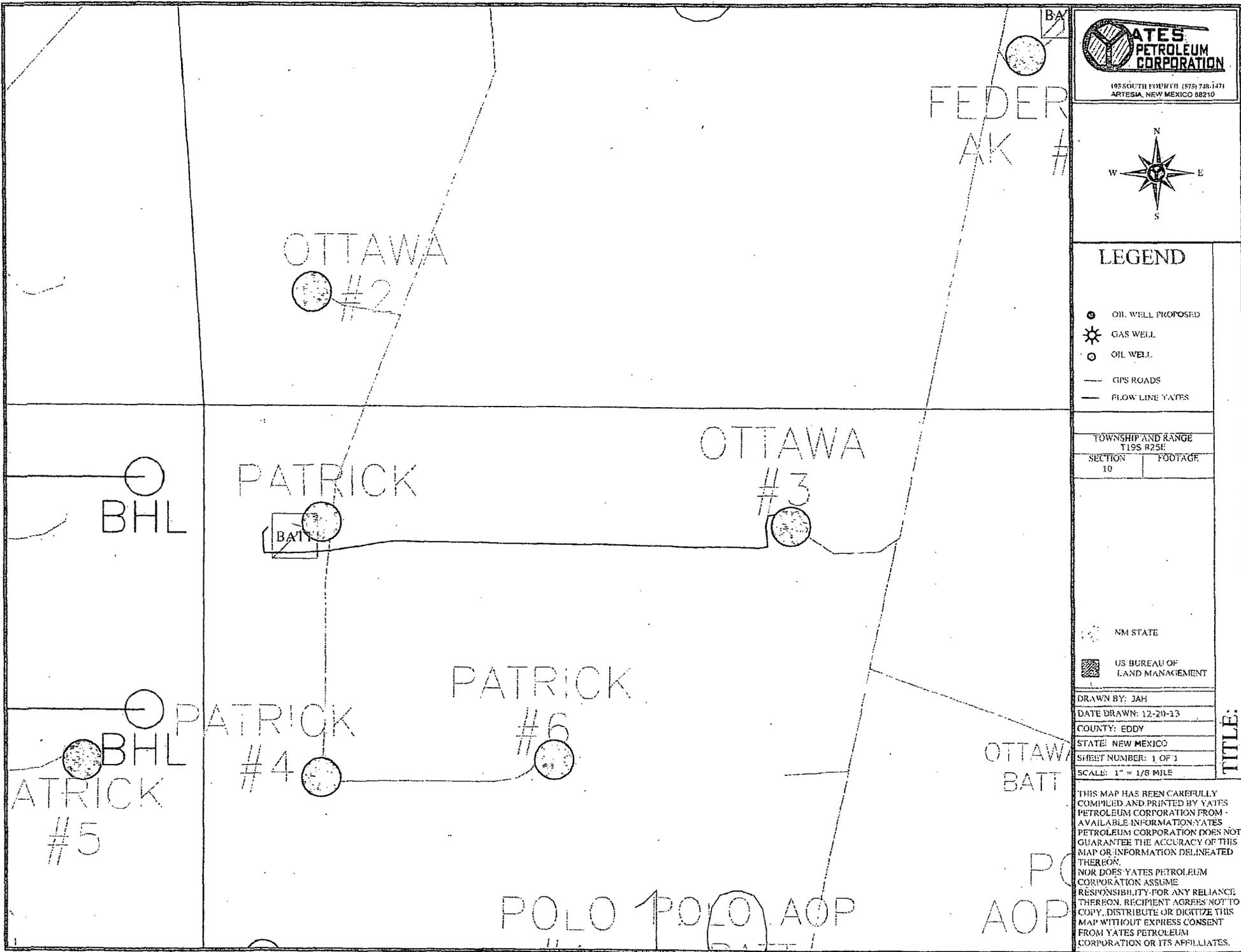
**PATRICK API BATTERY**  
 660' FNL & 660' FWL \* Sec 10 - T19S - R25E \* Unit D  
 Eddy County, NM  
 API - 3001528592

-Michael Farmer  
 -January, 2014

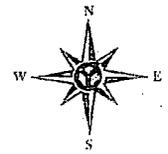
Patrick #1 GASO



This diagram is subject to the Yates Petroleum Corporation August 1983 Security Plan which is on file at 105 South 4th Street, Artesia, NM



**YATES PETROLEUM CORPORATION**  
 105 SOUTH FOURTH (975) 738-1471  
 ARTESIA, NEW MEXICO 88210



**LEGEND**

- OIL WELL PROPOSED
- ☼ GAS WELL
- OIL WELL
- GPS ROADS
- FLOW LINE YATES

TOWNSHIP AND RANGE  
 T19S R25E  
 SECTION FOOTAGE  
 10

- NM STATE
- US BUREAU OF LAND MANAGEMENT

DRAWN BY: JAH  
 DATE DRAWN: 12-20-13  
 COUNTY: EDDY  
 STATE: NEW MEXICO  
 SHEET NUMBER: 1 OF 1  
 SCALE: 1" = 1/8 MILE

THIS MAP HAS BEEN CAREFULLY COMPILED AND PRINTED BY YATES PETROLEUM CORPORATION FROM AVAILABLE INFORMATION. YATES PETROLEUM CORPORATION DOES NOT GUARANTEE THE ACCURACY OF THIS MAP OR INFORMATION DELINEATED THEREON. NOR DOES YATES PETROLEUM CORPORATION ASSUME RESPONSIBILITY FOR ANY RELIANCE THEREON. RECIPIENT AGREES NOT TO COPY, DISTRIBUTE OR DIGITIZE THIS MAP WITHOUT EXPRESS CONSENT FROM YATES PETROLEUM CORPORATION OR ITS AFFILIATES.

TITLE:

FEDER  
 AK #

OTTAWA #2

OTTAWA #3

PATRICK BATT

PATRICK #6

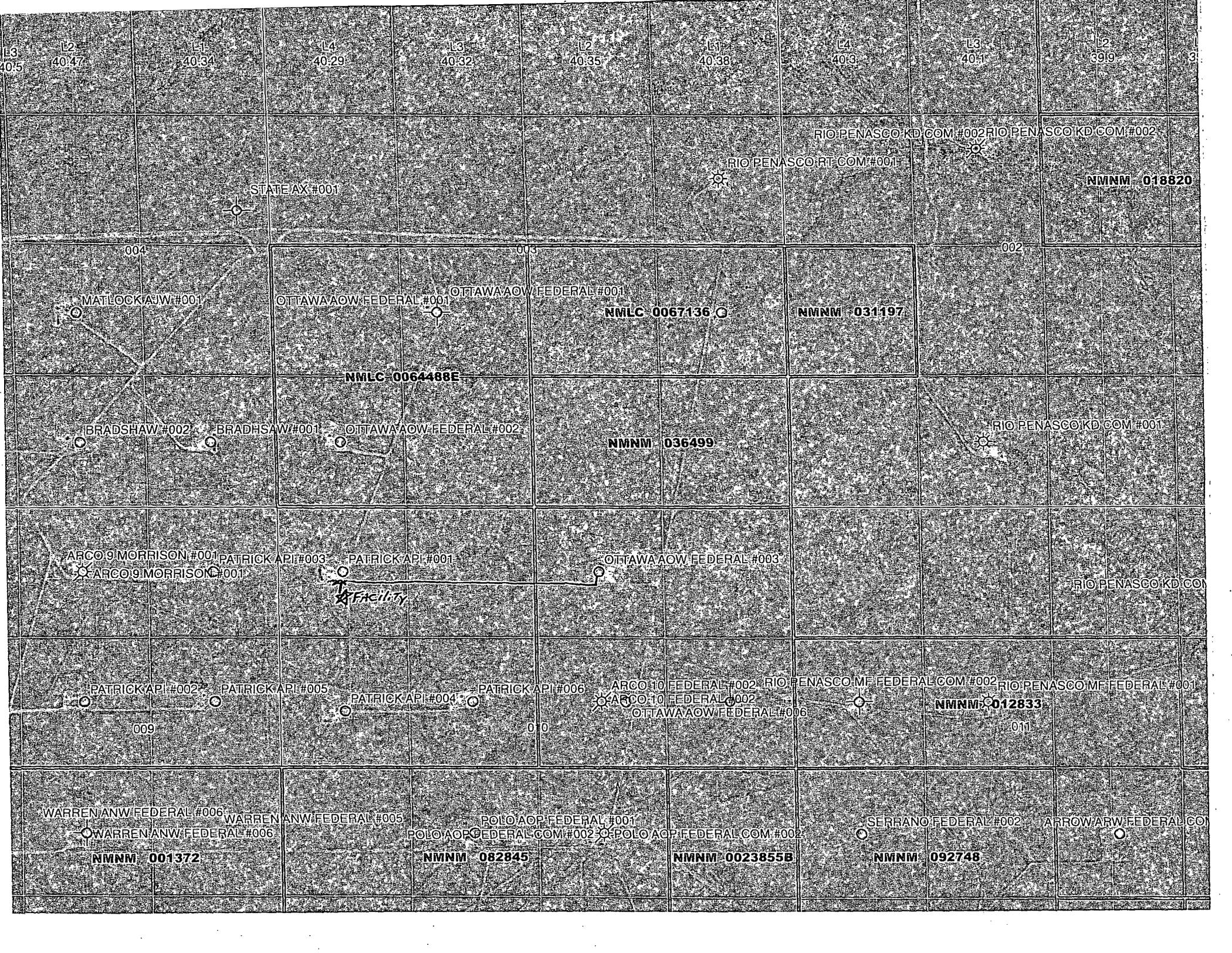
PATRICK #4

BHL PATRICK #5

OTTAWA BATT

POLO POLO AOP

PO AOP



L3 40:5 L2 40:47 L1 40:34 L4 40:29 L3 40:32 L2 40:35 L1 40:38 L4 40:3 L3 40:1 L2 39:9

RIO PENASCO KD COM #002 RIO PENASCO KD COM #002

RIO PENASCO RT COM #001

NMNM 018820

STATE AX #001

004

003

002

MATLOCK/AJW #001

OTTAWA AOW FEDERAL #001

OTTAWA AOW FEDERAL #001

NMLC 0067136 C

NMNM 031197

NMLC 0064488 E

BRADSHAW #002

BRADSHAW #001

OTTAWA AOW FEDERAL #002

NMNM 036499

RIO PENASCO KD COM #001

ARCO 9 MORRISON #001

PATRICK API #003

PATRICK API #001

OTTAWA AOW FEDERAL #003

RIO PENASCO KD COM

Facility

PATRICK API #002

PATRICK API #005

PATRICK API #004

PATRICK API #006

ARCO 10 FEDERAL #002

RIO PENASCO MF FEDERAL COM #002

RIO PENASCO MF FEDERAL #001

NMNM 012833

009

000

011

WARREN ANW FEDERAL #006

WARREN ANW FEDERAL #005

POLO AOP FEDERAL #001

POLO AOP FEDERAL COM #002

SERRANO FEDERAL #002

ARROW ARW FEDERAL COM

NMNM 001372

NMNM 082845

NMNM 0023855B

NMNM 092748

**LIST OF OWNERS WITH CERTIFIED LETTER NUMBERS**

YATES PETROLEUM  
105 S FOURTH ST  
ARTESIA NM 88210

SIGNED WAIVER

OCD  
1220 S SAINT FRANCIS DR  
SANTA FE NM 87505

7012 3460 0001 7460 0443

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

www.yatespetroleum.com

JOHN A. YATES  
CHAIRMAN EMERITUS

JOHN A. YATES JR.  
CHAIRMAN OF THE BOARD  
PRESIDENT

JOHN D. PERINI  
EXECUTIVE VICE PRESIDENT  
CHIEF FINANCIAL OFFICER

JAMES S. BROWN  
CHIEF OPERATING OFFICER

RE: Off Lease Measurement  
Ottawa AOW Federal #3  
Eddy County, New Mexico

Dear Interest Owner,

Yates Petroleum is notifying you of an application to off lease measure production from the Ottawa AOW Federal #3.

The production will be measured and sold at the Patrick API tank battery facilities located at NWNW, Sec. 10-T19S-25E.

**Oil measurement**

Tanks will be isolated and no surface commingling will take place.

**Gas Measurement**

The well will have its own meter and no surface commingle will take place.

All equipment is located on Fee land and waiver to access property will be given to BLM as well as gate combinations.

By utilizing the existing facilities the off lease measurement of production is in the interest of conservation, the reduction of environmental impact area, and will not reduce royalty or improper measurement of production.

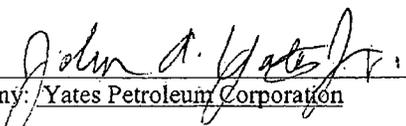
We understand that the request approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument. And, we will submit within 30 days an application for right-of-way approval to the BLM's Realty Section in your office if we have not already done so.

If you should have any questions, please call me at (575) 748-4200 (direct line)

Sincerely,

Miriam Morales  
Production Analyst

I hereby approve this application

  
\_\_\_\_\_  
Company: Yates Petroleum Corporation

KATHY H. PORTER  
SECRETARY

DENNIS G. KINSEY  
TREASURER

|         |          |          |           |      |         |
|---------|----------|----------|-----------|------|---------|
| DATE IN | SUSPENSE | ENGINEER | LOGGED IN | TYPE | APP NO. |
|---------|----------|----------|-----------|------|---------|

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 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.

Miriam Morales \_\_\_\_\_  
 Print or Type Name Signature Title Date 2/4/14

mmorales@yatespetroleum.com  
 e-mail Address

District I  
1625 N. French Drive, Hobbs, NM 88240  
District II  
1301 W. Grand Ave, 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-107-B  
Revised June 10, 2003

**OIL CONSERVATION DIVISION**  
1220 S. St Francis Drive  
Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

**APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)**

OPERATOR NAME: Yates Petroleum Corporation  
OPERATOR ADDRESS: 105 South Fourth St. Artesia, NM 88210

APPLICATION TYPE:  
 Pool Commingling  Lease Commingling  Pool and Lease Commingling  Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE:  Fee  State  Federal

Is this an Amendment to existing Order?  Yes  No If "Yes", please include the appropriate Order No. \_\_\_\_\_  
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling  
 Yes  No

**(A) POOL COMMINGLING**  
Please attach sheets with the following information

| (1) Pool Names and Codes | Gravities / BTU of Non-Commingled Production | Calculated Gravities / BTU of Commingled Production | Calculated Value of Commingled Production | Volumes |
|--------------------------|--|---|---|---------|
|                          |  |   |   |         |
|                          |  |   |   |         |
|                          |  |   |   |         |
|                          |  |   |   |         |
|                          |  |   |   |         |

- (2) Are any wells producing at top allowables?  Yes  No  
 (3) Has all interest owners been notified by certified mail of the proposed commingling?  Yes  No.  
 (4) Measurement type:  Metering  Other (Specify)  
 (5) Will commingling decrease the value of production?  Yes  No If "yes", describe why commingling should be approved

**(B) LEASE COMMINGLING**  
Please attach sheets with the following information

- (1) Pool Name and Code.  
 (2) Is all production from same source of supply?  Yes  No  
 (3) Has all interest owners been notified by certified mail of the proposed commingling?  Yes  No  
 (4) Measurement type:  Metering  Other (Specify)

**(C) POOL and LEASE COMMINGLING**  
Please attach sheets with the following information

- (1) Complete Sections A and E.

**(D) OFF-LEASE STORAGE and MEASUREMENT**  
Please attached sheets with the following information

- (1) Is all production from same source of supply?  Yes  No  
 (2) Include proof of notice to all interest owners.

**(E) ADDITIONAL INFORMATION (for all application types)**  
Please attach sheets with the following information

- (1) A schematic diagram of facility, including legal location.  
 (2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.  
 (3) Lease Names, Lease and Well Numbers, and API Numbers.

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

SIGNATURE: Miriam Morales TITLE: Production Analyst DATE: 2/4/14  
 TYPE OR PRINT NAME Miriam Morales TELEPHONE NO.: (575) 748-1471  
 E-MAIL ADDRESS: mmorales@yatespetroleum.com

**Bureau of Land Management  
Carlsbad Field Office  
620 East Greene Street  
Carlsbad, New Mexico 88220  
575-234-5972**

**Off-Lease Measurement**

**Conditions of Approval**

**Yates Petroleum Corporation  
Ottawa AOW Fed #3  
NMLC064488E, 3001528897**

Approval of off-lease measurement is subject to the following conditions of approval:

1. This agency shall be notified of any change in sales method or location of the Sales point.
2. This agency shall be notified of any spill or discharge as required by NTL-3A. No gas may be vented without proper measurement and prior approval. Any gas vented must be flared.
3. This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
4. This approval is subject to like approval by the New Mexico Oil Conservation Division.
5. Additional wells and/or leases require additional approvals.
6. This approval does not constitute right-of-way approval for any off-lease activities. Within 30 days, an application for right-of-way approval must be submitted to the Realty Section if not already done.
7. Approval for off-lease measurement from various sources is a privilege which is granted to lessees for the purpose of aiding conservation and extending the economic life of leases. Applicants should be cognizant that failure to operate in accordance with the provisions outlined in the Authorized Officer's conditions of approval and/or subsequent stipulations or modifications will subject such approval to revocation.
8. Notify this office with 24 Hrs. of meter calibration as per Onshore Order #5.III.C.18. Supply a copy of meter calibration report to this office within 30 days.