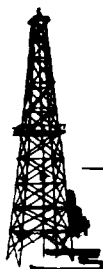


HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P.O. BOX 1933

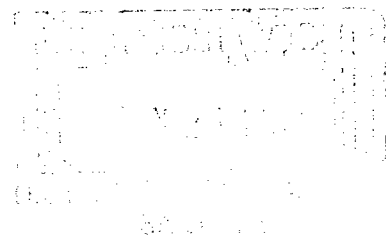
ONE SUNWEST CENTRE

505/623-6601

FAX 505/622-4221

ROSWELL, NEW MEXICO 88202-1933

June 15, 1988



William J. LeMay, Director
N.M. Oil Conservation Division
State Land Office Building
P.O. Box 2088
Santa Fe, New Mexico 87504

Re: Rule 303-B; Application for Exception to Rule 303-A for the
South Taylor Federal Lease, S/2 SW/4
Sec. 13, T18S, R31E
Eddy County, New Mexico

Dear Mr. LeMay,

Harvey E. Yates Co. respectfully requests exception to the above rule, and administrative approval to surface commingle production from our South Taylor Federal #2 and #3 Delaware wells with our South Taylor Federal #1 Grayburg well. All wells are located in the S/2 of the SE/4 of Sec. 13, T18S, R31E.

Initial development, of the South Taylor Federal Lease NM-2537, began with the drilling and completion of the South Taylor 13 Federal #1 on 9/10/86. The well initially potentialized for 98 BOPD, 120 BWPD, and 105 MCFPD from the Delaware formation. The South Taylor 13 Federal #1 produced an average of 56.2 BOPD, 54.5 MCFPD, and 78.2 BWPD in 1987. This well declined to 18 BOPD, 205 BWPD, and 10 MCFPD by May of 1988.


This well was no longer capable of producing in reasonably economic quantities, and plugged back to the Grayburg formation in the latter part of May 1988. The well was completed as top allowable for depth. The South Taylor 13 Federal #2 & #3 are economic Delaware producers at this time, and share common ownership with the South Taylor 13 Federal #1 under the lease. The product value of the Delaware and Grayburg will not be reduced by surface commingling, but rather enhanced by not suffering a gravity penalty. The Delaware A.P.I. gravity is 44.1 degrees, and the Grayburg A.P.I. gravity is 31.8 degrees. The expected commingled gravity will be 36.8 degrees A.P.I. with very low sulfur content of .23 to .2% by weight.

Harvey E. Yates Co. proposes to allocate individual well production on the basis of monthly well testing. Subsequently, the South Taylor 13 Federal #1 will, at present, receive 40.4% of the oil, and

23.7% of the gas production. The South Taylor 13 Federal #2 will receive 54.1% of the oil, and 51.8% of the gas production, leaving the balance of 5.5% of the oil and 24.5% of the gas to be produced by the South Taylor 13 Federal #3. These values will be adjusted by monthly well testing to envelope any recompletion attempts, proving successful in the Grayburg formation, anticipated in the South Taylor 13 Federal #3 once the well reaches its economic limit. At present the South Taylor 13 Federal #3 has been proposed for plugging back to the Grayburg formation.

We, also, are seeking permission to surface commingle the South Taylor 13 Federal #3 well's production from the Grayburg with the #1 and #2 wells, at such time as the economics dictate, if the plug back attempt is successful. Allocation of production would be by monthly well testing and adjusted accordingly to quantity percent. Value and gravity are anticipated to be similar to current production from said intervals, and re-calculated based on quantity. If the plug back is not successful on the South Taylor 13 Federal #3, we will then go back to the Delaware interval and produce as before.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Larry Brooks".

Larry Brooks
Geologist

LB/vt

LARRY04

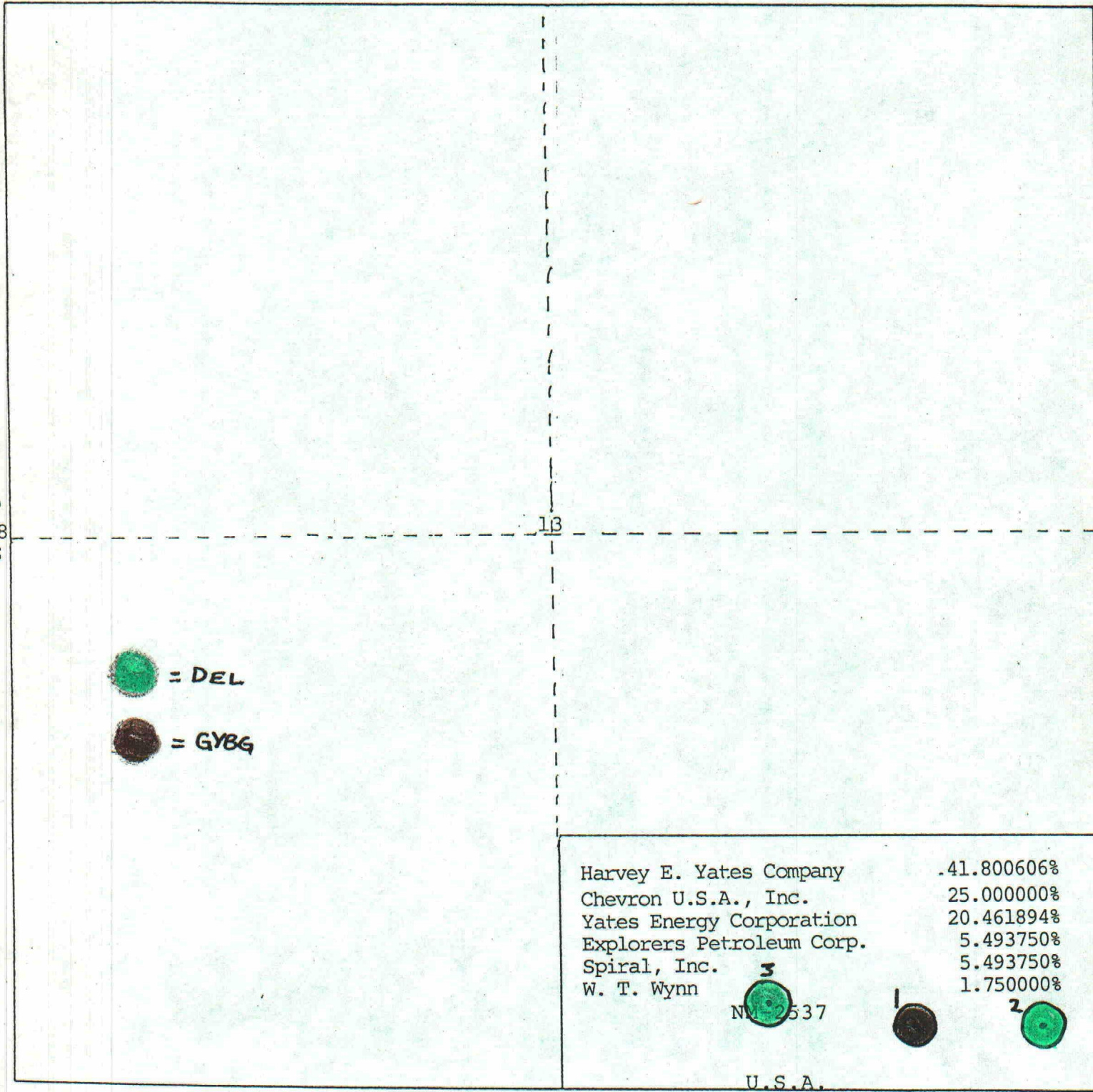
cc: BLM

Production Dept.

Land Dept.

Geology Dept.

Section S/2 SE/4 13 Township 18 South Range 31-East County Eddy State New Mexico



R-31E.

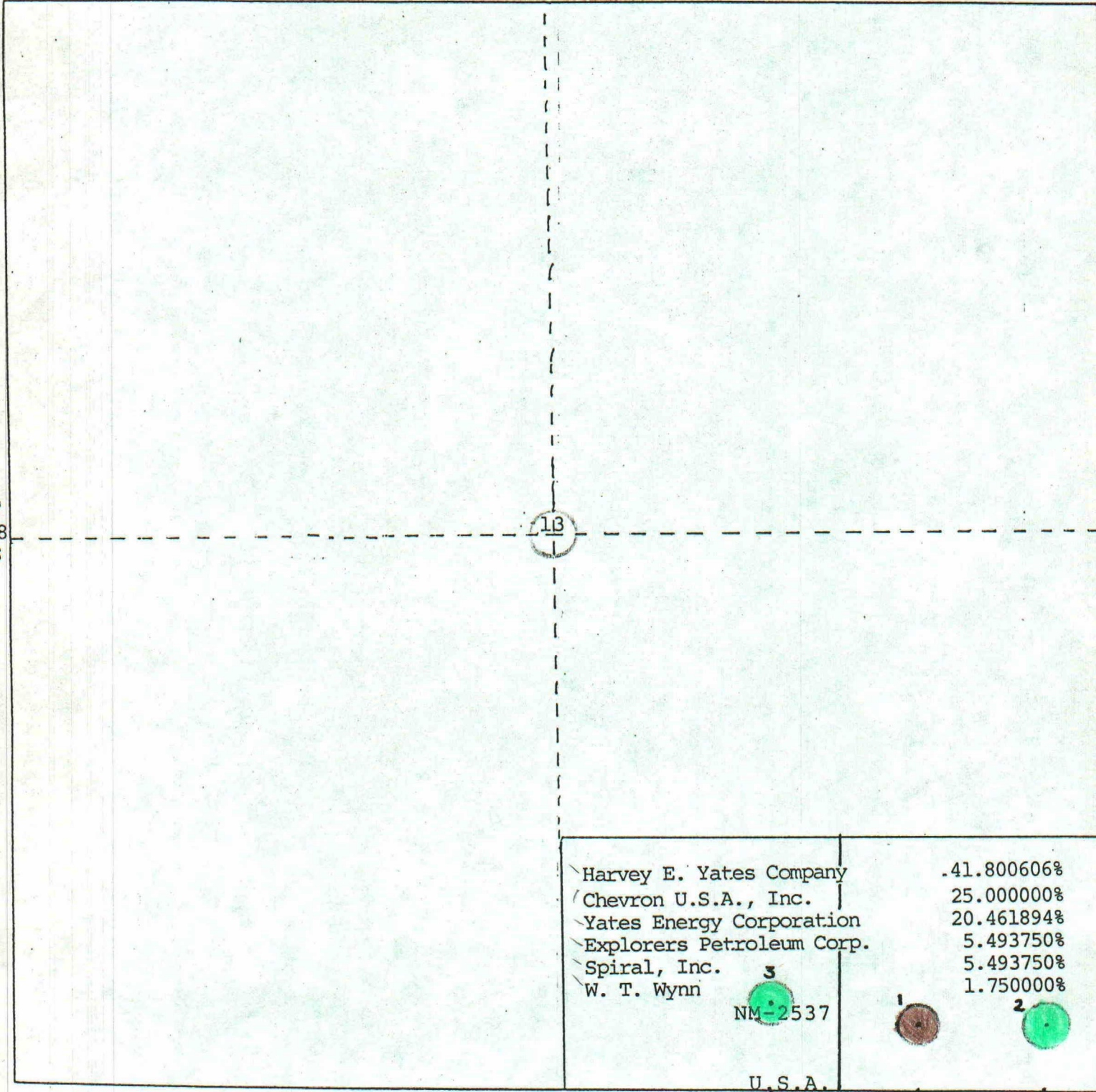
HARVEY E. YATES COMPANY, SOUTH TAYLOR "13" FEDERAL NO. 1

330' FSL & 1650' FEL Section 13, T-18S, R-31E, Eddy County, New Mexico

PRODUCING FORMATIONS : GYBG & DEL

POOLS : SHUGART Y-7R-QN-GYBG. & E.SHUGART DEL.

Section S/2 SE/4 13 Township 18 South Range 31-East County Eddy State New Mexico

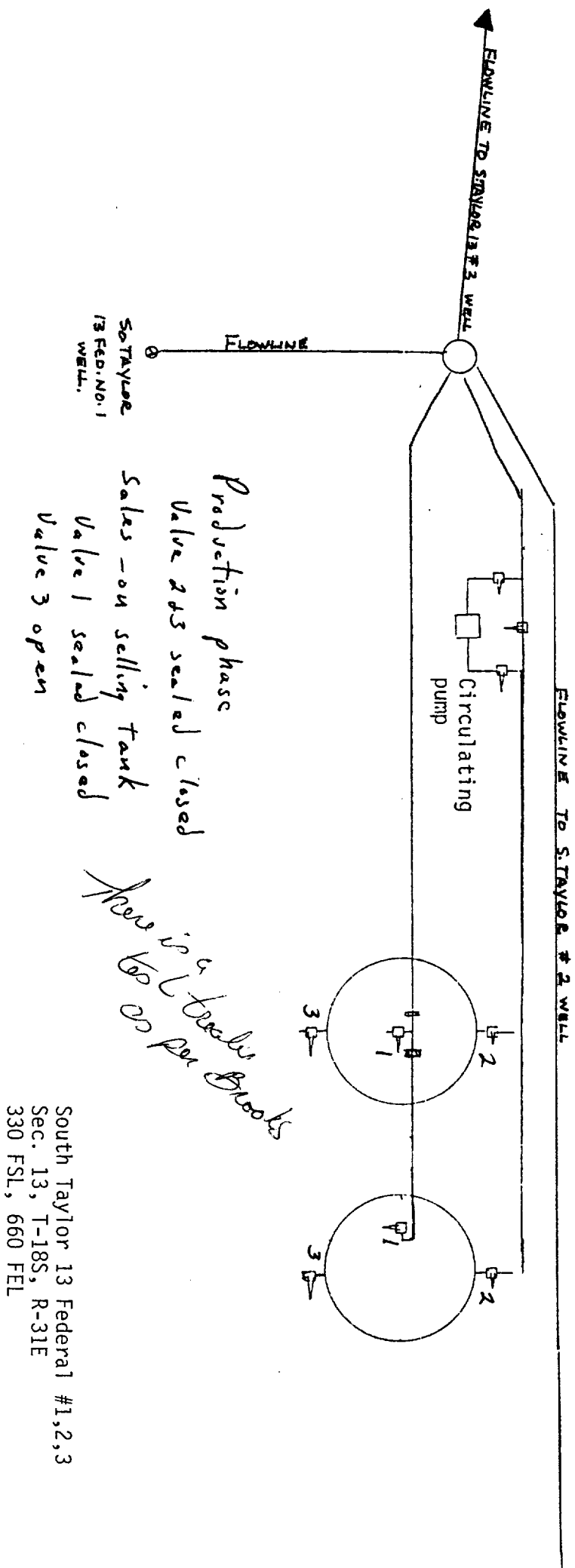


R-31E.

HARVEY E. YATES COMPANY, SOUTH TAYLOR "13" FEDERAL NO. 1,2,3 WELL LOCATIONS

330' FSL & ⁹⁹⁰~~1650~~' FEL Section 13, T-18S, R-31E, Eddy County, New Mexico

W.I. OWNERS W/IN LSE. NM-2537.



Legend	
○ Bull Plug	
⊗ Hammer Union	
⊕ Valve	

HEYCO
Box 1933
Roswell, N.M. 88201

South Taylor 13 Federal #1, 2, 3
Sec. 13, T-18S, R-31E
330 FSL, 660 FEL

DAVID,

API GRAV

Average production for the South Taylor lease is as follows:

44.1°	So. Taylor Fed. No. 1	80 bbls oil, 52 mcf gas, 21 bbls H ₂ O
31.8°	So. Taylor Fed. No. 2	107 bbls oil, 114 mcf gas, 0 H ₂ O
44.1°	So. Taylor Fed. No. 3	11 bbls oil, 54 mcf gas, 45 bbls H ₂ O.
		<hr/> 198 bbls oil/day 220 mcf gas/day, 66 Bbls H ₂ O

has dropped
to below 40° API
has dropped to
64 BOPD

Price paid for product is as the enclosed sheet states
\$16.75/bbl for W. Texas/N. Mexico Intermediate crude w/
stated gravity deductions.

Computed values are as follows:

- So. Taylor Fed. No. 1 = \$1340⁰⁰/day
- * So. Taylor Fed. No. 2 = \$1772⁷²/day
- So. Taylor Fed. No. 3 = \$184²⁵/day

Without gravity deductions the * South Taylor Fed. No. 2 would
be \$1792²⁵/day. Total revenue of 3 wells would be
\$3316.50/day or \$99,495⁰⁰/30 day month.

Commingled gravity is expected to be 36.8°, this calculates
to \$16.67/bbl or a total of \$3300⁶⁶/day or \$99,019⁸⁰/30 day month
for the lease.

Without commingling the value of the product would lose \$19⁴⁸/day
or \$584⁴⁰/month, with commingling the loss is less \$15.84/day or
\$475²⁰/month.

* GRAVITY SCALE A deduction for gravity below 40.9° API @ 2¢/bbl.



PRIDE PIPELINE
COMPANY

0 6 3 8 8

CRUDE OIL PRICE BULLETIN NUMBER 88-07

Effective 7:00 a.m. on May 26, 1988, subject to change without notice and to the terms and conditions stated in its standard division orders or other contracts, Pride Pipeline Company will pay the following prices per barrel (42 U.S. gallons), for merchantable crude oil or condensate purchased and received at your lease into the facilities of Pride or its authorized receiving agency. Prices are shown for 40.0-45.0° API gravity.

	<u>Price \$/Barrel</u>	<u>Gravity Adjustment</u>
West Central Texas *1	16.75	A
West Texas/New Mexico:		
Intermediate	16.75	A
Sour	16.75	B
North Texas *2	16.75	A
North Texas Sour	16.25	B
Oklahoma Sweet	16.75	C
Oklahoma Sour	15.50	B
Westbrook Sour	16.75	B
(Includes Scurry, Mitchell, and Howard Counties)		

Gravity Scale

- (A) Less \$0.02/BBL for each full degree below 40.9° API, or less \$0.015/BBL for each 1/10th degree above 45.0° API.
- (B) Less \$0.015/BBL for each 1/10th degree below 40.0° API, or less \$0.015/BBL for each 1/10th degree above 45.0° API.
- (C) Less \$0.02/BBL for each full degree from 40.9° to 35.0° API, then less \$0.015/BBL for each 1/10th degree below 35.0° API. Less \$0.015/BBL for each 1/10th degree above 60.0° API.

Merchantable crude and condensate is defined as virgin crude and/or condensate, produced from wells, which is free of injected or outside foreign contamination (whether man-made or naturally occurring) or added chemicals containing but not limited to halogenated organic compounds and/or oxygenated compounds.

All prices herein apply to quantities computed by using 100 percent tank tables or measured by approved automatic custody transfer facilities and adjusted for temperature to 60° Fahrenheit, in accordance with customary industry practices, and after full amounts of basic sediment, water, and other impurities have been deducted.

- *1. RRC District 7-B plus Runnels, Concho, McCulloch, Menard, Kimble, and Young Counties, Texas excluding Parker and Palo Pinto Counties, Texas.
- *2. RRC District 9 plus Parker and Palo Pinto Counties, Texas excluding Young County, Texas.

David,

I am waiting on
Chevron's & Prides
return slip, however
they have been sent

LB

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery ^{1 (Extra charge)†}

Article Addressed to: *W.T. Wagon*
1603 West Dargen
Midland TX. 79705

Article Number: *88240*
P-465-384-201

Type of Service: ☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail

Always obtain signature of addressee or agent and **DATE DELIVERED.**

Signature - Addressee: *X W.T. Wagon*

Signature - Agent: *X W.T. Wagon*

Date of Delivery: *6-18-88*

8. Addressee's Address (ONLY if requested and fee paid)

Form 3811, Mar. 1987 * U.S.G.P.O. 1987-176-268 DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery ^{1 (Extra charge)†}

Article Addressed to: *B.L.M.*
1717 W. 2nd
Roswell, NM

Article Number: *P-465-384-201*

Type of Service: ☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail

Always obtain signature of addressee or agent and **DATE DELIVERED.**

Signature - Addressee: *David Brooks*

Signature - Agent: *David Brooks*

Date of Delivery: *6/17/88*

8. Addressee's Address (ONLY if requested and fee paid)

Form 3811, Mar. 1987 * U.S.G.P.O. 1987-176-268 DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery ^{1 (Extra charge)†}

Article Addressed to: *Yates Energy Corp.*
1000 Sumner Court
Roswell, NM 88201

Article Number: *P-465-384-203*

Type of Service: ☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail

Always obtain signature of addressee or agent and **DATE DELIVERED.**

Signature - Addressee: *X [Signature]*

Signature - Agent: *X [Signature]*

Date of Delivery: *6/20/88*

8. Addressee's Address (ONLY if requested and fee paid)

Form 3811, Mar. 1987 * U.S.G.P.O. 1987-176-268 DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery ^{1 (Extra charge)†}

Article Addressed to: *Young E. Yates Co.*
Sealed return.
Explosives 250 Sumner Court
Roswell NM 88203

Article Number: *P-465-384-205*

Type of Service: ☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail

Always obtain signature of addressee or agent and **DATE DELIVERED.**

Signature - Addressee: *X [Signature]*

Signature - Agent: *X [Signature]*

Date of Delivery: *6-22-88*

8. Addressee's Address (ONLY if requested and fee paid)

Form 3811, Mar. 1987 * U.S.G.P.O. 1987-176-268 DOMESTIC RETURN RECEIPT

P 665 384 205

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

HARVEY E. YATES COMPANY

P.O. BOX 1933

ONE SUNWEST CENTRE

505/623-6601

FAX 505/622-4221

ROSWELL, NEW MEXICO 88202-1933

June 17, 1988

ly
orp.

8201

Re: Surface Commingling Application
for the South Taylor Fed. Lease
NM-2537, Sec. 13, T18s, R31E
Eddy Co., New Mexico

June 1985

Sent to <i>Harvey E. Yates Company</i>	
Street and No. <i>P.O. Box 1933</i>	
P.O., State and ZIP Code <i>Roswell NM 88202</i>	
Postage	\$
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	\$2.00
Postmark or Date <i>6-17-88</i>	

*SPRINT 11/10
E. Yates Co.
Harvey E. Yates
11/10*

Harvey E. Yates Company is seeking surface commingling approval from the N.M.O.C.D. on the South Taylor Federal lease, S/2 SE/4, Sec. 13, T18S, R31E, Eddy Co., N.M. This letter serves as notice of formal intent in order to approve the matter as predetermined by N.M.O.C.D. requirements.

The South Taylor 13 Federal #1 well was plugged back to the Grayburg and produces top allowable for the depth bracket. This well, at present, will be commingled with the South Taylor 13 Federal #2 and #3, which are currently producing from the Delaware. The oil gravity of the Grayburg is such that it would be penalized in product value paid by the transporter without commingling the oil with the Delaware in order to raise the gravity up to a better price bracket. The gravity of the Grayburg is 31.8 degrees API, and the gravity of the Delaware is 44.1 degrees API. The average gravity would be 38.6 degrees API.

In addition, we are seeking flexibility in surface commingling the South Taylor 13 Federal #3, whenever feasible. It has been proposed to plug back and recomplete in the same zone that the South Taylor 13 Federal #1 is completed in.

The overall effect is not to suffer any gravity penalizations, and get maximum price for the product extracted.

Very truly yours,

Larry Brooks

Larry Brooks,
Geologist

P 665 384 202

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

HARVEY E. YATES COMPANY

P.O. BOX 1933

ONE SUNWEST CENTRE

505/623-6601

FAX 505/622-4221

ROSWELL, NEW MEXICO 88202-1933

June 17, 1988

Re: Surface Commingling Application
for the South Taylor Fed. Lease
NM-2537, Sec. 13, T18S, R31E
Eddy Co., New Mexico

PS Form 3800, June 1985

Sent to <i>Eddy Co.</i>	
Street and No.	
P.O., State and ZIP Code <i>P.O. Box 2436, Roswell, N.M. 88202</i>	
Postage	\$
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	<i>2.00</i>
Postmark or Date <i>6-17-88</i>	

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The overall effect is not to suffer any gravity penalizations, and get maximum price for the product extracted.

Very truly yours,

Larry Brooks
Larry Brooks,
Geologist

P 665 384 203

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

HARVEY E. YATES COMPANY

P.O. BOX 1933

ONE SUNWEST CENTRE

505 / 623-6601

FAX 505 / 622-4221

ROSWELL, NEW MEXICO 88202-1933

June 17, 1988

on

201

Re: Surface Commingling Application
for the South Taylor Fed. Lease
NM-2537, Sec. 13, T18S, R31E
Eddy Co., New Mexico

PS Form 3800, June 1985

Sent to <i>Yates Energy Corp</i>	
Street and No. <i>1010 Sunwest Centre</i>	
P.O., State and ZIP Code <i>Roswell NM 88201</i>	
Postage	\$
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	\$2.00
Postmark or Date <i>6-17-88</i>	

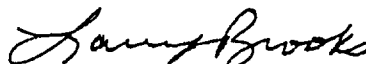
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The overall effect is not to suffer any gravity penalizations, and get maximum price for the product extracted.

Very truly yours,



Larry Brooks,
Geologist

P 665 384 201.

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

HARVEY E. YATES COMPANY

P.O. BOX 1933

ONE SUNWEST CENTRE

505/623-6601

FAX 505/622-4221

ROSWELL, NEW MEXICO 88202-1933

June 17, 1988

Re: Surface Commingling Application
for the South Taylor Fed. Lease
NM-2537, Sec. 13, T18s, R31E
Eddy Co., New Mexico

Sent to <i>W. E. Yates</i>	
Street and No. <i>1603 West Denger</i>	
P.O., State and ZIP Code <i>Musland, Tx. 79705</i>	
Postage	\$
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	\$ <i>2.00</i>
Postmark or Date <i>6-17-88</i>	

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Very truly yours,



Larry Brooks,
Geologist

PS Form 3800, June 1985

555 384 204

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

HARVEY E. YATES COMPANY

P.O. BOX 1933

ONE SUNWEST CENTRE

505/623-6601

FAX 505/622-4221

ROSWELL, NEW MEXICO 88202-1933

June 17, 1988

Re: Surface Commingling Application
for the South Taylor Fed. Lease
NM-2537, Sec. 13, T18S, R31E
Eddy Co., New Mexico

PS Form 3800, June 1985

Sent to <i>Attn. J.C. Rundle</i>	
<i>Chelvan, USA, Inc.</i>	
Street and No.	
<i>P.O. Box 670</i>	
P.O., State and ZIP Code	
<i>Albuquerque, NM. 88240</i>	
Postage	\$
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	<i>\$2.00</i>
Postmark or Date	
<i>6-17-88</i>	

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Very truly yours,

Larry Brooks

Larry Brooks,
Geologist

LARGE FORMAT
EXHIBIT HAS
BEEN REMOVED
AND IS LOCATED
IN THE NEXT FILE