

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



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

110 29  
S. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

November 23, 1993

New Mexico Oil Conservation Division  
P. O. Box 2088  
Santa Fe, NM 87504-2088

ATTENTION: Mr. William LeMay  
Director

RE: Surface Commingling, Lease Commingling  
and Off-Lease Storage  
South Dagger Draw Upper Penn Pool  
Eddy County, New Mexico

Dear Mr. LeMay:

Yates Petroleum Corporation respectfully requests administrative approval to commingle production from two wells into a common tank battery and to permit production from each well to be transported prior to measurement to another well for storage thereon. It is proposed to commingle the production from the following wells:

Ocotillo ACI Federal #2  
660' FSL & 660' FEL of  
Section 10-T20S-R24E  
Eddy County, New Mexico  
NM-42787

Saguaro AGS Federal #1  
1980' FSL & 660' FWL of  
Section 11-T20S-R24E  
Eddy County, New Mexico  
NM-043625

The production from both wells will be commingled into a common storage facility located on the Saguaro AGS Federal #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 for the proposed wells are different from the well where the proposed storage facilities are located, 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

Off-Lease Storage, Etc.:

Page 2:

November 23, 1993

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 in both wells will be from the same producing zone which is the Canyon.

In accordance with the Oil Conservation Division's Rules 303-B, 309-B and 309-C, the following diagrams and maps 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                     Notification of working interest owners of the proposal to commingle production.

Attachment IV                      Notification to the Bureau of Land Management.

Yates Petroleum Corporation appreciates your cooperation in this matter. If you should have any questions or need further information, please give me a call at 505-748-1471.

Thank you.

Sincerely,

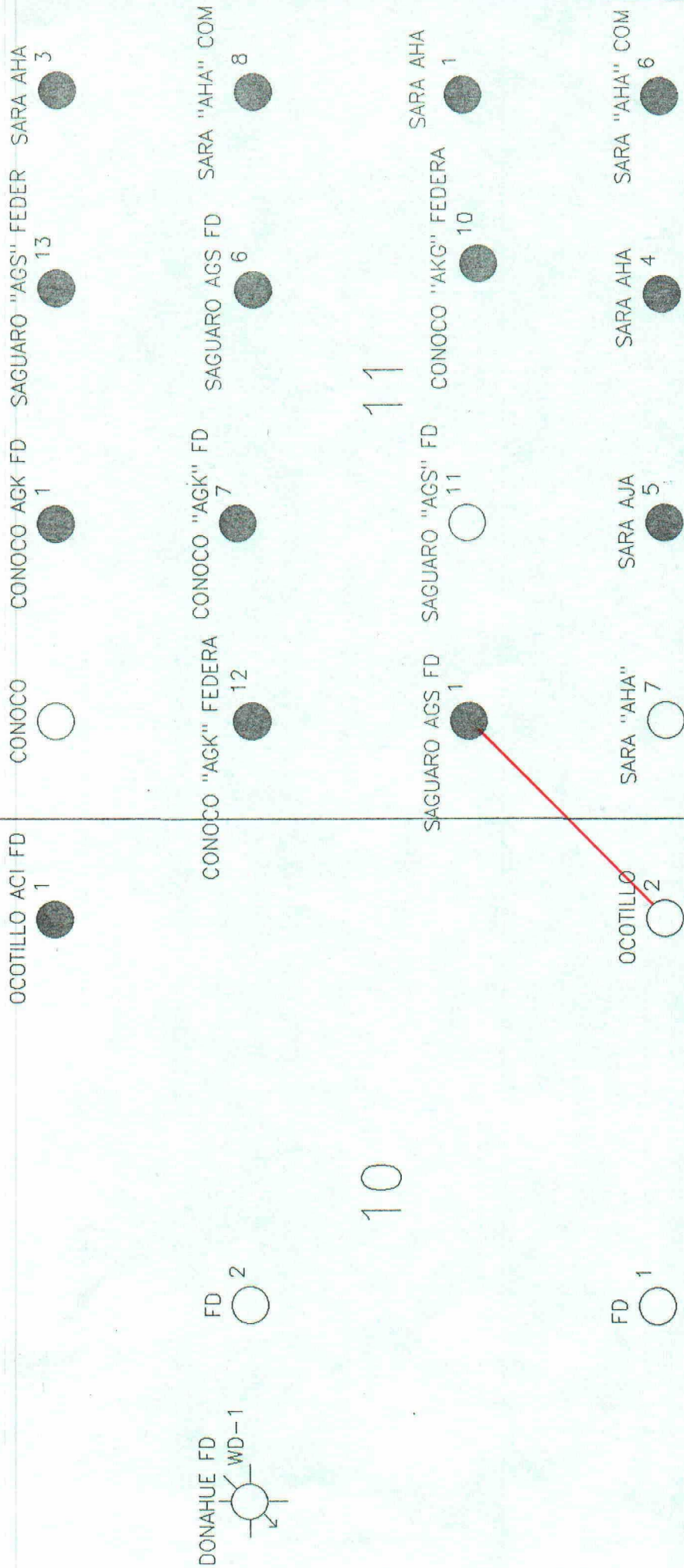


Rusty Klein  
Production Clerk

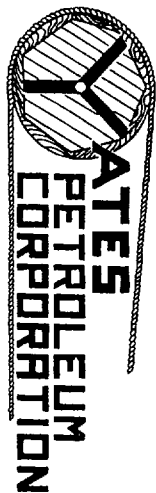
rk

Attachments

# ATTACHMENT I



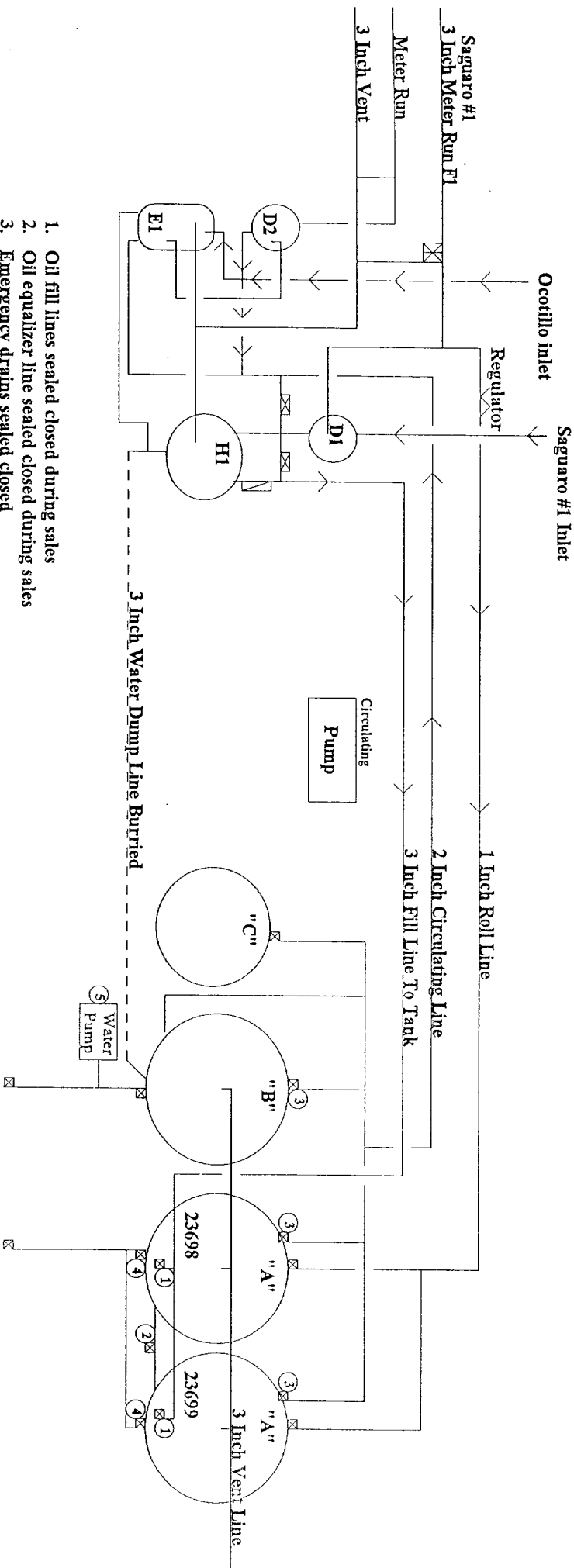
Yates Petroleum Corporation		
NEW MEXICO		
SEC. 10, 11 T20S-R24E		
San Francisco	Scale 1:100,000	11/7/78



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210

# Yates Petroleum

Saguaro 'AGS' #1 Tank Battery  
Sec. 11, T20S, R24E NM#043625  
Eddy County



1. Oil fill lines sealed closed during sales
2. Oil equalizer line sealed closed during sales
3. Emergency drains sealed closed
4. Oil sales sealed closed except during sales
5. Water to Dagger Draw disposal

- A. 500 BBL oil storage
- B. 500 BBL water storage
- C. 210 BBL BS + W storage

- D1. Saguaro #1 separator
- D2. Ocotillo #2 separator
- E1. Ocotillo #2 water knockout
- F1. Saguaro #1 meter run
- F2. Ocotillo #2 meter run
- G. Heater treater

⊠ — PLUG VALVE

⊠ — BACK PRESSURE VALVE

⊠ — DUMP VALVE

WORKING INTEREST OWNERS

Ocotillo ACI Federal #2 and Saguaro AGS Federal #1

Santa Fe Energy Company  
550 W. Texas - Suite 1330  
Midland, TX 79701  
ATTN: Land Department

Santa Fe Operating Partners LP  
P. O. Box 911701  
Dallas, TX 75391-1701

Myco Industries, Inc.  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, NM 88210

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November 23, 1993

Santa Fe Operating Partners LP  
P. O. Box 911701  
Dallas, TX 75391-1701

ATTENTION: Land Department

RE: Surface Commingling, Lease Commingling  
and Off-Lease Storage  
South Dagger Draw Upper Penn Pool  
Eddy County, New Mexico .

Dear Sirs:

Yates Petroleum Corporation respectfully requests your approval for surface commingling, lease commingling and off-lease storage of production for the following wells:

Ocotillo ACI Federal #2  
660' FSL & 660' FEL of  
Section 10-T20S-R24E  
Eddy County, New Mexico  
NM-42787

Saguaro AGS Federal #1  
1980' FSL & 660' FWL of  
Section 11-T20S-R24E  
Eddy County, New Mexico  
NM-043625

The purpose of this off-lease storage and surface commingling is to reduce the operating costs for storage and treating and thereby extend the economic life of each well. Without approval for utilizing the already existing battery facilities on an adjacent location, separate facilities would have to be constructed for each of the wells. This would increase the operating costs and shorten the economic life of each of the wells.

Because interests for the proposed wells are different from those from the well where the proposed storage facilities are located, 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.

Off-Lease Storage, Etc.:

Page 2:

November 23, 1993

Enclosed you will find two (2) copies of this letter. Please sign both copies, retain one (1) copy for your files and return one (1) copy to my by December 23, 1993. 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 New Mexico Oil Conservation Division and the Bureau of Land Management for this proposed off-lease storage and surface commingling.

If you should have any questions, please give me a call at 505-748-1471.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "Rusty Klein".

Rusty Klein  
Production Clerk

rk

Agreed and accepted this \_\_\_\_\_ day of \_\_\_\_\_, 1993.

\_\_\_\_\_  
Signature

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November 23, 1993

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550 W. Texas - Suite 1330  
Midland, TX 79701

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Rusty Klein  
Production Clerk

rk

Agreed and accepted this \_\_\_\_\_ day of \_\_\_\_\_, 1993.

\_\_\_\_\_  
Signature

P 384 272 584

**RECEIPT FOR CERTIFIED MAIL**

NO INSURANCE COVERAGE PROVIDED  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

U.S.G.P.O. 1989-234-555

PS Form 3800, June 1985

Sent to Oil Conservation Division	
Street and No. P. O. Box 2088	
P.O., State and ZIP Code Santa Fe, NM 87504-2088	
Postage Ben Stone	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date November 23, 1993 Ocotillo ACI Federal #2	

P 384 292 587

**RECEIPT FOR CERTIFIED MAIL**

NO INSURANCE COVERAGE PROVIDED  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

U.S.G.P.O. 1989-234-555

PS Form 3800, June 1985

Sent to <b>Santa Fe Operating Partners</b>	
Street and No. <b>P. O. Box 911701</b>	
P.O., State and ZIP Code <b>Dallas, TX 75391-1701</b>	
Pay to the order of <b>ATTN: Land Department</b>	
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date <b>November 23, 1993</b> <b>Ocotillo ACI Federal #2</b>	

P 384 272 586

**RECEIPT FOR CERTIFIED MAIL**

NO INSURANCE COVERAGE PROVIDED  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

U.S.G.P.O. 1989-234-555

PS Form 3800, June 1985

Sent to Santa Fe Energy Company	
Street and No. 550 W. Texas - Suite 1330	
P.O., State and ZIP Code Midland, TX 79701	
Pay to: Land Department	
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date November 23, 1993 Ocotillo ACI Federal #2	

P 384 292 585

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(See Reverse)

U.S.G.P.O. 1989-234-555

PS Form 3800, June 1985

Sent to <b>Bureau of Land Management</b>	
Street and No. <b>P. O. Box 1778</b>	
P.O., State and ZIP Code <b>Carlsbad, NM 88221-1778</b>	
<del>Postage</del> <b>Mr. Richard Manus</b> \$	
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date  <b>November 23, 1993</b> <b>Ocotillo ACI Federal #2</b>	