

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD Artesia

FORM APPROVED
OMB No. 1004-0137
Expires July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.

NM-65417

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1. Type of Well



Oil Well



Gas Well



Other PA

2. Name of Operator

Yates Petroleum Corporation

3a. Address

105 S. 4th St., Artesia, NM 88210

3b. Phone No. (include area code)

575-748-1471

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

430' FSL & 200' FEL Sec. 11-T22S-R31E Unit P, SESE Surface

430' FSL & 1650' FWL Sec. 11-T22S-R31E Unit N, SESW Bottom

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

Martha AIK Federal #9H

9. API Well No.

30-015-37512

10. Field and Pool or Exploratory Area

Livingston Ridge; Delaware

11. County or Parish, State

Eddy County, New Mexico

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

TYPE OF SUBMISSION

TYPE OF ACTION



Notice of Intent



Subsequent Report



Final Abandonment Notice



Acidize



Alter Casing



Casing Repair



Change Plans



Convert to Injection



Deepen



Fracture Treat



New Construction



Plug and Abandon



Plug Back



Production (Start/Resume)



Reclamation



Recomplete



Temporarily Abandon



Water Disposal



Water Shut-Off



Well Integrity



Other

Surface/Lease

Commingle

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.

Yates Petroleum respectfully requests approval to Surface/Lease Commingle oil and gas for all the Martha AIK Federal wells that include #1- #6, #9H-11H, 13H & 14H.

The battery is located at the Martha AIK Federal #1. Please see site security diagram.

The ownership is diversified by percentage. All owners have been notified (see attached).

NOTE- ownership is common between the Martha #1- #6 & #13H.

NOTE- ownership is common between the Martha #9H- #11H & #14H.

Please see continuation attached.

Accepted for record

NMOCD

RECEIVED

FEB 05 2013

NMOCD ARTESIA

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

Name (Printed/Typed)

Miriam Morales

Title

Production Analyst

Signature

Date

11/14/12

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

/s/ JD Whitlock Jr

Title

SPEE

Date

2/2/13

Conditions of approval, if any, are attached. Approval of this notice does not warrant, or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

CFO

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make 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

Continuation of Martha AIK Federal #9H Surface/Lease Commingle

Federal Lease #NM-65417

| <u>Well name</u> | <u>Field/Pool</u> | <u>BOPD</u> | <u>Gravity</u> | <u>MCFPD</u> | <u>BTU</u> |
|--|-------------------------------|-------------|----------------|--------------|------------|
| Martha AIK Federal #1 Sec. 11-T22S-R31E API #30-015-26549 Eddy County, NM | Livingston Ridge; Delaware | 7 | 39 | 14 | 1379 |
| Martha AIK Federal #2 Sec. 11-T22S-R31E API #30-015-26650 Eddy County, NM | Livingston Ridge; Delaware | 8 | 39 | 13 | 1426 |
| Martha AIK Federal #3 Sec. 11-T22S-R31E API #30-015-26723 Eddy County, NM | Livingston Ridge; Delaware | 7 | 39 | 16 | 1493 |
| Martha AIK Federal #4 Sec. 11-T22S-R31E API #30-015-26724 Eddy County, NM | Livingston Ridge; Delaware | 12 | 38 | 19 | 1428 |
| Martha AIK Federal #5 Sec. 11-T22S-R31E API #30-015-26908 Eddy County, NM | Livingston Ridge; Delaware | 11 | 36 | 12 | 1310 |
| Martha AIK Federal #6 Sec. 11-T22S-R31E API #30-015-26960 Eddy County, NM | Livingston Ridge; Delaware | 11 | 38 | 14 | 1346 |
| Martha AIK Federal #9H Sec. 11-T22S-R31E API #30-015-37512 Eddy County, NM | Livingston Ridge; Delaware | *290 | *38.9 | *250 | *1403 |
| Martha AIK Federal #10H Sec. 11-T22S-R31E API #30-015-37509 Eddy County, NM | Livingston Ridge; Delaware | *290 | *38.9 | *250 | *1403 |
| Martha AIK Federal #11H Sec. 11-T22S-R31E API #30-015-37510 Eddy County, NM | Livingston Ridge; Delaware | *290 | *38.9 | *250 | *1403 |

Continuation of Martha AIK Federal #9H Surface/Lease Commingle

| <u>Well name</u> | <u>Field/Pool</u> | <u>BOPD</u> | <u>Gravity</u> | <u>MCFPD</u> | <u>BTU</u> |
|--|-------------------------------|-------------|----------------|--------------|------------|
| Martha AIK Federal #13H Sec. 11-T22S-R31E API #30-015-37511 Eddy County, NM | Livingston Ridge; Delaware | 56 | 39 | 147 | 1317 |
| Martha AIK Federal #14H Sec. 11-T22S-R31E API #30-015-37556 Eddy County, NM | Livingston Ridge; Delaware | *290 | *38.9 | *250 | *1403 |

*This is an estimated production, updated information will be provided to BLM upon well completion with an updated site security diagram as requested.

Oil Measurement

All of the wells with the exception of #1, 2, & 3, which utilize a single well test separator(common ownership), will be equipped with continuous meter separators for oil production prior to oil being commingled for sales at the Martha AIK Federal #1. Total sales/production will be allocated back to each individual well using the metered (daily well tests) volumes and periodic tests. Metered volumes will be compared to total battery volumes daily and monthly for accuracy.

Gas Measurement

All of the wells with the exception of #1, 2, and 3 which utilize a single well test separator (common ownership) will be equipped with allocation meters, for gas, prior to commingle. The BLM point of measurement for this commingled production is at the Agave CDP meter # 4028 located on the Martha Battery.

NOTE- wells #1-3 each periodically produce separately through the test separator for allocation purposes.

The purpose of the Surface/lease Commingle of production is in the interest of conservation, economic feasibility, the reduction of environmental impact area, and overall emissions. It will not result in reduced royalty or improper measurement of production. 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 each well.

MARTIN YATES, III
1912-1995

FRANK W. YATES
1936-1996

S.P. YATES
1914-2008



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (575) 748-1471

JOHN A. YATES
CHAIRMAN OF THE BOARD

JOHN A. YATES JR.
PRESIDENT

JAMES S. BROWN
CHIEF OPERATING OFFICER

JOHN D. PERINI
CHIEF FINANCIAL OFFICER

JORGE S. MENDOZA
CHIEF ADMINISTRATIVE OFFICER

Procedure to verify accuracy of turbine allocation meters:

- 1) After the initial install of the turbine allocation meter, production fluid from the well associated to said meter is flowed through the meter and into a sales tank.
- 2) The sales tank is then gauged and the calculated volume is compared to the metered volume.
- 3) If needed, corrections to the meter's calibration factor are made to ensure that metered volumes correspond to the measured volumes from the gauged tank.
- 4) This process is repeated periodically or as needed, determined from the lease operator's daily comparison of total allocation meter readings to gauged tank volumes.

Note: Turbine allocation meters are locked to prevent unwanted tampering of the meter calibration factor.

KATHY H. PORTER
SECRETARY

DENNIS G. KINSEY
TREASURER

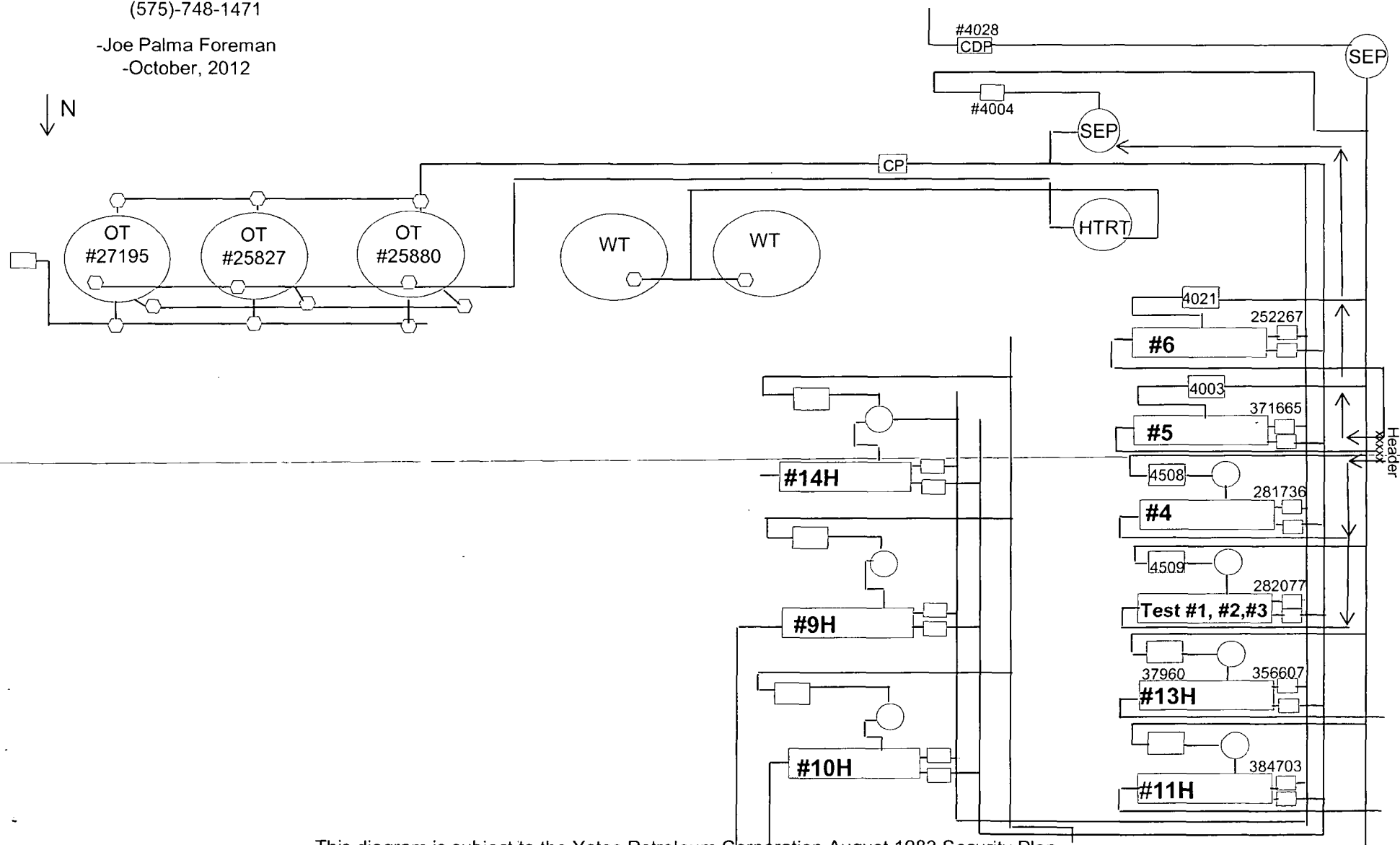


105 South 4th Street * Artesia, NM 88210
(575)-748-1471

-Joe Palma Foreman
-October, 2012

Martha AIK Battery

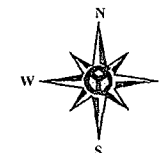
330' FSL & 430' FEL * Sec11 – T22S R31E * Unit P
Eddy County, NM
API- 3001526549



This diagram is subject to the Yates Petroleum Corporation August 1983 Security Plan
which is on file at 105 South 4th Street, Artesia, NM



105 SOUTH FORTUIT (575) 708-1471
ARTESIA, NEW MEXICO 88210



LEGEND

— GPS ROADS

☼ GAS WELL PROPOSED

● OIL WELL PROPOSED

☼ GAS WELL

● OIL WELL

— FLOW LINE YATES

DRAWN BY: JAH

DATE DRAWN: 10-19-12

COUNTY: EDDY

STATE: NEW MEXICO

SHEET NUMBER: 1 OF 1

SCALE: 1" = 1/8 Mile

THIS MAP HAS BEEN CAREFULLY
COMPILED AND PRINTED BY YATES
PETROLEUM CORPORATION FROM
AVAILABLE INFORMATION. YATES
PETROLEUM CORPORATION DOES NOT
GUARANTEE THE ACCURACY OF THIS
MAP OR INFORMATION DELINEATED
THEREON.

NOR DOES YATES PETROLEUM
CORPORATION ASSUME
RESPONSIBILITY FOR ANY RELIANCE
THEREON. RECIPIENT AGREES NOT TO
COPY, DISTRIBUTE OR DIGITIZE THIS
MAP WITHOUT EXPRESS CONSENT
FROM YATES PETROLEUM
CORPORATION OR ITS AFFILIATES.

TITLE: Right of Way

BHL

MARTHA

#6

MARTHA

#12H

MARTHA

#13H

2 $\frac{7}{8}$ STEEL

MARTHA

#5

1 1

MARTHA

#4

MARTHA

#2

MARTHA

#1.1

MARTHA

#10H

4" POLY

MARTHA

#3

MARTHA

#9H

MARTHA

BATT

MARTHA

#14

BHL

BHL

BHL

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1996

S.P. YATES
1914-2008



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118

TELEPHONE (575) 748-1471

JOHN A. YATES
CHAIRMAN OF THE BOARD

JOHN A. YATES JR.
PRESIDENT

JAMES S. BROWN
CHIEF OPERATING OFFICER

JOHN D. PERINI
CHIEF FINANCIAL OFFICER

JORGE S. MENDOZA
CHIEF ADMINISTRATIVE OFFICER

November 9, 2012

RE: Surface Lease Commingle
Martha AIK Federal #1-6, 9H-11H, 13H & 14H
Eddy County, New Mexico

Dear Interest Owner,

Yates Petroleum is requesting approval from the Bureau of Land Management and the Oil Conservation Division to Surface Lease Commingle the Martha AIK Federal wells that include #1-6, 9H-11H, 13H and 14H.

The battery is located at the Martha AIK Federal #1.
The ownership is diversified by percentage.

NOTE- ownership is common between the Martha #1- #6 & #13H.

NOTE- ownership is common between the Martha #9H- #11H & #14H.

Oil Measurement

All of the wells with the exception of #1, 2, & 3, which utilize a single well test separator (common ownership), will be equipped with continuous meter separators for oil production prior to oil being commingled for sales at the Martha AIK Federal #1. Total sales/production will be allocated back to each individual well using the metered (daily well tests) volumes and periodic tests. Metered volumes will be compared to total battery volumes daily and monthly for accuracy.

Gas Measurement

All of the wells with the exception of #1, 2, and 3 which utilize a single well test separator (common ownership) will be equipped with allocation meters, for gas, prior to commingle. The BLM point of measurement for this commingled production is at the Agave CDP meter # 4028 located on the Martha Battery.

NOTE- wells #1-3 each periodically produce separately through the test separator for allocation purposes.

The purpose of the Surface/lease Commingle of production is in the interest of conservation, economic feasibility, the reduction of environmental impact area, and overall emissions. It will not result in reduced royalty or improper measurement of production. 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 each well.

Any objection must be filed in writing with the Oil Conservation Division in Santa Fe within 20 days from the date the division receives the application. Application will be sent in conjunction with notification to owners.

If you should have any questions, please give me a call at (575) 748-4200 (direct line).

Sincerely,

Miriam Morales
Production Analyst

KATHY H. PORTER
SECRETARY

DENNIS G. KINSEY
TREASURER

Federal Lease #NM-65417

| <u>Well name</u> | <u>Field/Pool</u> | <u>BOPD</u> | <u>Gravity</u> | <u>MCFPD</u> | <u>BTU</u> |
|--|-------------------------------|-------------|----------------|--------------|------------|
| Martha AIK Federal #1 Sec. 11-T22S-R31E API #30-015-26549 Eddy County, NM | Livingston Ridge; Delaware | 7 | 39 | 14 | 1379 |
| Martha AIK Federal #2 Sec. 11-T22S-R31E API #30-015-26650 Eddy County, NM | Livingston Ridge; Delaware | 8 | 39 | 13 | 1426 |
| Martha AIK Federal #3 Sec. 11-T22S-R31E API #30-015-26723 Eddy County, NM | Livingston Ridge; Delaware | 7 | 39 | 16 | 1493 |
| Martha AIK Federal #4 Sec. 11-T22S-R31E API #30-015-26724 Eddy County, NM | Livingston Ridge; Delaware | 12 | 38 | 19 | 1428 |
| Martha AIK Federal #5 Sec. 11-T22S-R31E API #30-015-26908 Eddy County, NM | Livingston Ridge; Delaware | 11 | 36 | 12 | 1310 |
| Martha AIK Federal #6 Sec. 11-T22S-R31E API #30-015-26960 Eddy County, NM | Livingston Ridge; Delaware | 11 | 38 | 14 | 1346 |
| Martha AIK Federal #9H Sec. 11-T22S-R31E API #30-015-37512 Eddy County, NM | Livingston Ridge; Delaware | *290 | *38.9 | *250 | *1403 |
| Martha AIK Federal #10H Sec. 11-T22S-R31E API #30-015-37509 Eddy County, NM | Livingston Ridge; Delaware | *290 | *38.9 | *250 | *1403 |
| Martha AIK Federal #11H Sec. 11-T22S-R31E API #30-015-37510 Eddy County, NM | Livingston Ridge; Delaware | *290 | *38.9 | *250 | *1403 |
| Martha AIK Federal #13H Sec. 11-T22S-R31E API #30-015-37511 Eddy County, NM | Livingston Ridge; Delaware | 56 | 39 | 147 | 1317 |
| Martha AIK Federal #14H Sec. 11-T22S-R31E API #30-015-37556 Eddy County, NM | Livingston Ridge; Delaware | *290 | *38.9 | *250 | *1403 |

*This is an estimated production, updated information will be provided to BLM upon well completion with an updated site security diagram as requested.

OCD
1220 S SAINT FRANCIS DR
SANTA FE, NEW MEXICO

OXY Y-1 COMPANY
P.O. BOX 841803
DALLAS, TX 75284-1803

MYCO INDUSTRIES INC
P O BOX 840
ARTESIA, NEW MEXICO 88211

ABO PETROLEUM CORP
P O BOX 900
ARTESIA, NEW MEXICO

**Bureau of Land Management
Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220
575-234-5972**

**Yates Petroleum Corporation
Martha AIK Federal Wells
NM65417**

February 2, 2013

**Condition of Approval
Commingle on and off lease**

1. This approval is subject to like approval by the New Mexico Oil Conservation Division.
2. This agency shall be notified of any spill or discharge as required by NTL-3A.
3. This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
4. This approval does not constitute right-of-way approval for any off-lease activities. Within 30 days, an application for right-of-way approval must be submitted to the Realty Section if not already done.
5. Approval for combining production from various sources is a privilege which is granted to lessees for the purpose of aiding conservation and extending the economic life of leases. Applicants should be cognizant that failure to operate in accordance with the provisions outlined in the Authorized Officer's conditions of approval and/or subsequent stipulations or modifications will subject such approval to revocation.
6. All above ground structures on the lease shall be painted Shale Green (5Y 4/2), or as per approved APD stipulations. This is to be done within 90 days, if you have not already done so.
7. Gas measurement for allocation must be measured as per Onshore Order #5 for sales meters.
8. All gas and oil subject to royalty shall be measured as per federal regulations and shall be reported to ONRR as required. All gas which is vented, flared or used on lease shall be reported as per NTL-4A to ONRR. All gas which is vented or flared shall be subject to royalty, unless prior approval was given by the authorized officer.
9. This agency shall be notified of any change in sales method or location of sales point.
10. Additional wells and/or leases require additional commingling approvals.

The public's interest in this leases has been found to be identical for all wells 12.5%-25% SCH B. Therefore, this commingle is being approved. This does not mean that the allocation of production to each well will be 100% accurate each month. By approving this request it will only guarantee that the public's interest will not be compromised.