

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

February 13, 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: Foster "AN" #2 | Surface Commingling |
| 660'FNL & 1980'FEL | Off-Lease Storage |
| B Sec. 1-T20S-R24E | Rule 303-B, 309-B, 309-C |
| Foster "AN" #3 | North Dagger Draw-Upper |
| 660'FNL & 660'FEL | Pennsylvanian Pool |
| A Sec. 1-T20S-R24E | Eddy County, New Mexico |

Dear Mr. LeMay:

Yates Petroleum respectfully requests administrative approval to commingle production from two wells drilled on one lease into a common tank battery located off the lease 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 Foster AN #2 and Foster AN #3 into a common storage facility located off the lease in the NW/NW/4 of Sec. 1-T20S-R24E. 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 maybe different, each of the well's production will be metered separately prior to surface commingling. The production in both 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."

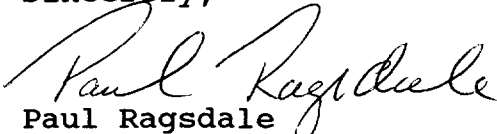
Attachment III - Plats of the leases showing the wells and the formations in which they are completed or are proposed to be completed.

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

Attachment V - Oil analysis from Lower Canyon Formation.

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

Sincerely,


Paul Ragsdale
Petroleum Engineer

PR/th

Attachments

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 22 Allison Yates Pet. 12246 N2-HBC 2-NV 23.9 Mil. 14118 | 23 Yates Pet. 10-1-94 02833 38039 | 24 Yates Pet. 50024 "DO" | 25 Yates Pet. 26864 Roden-Fed. Ed Parrish, et al. | 26 Yates Pet. 26864 Roden-Fed. Ed Parrish, et al. | 27 Yates Pet. 12246 "Eng-Fed" | 28 Yates Pet. 12246 "Eng-Fed" | 29 Yates Pet. 12246 "Eng-Fed" | 30 Yates Pet. 12246 "Eng-Fed" | 31 Yates Pet. 12246 "Eng-Fed" | 32 Yates Pet. 12246 "Eng-Fed" | 33 Yates Pet. 12246 "Eng-Fed" | 34 Yates Pet. 12246 "Eng-Fed" | 35 Yates Pet. 12246 "Eng-Fed" | 36 Yates Pet. 12246 "Eng-Fed" | 37 Yates Pet. 12246 "Eng-Fed" | 38 Yates Pet. 12246 "Eng-Fed" | 39 Yates Pet. 12246 "Eng-Fed" | 40 Yates Pet. 12246 "Eng-Fed" | 41 Yates Pet. 12246 "Eng-Fed" | 42 Yates Pet. 12246 "Eng-Fed" | 43 Yates Pet. 12246 "Eng-Fed" | 44 Yates Pet. 12246 "Eng-Fed" | 45 Yates Pet. 12246 "Eng-Fed" | 46 Yates Pet. 12246 "Eng-Fed" | 47 Yates Pet. 12246 "Eng-Fed" | 48 Yates Pet. 12246 "Eng-Fed" | 49 Yates Pet. 12246 "Eng-Fed" | 50 Yates Pet. 12246 "Eng-Fed" | 51 Yates Pet. 12246 "Eng-Fed" | 52 Yates Pet. 12246 "Eng-Fed" | 53 Yates Pet. 12246 "Eng-Fed" | 54 Yates Pet. 12246 "Eng-Fed" | 55 Yates Pet. 12246 "Eng-Fed" | 56 Yates Pet. 12246 "Eng-Fed" | 57 Yates Pet. 12246 "Eng-Fed" | 58 Yates Pet. 12246 "Eng-Fed" | 59 Yates Pet. 12246 "Eng-Fed" | 60 Yates Pet. 12246 "Eng-Fed" | 61 Yates Pet. 12246 "Eng-Fed" | 62 Yates Pet. 12246 "Eng-Fed" | 63 Yates Pet. 12246 "Eng-Fed" | 64 Yates Pet. 12246 "Eng-Fed" | 65 Yates Pet. 12246 "Eng-Fed" | 66 Yates Pet. 12246 "Eng-Fed" | 67 Yates Pet. 12246 "Eng-Fed" | 68 Yates Pet. 12246 "Eng-Fed" | 69 Yates Pet. 12246 "Eng-Fed" | 70 Yates Pet. 12246 "Eng-Fed" | 71 Yates Pet. 12246 "Eng-Fed" | 72 Yates Pet. 12246 "Eng-Fed" | 73 Yates Pet. 12246 "Eng-Fed" | 74 Yates Pet. 12246 "Eng-Fed" | 75 Yates Pet. 12246 "Eng-Fed" | 76 Yates Pet. 12246 "Eng-Fed" | 77 Yates Pet. 12246 "Eng-Fed" | 78 Yates Pet. 12246 "Eng-Fed" | 79 Yates Pet. 12246 "Eng-Fed" | 80 Yates Pet. 12246 "Eng-Fed" | 81 Yates Pet. 12246 "Eng-Fed" | 82 Yates Pet. 12246 "Eng-Fed" | 83 Yates Pet. 12246 "Eng-Fed" | 84 Yates Pet. 12246 "Eng-Fed" | 85 Yates Pet. 12246 "Eng-Fed" | 86 Yates Pet. 12246 "Eng-Fed" | 87 Yates Pet. 12246 "Eng-Fed" | 88 Yates Pet. 12246 "Eng-Fed" | 89 Yates Pet. 12246 "Eng-Fed" | 90 Yates Pet. 12246 "Eng-Fed" | 91 Yates Pet. 12246 "Eng-Fed" | 92 Yates Pet. 12246 "Eng-Fed" | 93 Yates Pet. 12246 "Eng-Fed" | 94 Yates Pet. 12246 "Eng-Fed" | 95 Yates Pet. 12246 "Eng-Fed" | 96 Yates Pet. 12246 "Eng-Fed" | 97 Yates Pet. 12246 "Eng-Fed" | 98 Yates Pet. 12246 "Eng-Fed" | 99 Yates Pet. 12246 "Eng-Fed" | 100 Yates Pet. 12246 "Eng-Fed" |
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ATTACHMENT III
 YATES PETROLEUM CORPORATION
 DAGGER DRAW COMMON BATTERY
 EDDY COUNTY, NM

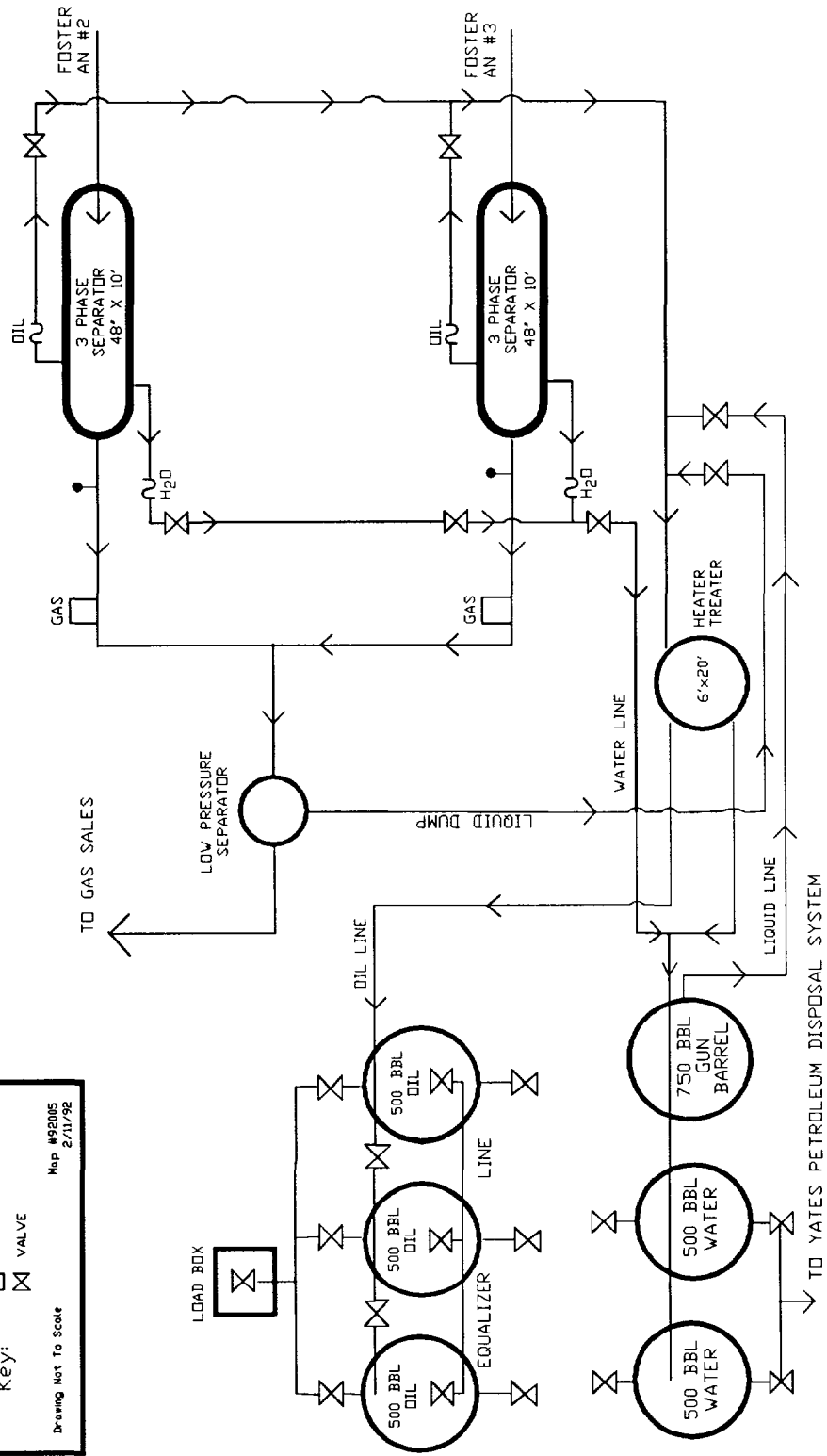
YATES PETROLEUM CORPORATION
 105 South Fourth (505) 748-1471
 ARTERIA, NEW MEXICO

ATTACHMENT II
 DAGGER DRAW COMMON BATTERY
 EDDY COUNTY, NEW MEXICO

Key:
 ~ LIQUID METER
 □ GAS METER
 X VALVE

Map #92005
 2/11/92

Drawing Not To Scale



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ATTACHMENT III
 YATES PETROLEUM CORPORATION
 DAGGER DRAW COMMON BATTERY
 EDDY COUNTY, NM

X.C.C. HBP 5028

ATTACHMENT IV

Copy of Notification of Interest Owners

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
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JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

February 13, 1992

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

Dear Interest Owner,

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

Foster AN #2
Sec 1-T 20S-R 24E
660'FNL and 1980'FEL

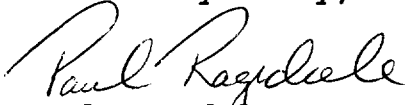
Foster AN #3
Sec 1-T 20S-R 24E
660'FNL and 660'FEL

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.

The Foster AN #2 and #3 production will be stored into an existing battery located in the NW/NW/4 of Sec. 1-T20S-R24E. The production from the wells in the NW/4 of Sec. 1-T20S-R24E will be stored in an existing battery on the Cooper AHH #1 battery in the SE/NW/4 of Sec. 1-T20S-R24E. Production from these two separate leases will not be commingled. Because interests for the proposed wells may be different, oil from each of the two 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 March 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,

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

Paul Ragsdale
Petroleum Engineer

PR/th

Enclosure

MARTIN YATES, III
1912 - 1985
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DENNIS G. KINSEY
TREASURER

February 13, 1992

Estate of Kathleen Cone
P. O. Drawer 1509
Lovington, NM 88260

Dear Interest Owner,

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

Foster AN #2
Sec 1-T 20S-R 24E
660'FNL and 1980'FEL

Foster AN #3
Sec 1-T 20S-R 24E
660'FNL and 660'FEL

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.

The Foster AN #2 and #3 production will be stored into an existing battery located in the NW/NW/4 of Sec. 1-T20S-R24E. The production from the wells in the NW/4 of Sec. 1-T20S-R24E will be stored in an existing battery on the Cooper AHH #1 battery in the SE/NW/4 of Sec. 1-T20S-R24E. Production from these two separate leases will not be commingled. Because interests for the proposed wells may be different, oil from each of the two 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,

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

Paul Ragsdale
Petroleum Engineer

PR/th

Enclosure

MARTIN YATES, III
1912 - 1985
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DENNIS G. KINSEY
TREASURER

February 13, 1992

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

Dear Interest Owner,

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

Foster AN #2
Sec 1-T 20S-R 24E
660'FNL and 1980'FEL

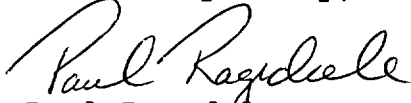
Foster AN #3
Sec 1-T 20S-R 24E
660'FNL and 660'FEL

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The Foster AN #2 and #3 production will be stored into an existing battery located in the NW/NW/4 of Sec. 1-T20S-R24E. The production from the wells in the NW/4 of Sec. 1-T20S-R24E will be stored in an existing battery on the Cooper AHH #1 battery in the SE/NW/4 of Sec. 1-T20S-R24E. Production from these two separate leases will not be commingled. Because interests for the proposed wells may be different, oil from each of the two 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,

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

Paul Ragsdale
Petroleum Engineer

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TREASURER

February 13, 1992

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

Dear Interest Owner,

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

Foster AN #2
Sec 1-T 20S-R 24E
660'FNL and 1980'FEL

Foster AN #3
Sec 1-T 20S-R 24E
660'FNL and 660'FEL

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Yours very truly,

A handwritten signature in cursive script that reads "Paul Ragsdale". The signature is written in dark ink and is positioned above the printed name and title.

Paul Ragsdale
Petroleum Engineer

PR/th

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DENNIS G. KINSEY
TREASURER

February 13, 1992

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

Dear Interest Owner,

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

Foster AN #2
Sec 1-T 20S-R 24E
660'FNL and 1980'FEL

Foster AN #3
Sec 1-T 20S-R 24E
660'FNL and 660'FEL

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Paul Ragsdale
Petroleum Engineer

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February 13, 1992

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

Dear Interest Owner,

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

Foster AN #2
Sec 1-T 20S-R 24E
660'FNL and 1980'FEL

Foster AN #3
Sec 1-T 20S-R 24E
660'FNL and 660'FEL

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We would appreciate your returning an approved copy of this letter to us by March 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,

A handwritten signature in cursive script that reads "Paul Ragsdale". The signature is written in dark ink and is positioned above the typed name.

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

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

February 13, 1992

M. R. Stipp
P. O. Box 2613
Midland, TX 79701

Dear Interest Owner,

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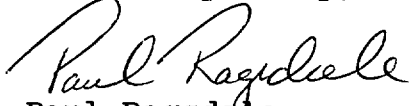
Foster AN #3
Sec 1-T 20S-R 24E
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February 13, 1992

Patoil Corporation
P. O. Box 10808
Midland, TX 79702

Dear Interest Owner,

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February 13, 1992

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

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

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February 13, 1992

DC Trust
Marilyn J. Cone, Trustee
P. O. Box 64244
Lubbock, TX 79464

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February 13, 1992

Clifford Cone
P. O. Drawer 1629
Lovington, NM 88260

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CORE LABORATORIES

2801 Commerce Drive
P. O. Box 4337
Midland, Texas
79704
(817) 694-7761

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 Dbls/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. GL |
| 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 Dbls/Day |
| Primary Separator Gas/Stock Tank Liquid Ratio | 965 SCF/Bbl |

Sampled by
REMARKS:

Testteller Inc.

YATES PETROLEUM CORPORATION
DACER DRAW COMMON BATTERY
EDDY COUNTY, NEW MEXICO