

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



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

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

July 28, 1992

New Mexico Energy, Minerals &
Natural Resources Department
Oil Conservation Division
State Land Office Building
P.O. Box 2088
Santa Fe, NM 87504

ATTN: Mr. William LeMay
Director

RE: Ross "EG" Com #1, 3, 4, 6, 7, 8, 10,
Sec. 19-T19S-R25E

Patriot "AIZ" Com #1
990'FSL & 660'FWL
Unit M Sec. 20-T19S-R25E

Voight "AJD" Com. #1
660'FNL & 660'FWL
Unit D Sec. 29-T29S-R25E

Surface Commingling
Lease Commingling
Off-Lease Storage
Rule 303-B, 309-B, 309-C
North Dagger Draw-Upper
Pennsylvanian Pool
Eddy County, New Mexico

*North Dagger Draw
Upper Penn*

Dear Mr. LeMay:

Yates Petroleum respectfully requests administrative approval to commingle production from nine wells drilled on two leases into a common tank battery and to permit the production from one lease to be transported prior to measurement to another lease for storage there on. It is proposed to commingle the production from the Patriot AIZ Com #1, the Ross EG Fed Com #1, 3, 4, 6, 7, 8, 10 and the Voight AJD Com. #1 into a common storage facility located on the Ross EG Fed Com #3 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 and royalty interests are different, each of the well's production will be metered separately prior to surface commingling. The production in all five wells will be from the same producing zone which is the Lower Canyon Dolomite. In accordance with the referenced Rules 303-B, 309-B and 309-C, the following diagrams, maps and well data 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 - Plats of the leases showing the wells and the formations in which they are completed or are proposed to be completed.

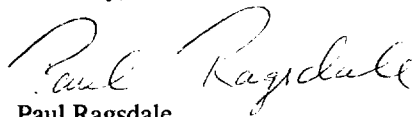
Attachment IV - Notice to lease interest owners of the proposal to commingle production.

Attachment V - Oil analysis from Lower Canyon Formation.

Attachment VI - Notification to the Bureau of Land Management for proposed off-lease storage.

Yates Petroleum appreciates your cooperation in this matter. If you should need further information please contact me.

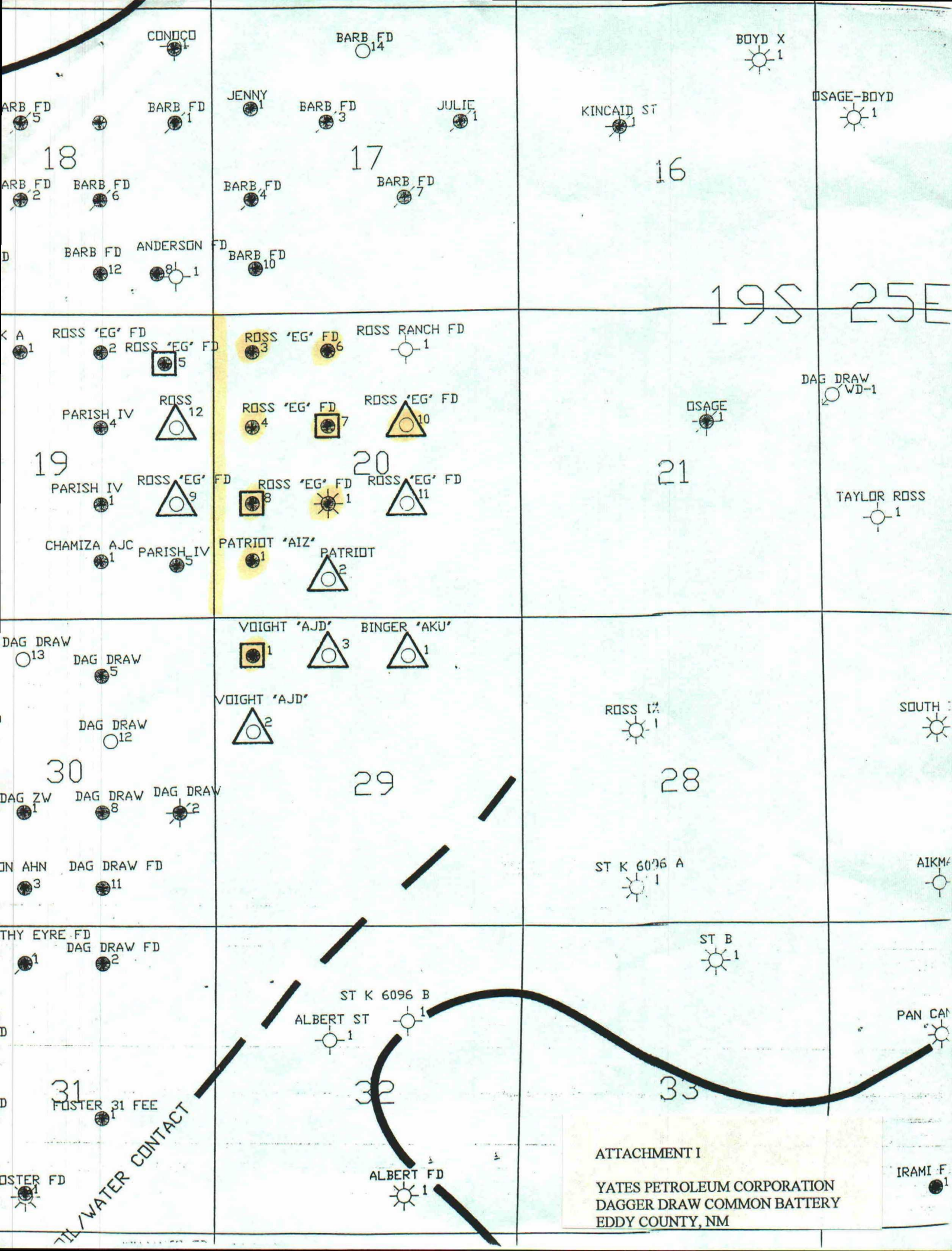
Sincerely,

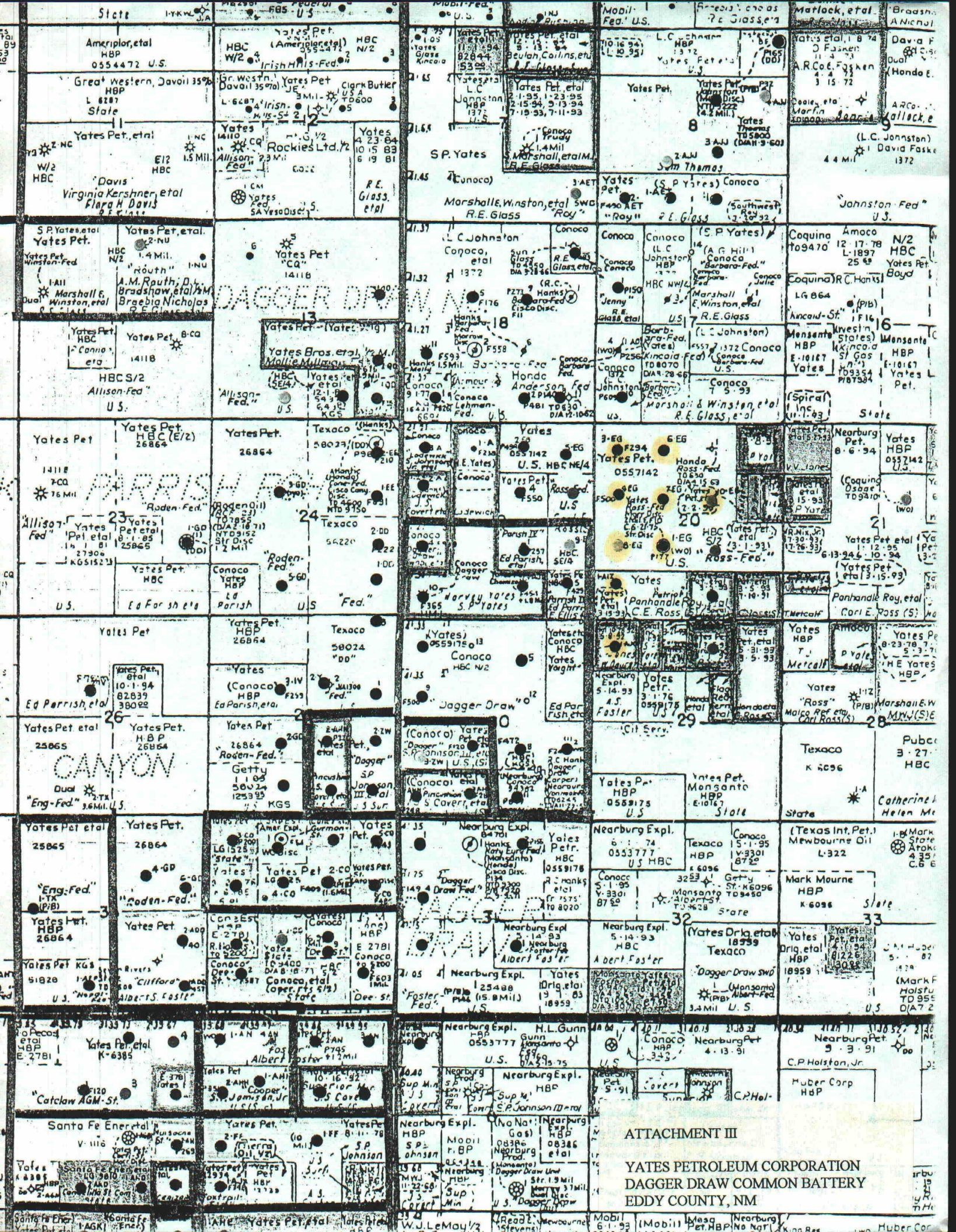
A handwritten signature in cursive script that reads "Paul Ragsdale".

Paul Ragsdale
Petroleum Engineer

PR/th

Attachments





ATTACHMENT III

YATES PETROLEUM CORPORATION
DAGGER DRAW COMMON BATTERY
EDDY COUNTY, NM

ATTACHMENT IV

Copy of Notification of Interest Owners

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July 28, 1992

Nearburg Producing Company
1 Petroleum Center Building, Suite 100
3300 North A Street
Midland, TX 79705

Dear Interest Owner,

Yates Petroleum is requesting your approval for off-lease storage and surface commingling of production from the following wells:

Patriot AIZ Com #1
Sec 20-T19S-R25E
990' FSL and 660' FWL

Ross EG Fed Com #1, 3, 4, 6, 7, 8, 10
Sec 20-T19S-R25E

Voight AJD Com #1
Sec 29-T19S-R25E
660' FNL and 660' FWL

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 the already existing battery facilities on an adjacent lease, separate facilities would have to be constructed for each of these wells. This would increase operating costs and shorten the economic life of each of the wells.

Because interests for the proposed wells are different from those from the lease where the proposed storage facilities are located, oil from each of the nine 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.

We would appreciate your returning an approved copy of this letter to us by August 15, 1992 in the enclosed self-addressed envelope. 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 Bureau of Land Management and the New Mexico Oil Conservation Division for this proposed off-lease storage and surface commingling.

Yours very truly,

Paul Ragsdale TH

Paul Ragsdale
Petroleum Engineer

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Enclosure

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July 28, 1992

John Lodewick
3305 Wentwood
Dallas, TX 75225

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Yates Petroleum Corporation
105 S. 4th Street
Artesia, NM 88210

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Abo Petroleum Corporation
105 S. 4th Street
Artesia, NM 88210

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John A. Yates
105 S. 4th Street
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Yates Drilling Company
105 S. 4th Street
Artesia, NM 88210

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Myco Industries, Inc.
105 S. 4th Street
Artesia, NM 88210

Dear Interest Owner,

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Panhandle Royalty Corporation
Suite 210
5400 N. W. Grand Blvd.
Oklahoma City, OK 73112

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July 28, 1992

Bank of California Trust #22110430
550 South Flower Street
Los Angeles, CA 90017

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July 28, 1992

Mrs. Frances B. Bunn
P. O. Box 939
Los Angeles, CA 90017

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Max Coll II
P. O. Box EE
Santa Fe, NM 87502

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July 28, 1992

Elizabeth M. Webster
Rd. #5 Mountain View
Princeton, NJ 08540

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FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210

TELEPHONE (505) 748-1471

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

July 28, 1992

Patricia Lodewick
511 Newell
Dallas, TX 75223

Dear Interest Owner,

Yates Petroleum is requesting your approval for off-lease storage and surface commingling of production from the following wells:

Patriot AIZ Com #1
Sec 20-T19S-R25E
990' FSL and 660' FWL

Ross EG Fed Com #1, 3, 4, 6, 7, 8, 10
Sec 20-T19S-R25E

Voight AJD Com #1
Sec 29-T19S-R25E
660' FNL and 660' FWL

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 the already existing battery facilities on an adjacent lease, separate facilities would have to be constructed for each of these wells. This would increase operating costs and shorten the economic life of each of the wells.

Because interests for the proposed wells are different from those from the lease where the proposed storage facilities are located, oil from each of the nine 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.

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Yours very truly,

Paul Ragsdale TH

Paul Ragsdale
Petroleum Engineer

PR/th

Enclosure

MARTIN YATES, III
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TREASURER

July 28, 1992

S. P. Yates
105 S. 4th Street
Artesia, NM 88210

Dear Interest Owner,

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Patriot AIZ Com #1
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Petroleum Engineer

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SECRETARY
DENNIS G. KINSEY
TREASURER

July 28, 1992

First Roswell Company, Ltd.
P. O. Box 1797
Roswell, NM 88201

Dear Interest Owner,

Yates Petroleum is requesting your approval for off-lease storage and surface commingling of production from the following wells:

Patriot AIZ Com #1
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Petroleum Engineer

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DENNIS G. KINSEY
TREASURER

July 28, 1992

Harvey E. Yates Company
P. O. Box 1933
Roswell, NM 88201

Dear Interest Owner,

Yates Petroleum is requesting your approval for off-lease storage and surface commingling of production from the following wells:

Patriot AIZ Com #1
Sec 20-T19S-R25E
990' FSL and 660' FWL

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TREASURER

July 28, 1992

Richard B. Lodewick
2100 W. Wadley #21
Midland, TX 79705

Dear Interest Owner,

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TREASURER

July 28, 1992

Marathon Oil Company
P. O. Box 552
Midland, TX 79702

Dear Interest Owner,

Yates Petroleum is requesting your approval for off-lease storage and surface commingling of production from the following wells:

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Petroleum Engineer

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TREASURER

July 28, 1992

Conoco, Inc.
P. O. Box 1959
Midland, TX 79702

Dear Interest Owner,

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July 28, 1992

Bank of California Trust #20450
550 South Flower Street
Los Angeles, CA 90017

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July 28, 1992

Ernie Bello
3325 Ala Akulikuii
Honolulu, HI 96818

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July 28, 1992

David Goodnow
230 Ridgefield Rd.
Wilton, CT 06897

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July 28, 1992

E. G. Holden Testamentary Trust
2524 Union Street
San Francisco, CA 94123

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July 28, 1992

Betsy H. Keller
2524 Union Street
San Francisco, CA 94123

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July 28, 1992

Estate of William Oliver
c/o Pat Fisher
P. O. Box 241
Dallas, TX 75221

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July 28, 1992

Dr. Isaac A. Kawasaki
1232 S. King Street
Honolulu, HI 96814

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TELEPHONE (505) 748-1471

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

July 28, 1992

Vernon Munroe
Apt. 8 South
139 E. 66th Street
New York, NY 10021

Dear Interest Owner,

Yates Petroleum is requesting your approval for off-lease storage and surface commingling of production from the following wells:

**Patriot AIZ Com #1
Sec 20-T19S-R25E
990' FSL and 660' FWL**

**Ross EG Fed Com #1, 3, 4, 6, 7, 8, 10
Sec 20-T19S-R25E**

**Voight AJD Com #1
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660' FNL and 660' FWL**

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Yours very truly,

Paul Ragsdale TH
Paul Ragsdale
Petroleum Engineer

PR/th

Enclosure

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



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

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TREASURER

July 28, 1992

Space Building Corp.
250 Cape Highway
Route 44
East Taunton, MA 02718

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July 28, 1992

Sanford J. Hodge III
2012 Shell Ave.
Midland, TX 79705

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July 28, 1992

Charles Cline Moore
138 Harvard Ave.
Mill Valley, CA 94941

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July 28, 1992

Adolph P. Schuman
2701 16th Street
San Francisco, CA 94104

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July 28, 1992

Jon F. Coll
P. O. Box 1818
Roswell, NM 88201

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July 28, 1992

Frederick Van Vranken
665 5th Ave., 10th Floor
New York, NY 10022

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J. W. Gendron
2989 Eucalyptus
Santa Barbara, CA 93108

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Bank of California Trust #20651
550 South Flower Street
Los Angeles, CA 90017

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Marshall & Winston
P. O. Box 50880
Midland, TX 79710

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July 28, 1992

Coquina Oil Corporation
P. O. Box 4554, Dept. 1011
Houston, TX 72210-4554

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CORE LABORATORIES

2001 Commerce Drive
P.O. Box 4337
Midland, Texas
79704
(805) 694-7760

Page 1 of 17
File RFLM 90017
State CO #2

Date Sampled: December 1, 1989

FORMATION CHARACTERISTICS

Formation Name	Canyon
Date First Well Completed	N/A
Original Reservoir Pressure	3010 psig @ 7572 ft.
Original Produced Gas/Liquid Ratio	N/A SCF/Bbl
Production Rate	N/A Bbls/Day
Separator Pressure and Temperature	N/A psig N/A °F.
Liquid Gravity at 60°F.	N/A °API
Datum	N/A ft. Subsea

WELL CHARACTERISTICS

Elevation	3618 ft. KB, 3605 ft. CL
Total Depth	9427 ft. TD 8800 ft. PBD
Producing Interval	7751-7843 ft.
Tubing Size and Depth	2 7/8 In. to 7699 ft.
Open Flow Potential	409 DOPD, 817 MCFD, 979 BWPD
Last Reservoir Pressure	2000 psig @ N/A ft.
Date	N/A
Reservoir Temperature	130°F. @ 7565 ft.
Status of Well	N/A
Pressure Gauge	N/A

SAMPLING CONDITIONS

Flowing Tubing Pressure	331 psig
Flowing Bottom Hole Pressure	931 psig
Primary Separator Pressure	67 psig
Primary Separator Temperature	100°F.
Secondary Separator Pressure	29 psig
Secondary Separator Temperature	108°F.
Field Stock Tank Liquid Gravity	44.5°API @ 60°F.
Primary Separator Gas Production Rate	709.711 MSCF/Day
Pressure Base	15.025 psia
Temperature Base	60°F.
Compressibility Factor (Fpv)	1.000
Gas Gravity (Laboratory)	0.737
Gas Gravity Factor (Fg)	1.000
Stock Tank Liquid Production Rate @ 60°F.	735.55 Bbls/Day
Primary Separator Gas/Stock Tank Liquid Ratio	965 SCF/Bbl

Sampled by
REMARKS:

Testeller Inc.

MARTIN YATES, III
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ATTACHMENT VI

July 28, 1992

Bureau of Land Management
P.O. Box 1778
Carlsbad, NM 88220

ATTN: Mr. Richard Manus
Area Manager

RE: Ross "EG" Com #1, 3, 4, 6, 7, 8, 10
Sec. 19-T19S-R25E

Patriot "AIZ" Com #1
990'FSL & 660'FWL
Unit M Sec. 20-T19S-R25E

Voight "AJD" Com #1
660'FNL & 660'FWL
Unit D Sec. 29-T29S-R25E

Off Lease Storage & Surface Commingling
North Dagger Draw - Upper Pennsylvanian
Pool
Eddy County, New Mexico

Dear Mr. Manus:

Yates Petroleum Corporation formally requests approval to commingle production on the surface from nine wells in the referenced North Dagger Draw Pool which would require off-lease storage and off-lease measurement for two of the wells. A detailed explanation, including maps and diagrams is enclosed for your information.

The proposal is to build a battery on the location of the Ross EG Federal Com #3 located 1980 FSL and 1980 FWL of Section 20, Township 19 South, Range 25 East, (marked in red on Attachment I), and then commingle the production from the Ross EG Federal Com #1, 3, 4, 6, 7, 8, 10, the Voight AJD Com #1 and the Patriot AIZ Com #1 (marked in blue on Attachment I). Although the production will be commingled into a common battery, each individual well's production will be measured separately by positive displacement, temperature compensated metering equipment prior to commingling. This will ensure that all production from each well will be accounted for equitably. Attachment II is a diagram of the proposed metering facilities and the consolidated tank batteries, and identifies all equipment utilized.

Attachment III is a map showing the lease numbers and location of all leases and wells that will be connected to the proposed off-lease facility. The communitized leases are outlined in red.

This proposal is a result of the continuous development of our leases in the Dagger Draw Pool. The purpose of the off-lease storage and surface commingling is to reduce operating costs and capital costs for

storage and thereby extend the economic life of the well. We anticipate that each of these wells will produce on a daily average basis 200-300 BOPD, 500-600 BWPD and 500-750 MCFD. The oil will be stored in tanks and then sold and pipelined to a refinery, the water will be gathered in the Yates Water Disposal System and eventually be injected into disposal wells, and the gas will be gathered into a gas gathering system and then sold. All of these produced fluids will be metered before commingling. It is anticipated that by commingling production into consolidated battery a savings of \$50,000 per well will be realized.

Therefore, we respectfully request the approval to commingle these wells into a consolidated battery and utilize off-lease storage and measurement. If you need any further information please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Paul Ragsdale".

Paul Ragsdale
Petroleum Engineer

PR/th

Attachments

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

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

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Designation and Serial No. NM0557142
2. Name of Operator YATES PETROLEUM CORPORATION (505) 748-1471		6. If Indian, Allottee or Tribe Name
3. Address and Telephone No. 105 South 4th St., Artesia, NM 88210		7. If Unit or CA, Agreement Designation
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 660' FNL & 660' FWL of Section 20-T19S-R25E (Unit D)		8. Well Name and No. Ross EG Federal #3
		9. API Well No. 30-015-25903
		10. Field and Pool, or Exploratory Area North Dagger Draw Upper Penn
		11. County or Parish, State Eddy Co., NM

CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input checked="" type="checkbox"/> Other Off Lease Storage & measurement & surface commingling
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> 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 directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Please see attached form for off-lease storage and measurement and surface commingling for the list of attached wells.

The battery is located at the Ross EG Federal #3 location.

Please see map and site facility diagram.

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

Signed *Rusty Klein* Title Production Clerk Date Jan. 12, 1994

(This space for Federal or State office use)

Approved by _____ Title _____ Date _____
Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes 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.

***See Instruction on Reverse Side**