

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



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

CTB 5/11/98

471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

April 16, 1998

APR 20 1998

Oil Conservation Division
Attn: Lori Wrotenbery
P.O. Box 6429
Santa Fe, NM 87505-6429

Re: Surface Commingling, Lease Commingling,
Off-Lease Storage and Measurement.
Dagger Draw Upper Penn, North Eddy Co., NM

Dear Ms. Wrotenbery,

Yates Petroleum Corporation respectfully requests administrative approval for surface commingling, lease commingling, off-lease storage and measurement for the following wells:

Dagger ZW #1
Unit K, **NESW**
1980' FSL & 1980' FWL
Sec. 30-T19S-R25E
Eddy Co., NM
Fee Lease

Dagger ZW #2
Unit I, **NESE**
1980' FSL & 660' FEL
Sec. 25-T19S-R24E
Eddy Co., NM
Fee Lease

Dagger ZW #3
Unit I, **NESE**
1730' FSL & 660' FWL
Sec. 30-T19S-R25E
Eddy Co., NM
Fee Lease

Pincushion AHN #1
Unit M, **SWSW**
660' FSL & 660' FWL
Sec. 30-T19S-R25E
Eddy Co., NM
Fee Lease

Pincushion AHN #2
Unit J, **NWSE**
1980' FSL & 1980' FEL
Sec. 25-T19S-R24E
Eddy Co., NM
Fee Lease

Pincushion AHN #3
Unit N, **SESW**
660' FSL & 1980' FWL
Sec. 30-T19S-R25E
Eddy Co., NM
Fee Lease

Savannah State #1
Unit A, **NENE**
660' FNL & 660' FEL
Sec. 32-T19S-R25E
Eddy Co., NM

Savannah State #2
Unit B, **NWNE**
660' FNL & 1980' FEL
Sec. 32-T19S-R25E
Eddy Co., NM

Joyce Federal Com #1
Unit D, **NWNW**
810' FNL & 660' FWL
Sec. 32-T19S-R25E
Eddy Co., NM

Joyce Federal Com #2
Unit C, **NENW**
660' FNL & 1980' FWL
Sec. 32-T19S-R25E
Eddy Co., NM

The production from these wells is transported prior to measurement to a common tank battery, located at the **Dagger ZW #1** (Unit K, 1980' FSL & 1980' FWL Sec. 30-T19S-R25E).

The purpose of the surface commingling, lease commingling, off lease storage and measurement is to reduce operating costs for storage and treating, thereby extending 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 wells.

Because working and royalty interests for the wells are different, oil from each of the wells will be measured by positive displacement temperature compensated metering equipment prior to surface commingling. Gas from the wells will also be metered separately. This metering will ensure that all production from each of the wells is equitably accounted for with no significant effect on your revenue. The production is from the Dagger Draw Upper Penn, North.

The following is enclosed:

A map showing the location of the wells.

A diagram of the proposed measurement equipment, separators and storage tanks in accordance with the "Manual of Installation and Operation of Commingling Facilities".

Notification of working interest, royalty interest and overriding royalty interest owners.

Notification to the Bureau of Land Management.

If you should have any questions or need further information, please give me a call at (505) 748-4206 (direct line).

Thank you for your cooperation.

Sincerely



Pamela S. Evans
Production Clerk

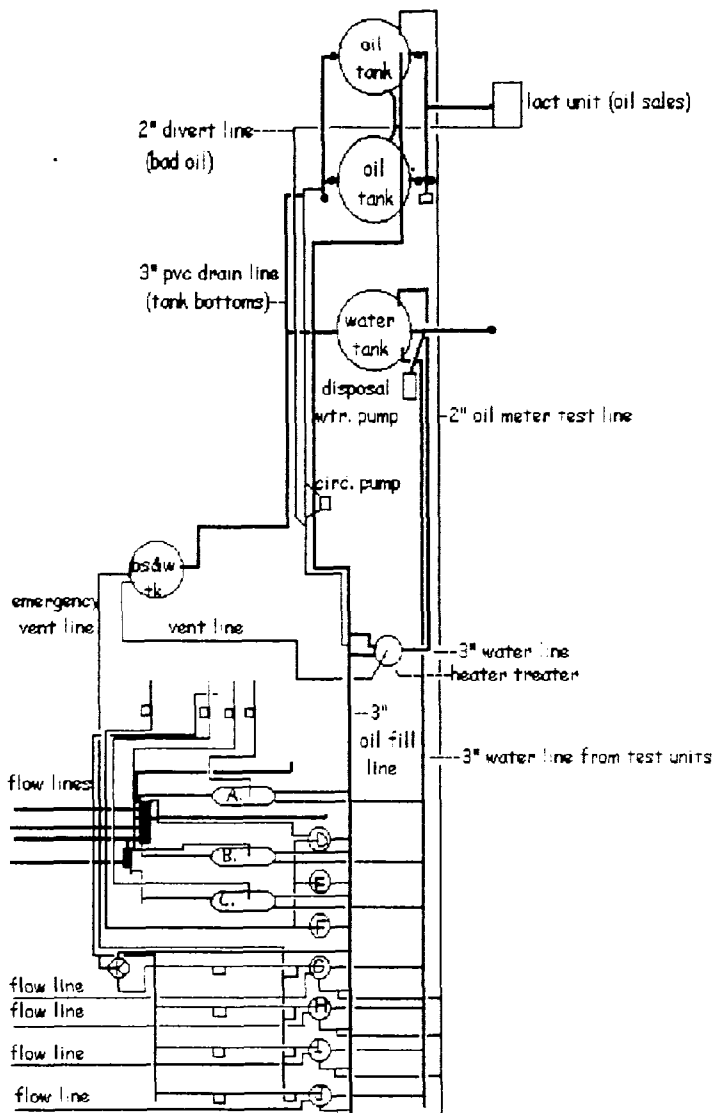
PE
Attachments



Storage & Measurement Facility

YATES PETROLEUM CORPORATION		
NEW MEXICO		
DAGGER DRAW'ZW'		
Pos:SD DAGGER ZW'	341786	P. Evans
Pres:sdagzw.gpf	Scale 1:24000	S. Donaldson

Dagger ZW #1
 Unit K, NESW
 1980' FSL & 1980' FWL
 Sec. 30-T19S-R25E
 Eddy Co., NM
 Fee Lease



- 4" VALVES (OPEN FOR OIL SALES)
- 3" VALVES SEALED (OPEN ONLY FOR DRAINING BAD TANK BOTTOMS OR EMERGENCY)
- GAS METERS (GAS SALES)
- FLOW LINE HEADERS

Site facility diagram on 6-1-81
 Yates Petroleum Corporation
 105 S. 4th Street
 Artesia, NM 88210

Working Interest Owners, Royalty Interest Owners, Overriding Royalty Interest

R. E. Chambers Jr.
2413 Clayton
Wichita Falls, TX 76308

Lollie Dee King Chambers
2413 Clayton
Wichita Falls, TX 76308

Cathie Cone McCown
P.O. Box 658
Dripping Springs, TX 78620-0658

OXY USA, Inc.
P.O. Box 841735
Dallas, TX 76308

Donna L. Frost
P/R Kathleen Cone Estate.
P.O. Box 1609
Lovington, NM 88260

Alice Ann Hanks Freeman
P.O. Box 9087
Wichita Falls, TX 76308-9087

Douglas L. Cone
P.O. Box 64244
Lubbock, TX 79464

Clifford Cone
P.O. Box 1629
Lovington, NM 88260-1629

Tom R. Cone
P.O. Box 778
Jay, OK 74346

Kenneth G. Cone
P.O. Box 11310
Midland, TX 79702

Louis Dreyfus Gas Holdings, Inc.
P.O. Box 960116
Oklahoma City, OK 73196-0116

W.T. & Jeanette J. Probandt
415 W. Wall
Suite 2206
Midland, TX 79701

S.P. & Barbara Jo Johnson III
P.O. Box 1641
Roswell, NM 88202-1641

Marathon Oil Company
Dept. 0882
P.O. Box 120001
Dallas, TX 75312-0882

PJC Limited Partnership
P.O. Box 1713
Roswell, NM 88201

Spiral, Inc.
P.O. Box 1933
Roswell, NM 88201

Joanne D. Van Winkle
605 W. McCune
Roswell, NM 88201

John Mason Carter
509 Buckeye Trail
Austin, TX 78746-4425

UMC Petroleum Corp.
P.O. Box 4600
Houston, TX 77210

Catherine Carter Malone
5135 Tangle Lane
Houston, TX 77056

P 059 489 C44

US Postal Service


Receipt for Certified Mail

R.E. Chambers Jr.

2413 Clayton

Wichita Falls, TX 76308

PS Form 3800, April 1995

Postage	S
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	S
Postmark or Date 	

P 059 489 045

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Lollie Dee King Chambers

2413 Clayton

Wichita Falls, TX 76308

PS Form 3800 April 1995

Postage	3
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>Dagger ZW</i> 4-15-98	

P 059 489 046

US Postal Service

Receipt for Certified Mail

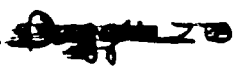
Cathie Cone McCown

P.O. Box 658

Dripping Springs, TX 78620-0658

PS Form 3800, April 1995

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	4-15-98



P 059 489 047

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

OXY USA, Inc.
P.O. Box 841735
Dallas, TX 76308

PS Form 3800, April 1995

Postage	
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	<i>Dagger 2 w</i> 11-11-95

P 059 489 048

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Donna L. Frost

P/R Kathleen Cone Estate

P.O. Box 1609

Lovington, NM 88260

PS Form 3800, April 1995

Postage	3
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	Dagger 2W 4-15-98

P 059 489 C49

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided

Alice Ann Hanks Freeman

P.O. Box 0987

Wichita Falls, TX 86308-9087

PS Form 3800, April 1995

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date Dagger 2W 4-15-98	

P 059 489 050

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Douglas L. Cone

P.O. Box 64244

Lubbock, TX 79464

PS Form 3800, April 1995

Postage	
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date Daguer ZW 4-15-98	

P 059 489 051

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Clifford Cone

P.O. Box 1629

Lovington, NM 88260-1629

PS Form 3800, April 1995

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date Daguer 2W 4-15-98	

P 059 489 C52

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Tom R. Cone

P.O. Box 778

Jay, OK 74346

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date Pogon 2W 4-15-98	

PS Form 3800, April 1995

P 059 489 053

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Kenneth G. Cone

P.O. Box 1629

Midland, TX 79702

PS Form 3800, April 1995

	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

Daguer 2w 4-15-98

P 059 489 054

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

(See reverse)

Louis Dreyfus Gas Holdings, Inc.

P.O. Box 960116

Oklahoma City, OK 73196-0116

PS Form 3800, April 1995

Postage	
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	<i>Dagger 2w 4-15-98</i>

P 059 489 055

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

W.T. & Jeanette J. Probrandt

415 W. Wall

Suite 2206

Midland, TX 79701

PS Form 3800, April 1995

Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>Daggle 2w 4-15-98</i>	

P 059 489 056

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

S.P. & Barbara Jo Johnson III

P.O. Box 1541

Roswell, NM 88202-1641

PS Form 3800, April 1995

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	Dagger 2w 4-15-98

P 059 489 057

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided

Marathon Oil Company

Dept. 0882

P.O. Box 120001

Dallas, TX 75312-0882

PS Form 3800, April 1995

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>Dagger 2W 4-15-98</i>	

P 059 489 058

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

For International Mail (See reverse)

PJC Limited Partnership

P.O. Box 1713

Roswell, NM 88201

PS Form 3800, April 1995

Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>Dagger ZW 4-15-98</i>	

P 059 489 059

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Spiral, Inc.

P.O. Box 1933

Roswell, NM 88201

PS Form 3800, April 1995

Postage	3
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>Daguer 2W 4-15-98</i>	

P 059 489 060

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Joanne D. Van Winkle

605 W. McCune

Roswell, NM 88201

PS Form 3800, April 1995

Postage	
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	<i>Daguer ZW 4-15-98</i>

P 059 489 061

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

John Mason Carter
509 Buckeye Trail
Austin, TX 78746-4425

PS Form 3800, April 1995

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	Daggers 24 4-15-98

P 059 489 063

US Postal Service

Receipt for Certified Mail

UMC Petroleum Corporation
P.O. Box 4600
Houston, TX 77210

PS Form 3800, April 1995

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>Daggers 2w 4-15-98</i>	

P 059 489 062

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

For International Mail (See reverse)

Catherine Carter Malone

5135 Tangle Lane

Houston, TX 77056

PS Form 3800, April 1995

Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date Daguer 2w 4-15-98	

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

5. Lease Designation and Serial No.

NM-0553777

6. If Indian, Allottee or Tribe Name

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT-" for such proposals

SUBMIT IN TRIPLICATE

7. If Unit or CA, Agreement Designation

1. Type of Well

☐ Oil ☐ Gas ☐
☒ Well ☐ Well ☐ Other

8. Well Name and No.

Joyce Federal Com #1

2. Name of Operator

YATES PETROLEUM CORPORATION

9. API Well No.

30-015-28208

3. Address and Telephone No.

105 S. 4th Street, Artesia, NM 88210 (505) 748-1471

10. Field and Pool, or Exploratory Area

Dagger Draw Upper Penn, North

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

810' FNL & 660' FWL, Sec. 32-T19S-R25E (Unit D, NWNW)

11. County or Parish, State

Eddy Co., NM

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

TYPE OF SUBMISSION

TYPE OF ACTION

☐ Notice of Intent

☐ Abandonment

☐ Change of Plans

☒ Subsequent Report

☐ Recompletion

☐ New Construction

☐ Final Abandonment Notice

☐ Plugging Back

☐ Non-Routine Fracturing

☐ Casing Repair

☐ Water Shut-Off

☐ Altering Casing

☐ Conversion to Injection

☒ Other Surface Commingling & Storage

☐ Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is direction drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Yates Petroleum Corporation respectfully request approval for surface commingling and off lease storage and measurement.

Please see attached application.

14. I hereby certify that the foregoing is true and correct

Signed Pamela S. Evans

Title Production Secretary

Date 4/16/98

(This space for Federal or State office use)

Approved by _____

Title _____

Date _____

Conditions of approval, if any:

APPLICATION FOR SURFACE COMMINGLING
OFF LEASE STORAGE AND MEASUREMENT APPROVAL
This Format Should Be Attached To A Sundry Notice

To: Bureau of Land Management
620 East Greene Street
Carlsbad, NM 88221-1778

Yates Petroleum Corporation (Operator's Name) is requesting approval for surface commingling and off lease storage and measurement of hydrocarbon production from the following formation(s) and well(s) on Federal Lease No. NM-0553777; Lease Name: Joyce Federal Com.

<u>Well</u>						
<u>No.</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>		<u>Formation</u>
<u>1</u>	<u>D</u>	<u>32</u>	<u>19S</u>	<u>25E</u>		<u>Dagger Draw Upper Penn. North</u>
<u>2</u>	<u>C</u>	<u>32</u>	<u>19S</u>	<u>25E</u>		<u>Dagger Draw Upper Penn. North</u>

with hydrocarbon production from the following formation(s) and well(s) on a Fee lease: Dagger ZW

<u>No.</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>		<u>Formation</u>
<u>1</u>	<u>K</u>	<u>30</u>	<u>19S</u>	<u>25E</u>		<u>Dagger Draw Upper Penn. North</u>
<u>2</u>	<u>I</u>	<u>25</u>	<u>19S</u>	<u>25E</u>		<u>Dagger Draw Upper Penn. North</u>
<u>3</u>	<u>L</u>	<u>30</u>	<u>19S</u>	<u>25E</u>		<u>Dagger Draw Upper Penn. North</u>

with hydrocarbon production from the following formation(s) and well(s) on a Fee lease: Pincushion AHN

<u>No.</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>		<u>Formation</u>
<u>1</u>	<u>M</u>	<u>30</u>	<u>19S</u>	<u>25E</u>		<u>Dagger Draw Upper Penn. North</u>
<u>2</u>	<u>J</u>	<u>25</u>	<u>19S</u>	<u>25E</u>		<u>Dagger Draw Upper Penn. North</u>
<u>3</u>	<u>N</u>	<u>30</u>	<u>19S</u>	<u>25E</u>		<u>Dagger Draw Upper Penn. North</u>

with hydrocarbon production from the following formation(s) and well(s) on a State lease: Savannah State

<u>No.</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rng.</u>		<u>Formation</u>
<u>1</u>	<u>A</u>	<u>32</u>	<u>19S</u>	<u>25E</u>		<u>Dagger Draw Upper Penn. North</u>
<u>2</u>	<u>B</u>	<u>32</u>	<u>19S</u>	<u>25E</u>		<u>Dagger Draw Upper Penn. North</u>

Production from the well(s) involved is as follows:

<u>Well Name and No.</u>	<u>BOPD</u>	<u>Oil Gravity</u>	<u>MCFPD</u>
<u>Joyce Federal Com #1</u>	<u>15.46</u>	<u>45.1</u>	<u>99.57</u>
<u>Joyce Federal Com #1</u>	<u>16.36</u>	<u>45.1</u>	<u>97.61</u>
<u>Dagger ZW #1</u>	<u>1.54</u>	<u>44.3</u>	<u>49.89</u>
<u>Dagger ZW #2</u>	<u>3.61</u>	<u>44.3</u>	<u>19.04</u>
<u>Dagger ZW #3</u>	<u>6.29</u>	<u>44.3</u>	<u>18.75</u>
<u>Pincushion AHN #1</u>	<u>3</u>	<u>44.3</u>	<u>21.96</u>
<u>Pincushion AHN #2</u>	<u>5.12</u>	<u>44.3</u>	<u>24.12</u>
<u>Pincushion AHN #3</u>	<u>12.93</u>	<u>44.3</u>	<u>113.18</u>
<u>Savannah State #1</u>	<u>72.43</u>	<u>45.1</u>	<u>211</u>
<u>Savannah State #2</u>	<u>4.04</u>	<u>45.1</u>	<u>29.36</u>

The proposed operation is described in detail on the attached diagrams.

A map is enclosed showing the location of all the wells that will contribute production to the proposed commingling common storage facility.

A schematic diagram is also attached which clearly identifies all equipment that will be utilized.

The storage and measuring facility is located at NESW-1/4, Sec. 30, T19S, R25E, Fee lease Dagger ZW #1 Eddy Co. NM. BLM will be notified if there is any future change in the facility location.

Details of the proposed method of allocating production to contributing sources is as follows:

Oil will be transported off lease prior to measurement and will be measured by positive displacement, temperature compensated metering equipment. Gas will also be measured separately. Total sales volume will be allocated back to individual wells based on daily well test.

The working interest owners have been notified of the proposal.

The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production.

The purpose of the surface commingling, lease commingling, off lease storage and measurement is to reduce operating costs for storage and treating, thereby extending 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 wells.

The proposed commingling is necessary for economic operation of the above referenced leases.

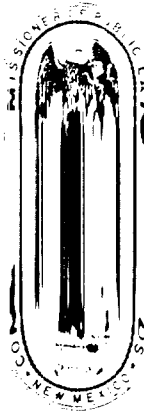
We understand that the request approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument. And, we will submit within 30 days an application for right-of-way approval to the BLM's Realty Section in your office if we have not already done so.

Signature: Pamela S. Evans

Name: Pamela S. Evans

Title: Production Clerk

Date: _____



COMMERCIAL RESOURCES
(505)-827-5724

SURFACE RESOURCES
(505)-827-5793

MINERAL RESOURCES
(505)-827-5744

ROYALTY
(505)-827-5772

**State of New Mexico
Commissioner of Public Lands**

Ray Powell, M.S., D.V.M.
310 Old Santa Fe Trail, P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Phone (505)-827-5760, Fax (505)-827-5766

PUBLIC AFFAIRS
(505)-827-5765

ADMINISTRATIVE MGMT.
(505)-827-5700

LEGAL
(505)-827-5715

PLANNING
(505)-827-5752

August 25, 1998

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

AUG 27 1998

OIL CONSERVATION DIV.

Attn: Ms. Pamela S. Evans

Re: Application for Surface Commingling
Dagger 'ZW' Well Nos. 1, 2, and 3
Section 30-19S-25E, NE/4SW/4, NE/4SE/4
Section 25-19S-24E, NE/4SE/4
Pincushion 'AHN' Well Nos. 1, 2, 3
Section 30-19S-25E, S/2SW/4
Section 25-19S-24E, NW/4SE/4
Savannah State Well Nos. 1, 2
Section 32-19S-25E, N/2NE/4
Joyce Federal Com Well Nos. 1, 2
Section 32-19S-25E, N/2NW/4
Dagger 'ZW' No. 1 Tank Battery
Unit Letter K, Section 30-19S-25E
North Dagger Draw Upper Penn Pool
Eddy County, New Mexico

Dear Ms. Evans:

We are in receipt of your application of August 3, 1998, wherein you have requested our approval for surface commingling, off-lease storage and measurement of the production from the above wells.

We understand that the production from the subject wells will be metered separately and then commingled and stored at Dagger 'ZW' Well No. 1 tank battery located in Unit Letter K, Section 30-19S-25E.

Since it appears that there will be no loss of revenue to the State of New Mexico's beneficiaries as a result of your proposed operation, your request is hereby approved. Our approval is given with the understanding that the Commissioner of Public Lands reserves the right to amend or withdraw his approval, should this operation prove to be unprofitable to the state at any time in the future. Also, our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

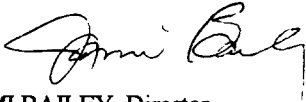
Your \$30.00 filing fee has been received.

Yates Petroleum Corporation
August 25, 1998
Page 2

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm

Enclosure

pc: Reader File

~~OCD - Mr. David Catanach~~, Mr. Ben Stone

BLM



COMMERCIAL RESOURCES
(505)-827-5724

SURFACE RESOURCES
(505)-827-5793

MINERAL RESOURCES
(505)-827-5744

ROYALTY
(505)-827-5772

State of New Mexico
Commissioner of Public Lands

Ray Powell, M.S., D.V.M.
310 Old Santa Fe Trail, P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Phone (505)-827-5760, Fax (505)-827-5766

PUBLIC AFFAIRS
(505)-827-5765

ADMINISTRATIVE MGMT.
(505)-827-5700

LEGAL
(505)-827-5715

PLANNING
(505)-827-5752

July 20, 1998

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

Attn: Ms. Pamela S. Evans

Re: Application for Surface Commingling
Dagger 'ZW' Well Nos. 1, 2, and 3
Section 30-19S-25E, NE/4, NE/4
Section 25-19S-25E, NE/4SE/4
Pincushion 'AHN' Well Nos. 1, 2, 3
Section 30-19S-25E, S/2SW/4
Section 25-19S-25E, NW/4SE/4
Savannah State Well Nos. 1, 2
Section 32-19S-25E, N/2NE/4
Joyce Federal Com Well Nos. 1, 2
Section 32-19S-25E, N/2NW/4
Dagger 'ZW' No. 1 Tank Battery
Unit Letter K, Section 30-19S-25E
North Dagger Draw Upper Penn Pool
Eddy County, New Mexico

Dear Ms. Evans:

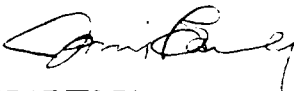
We have received a copy of the New Mexico Oil Conservation Division's Order #CTB-471 which notifies this office of your application to surface commingle the production from the above-captioned wells.

Pursuant to State Land Office Rule Nos. 1.053, 1.054 and 1.055, please submit a copy of your commingling request to this office. Enclosed is a copy of our commingling rules and regulations. The filing fee for a commingling application is thirty (\$30.00) dollars.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744
RP/JB/cpm
Enclosure
pc: Reader File

OCD

"WE WORK FOR EDUCATION"