

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Artesia, NM 88210

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 type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other	5. Lease Designation and Serial No. NM-37843 (SS)
2. Name of Operator YATES ENERGY CORPORATION	6. If Indian, Allottee or Tribe Name
3. Address and Telephone No. P.O. Box 2323, Roswell, NM 88202 505-623-4935	7. If Unit or CA, Agreement Designation
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 1740' FSL & 660' FEL Sec. 27 - 23S - 23E	8. Well Name and No. Desert Rose Fed. #1
	9. API Well No. 30-015-26167
	10. Field and Pool, or Exploratory Area Bandana Point (Strawn) Hess, East (Morrow)
	11. County or Parish, State Eddy

12. 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 Commingle Downhole
	<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

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.)\*

Application to commingle production downhole filed with the NMOCD for administrative approval.  
Ownership is common to both zones. Upon OCD approval, production is to be allocated based on 41% for the Morrow zone and 59% for the Strawn zone.

Subject to  
Like Approval  
by State

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

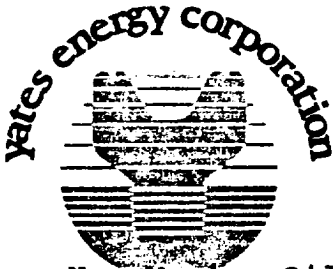
Signed Eca Muniz Title Engineering Technician Date 9-12-93

(This space for Federal or State office use)

Approved by Shannon J. Shaw Title PETROLEUM ENGINEER Date 11/30/93  
Conditions of approval, if any:

FILED

OCT 10 1993



October 11, 1993

New Mexico Oil Conservation Division  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088  
Attn: William Lemay

Re: Downhole commingling  
Desert Rose Federal #1  
Hess, East (Morrow) Field  
Bandana Point (Strawn) Field  
1740' FSL & 660' FEL  
Section 27-23S-23E  
Eddy County, New Mexico

Dear Mr. Lemay:

Yates Energy Corporation respectfully requests administrative approval to downhole commingle the Strawn and Morrow formations in the subject well.

Previous authority to surface commingle the subject zones was granted in 1991 by Order #PC-781. As per that order, we are required to perform annual packer leakage tests. While performing the 1993 test, communication was discovered between the tubing and annulus, indicating either a packer failure or tubing leak. The Artesia office of the OCD notified us 9/15/93 that we have 30 days to repair the leak.

Yates Energy is making this request based on economics. We assert that the costs associated with the repair may not be returned from the remaining gas reserves. If you will notice, gas production has declined to less than 75 MCFPD (for September 1993), and remaining reserves are estimated at only 50 MMCF. Repair costs could be in excess of \$10,000, making the project uneconomic when the time value of money is considered. Also of importance, the well will have to be killed with fluid to repair the leak and there is a possibility that the Morrow formation would be permanently damaged as a result. If however, we were allowed to commingle this production downhole, we would be able to produce the remaining reserves, thus preventing waste.

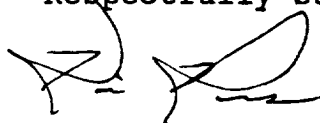
Current reservoir pressures in both reservoirs are estimated to be reasonably equal and no crossflow between zones is

anticipated. Neither reservoir produces formation water so there will be no compatibility problems. In addition, all ownerships are common for both zones.

Attached are production decline curves showing a stabilized decline on both zones. We have determined that the future allocation could be based on a split of 41% for the Morrow zone and 59% for the Strawn. We have also attached a plat showing that OXY USA Inc. is the only offset operator. Correspondence has been sent to OXY notifying them of our intent and requesting a waiver. The waiver will be forwarded to you after receipt. We have also notified the BLM of our intent.

We also request that you waive your requirement of a current bottomhole pressure test and a current 24 hr deliverability test due to the fact that the tests would be impossible to run under the current circumstances. Please review the attached information at your earliest convenience. Should you require additional information, please advise.

Respectfully Submitted,

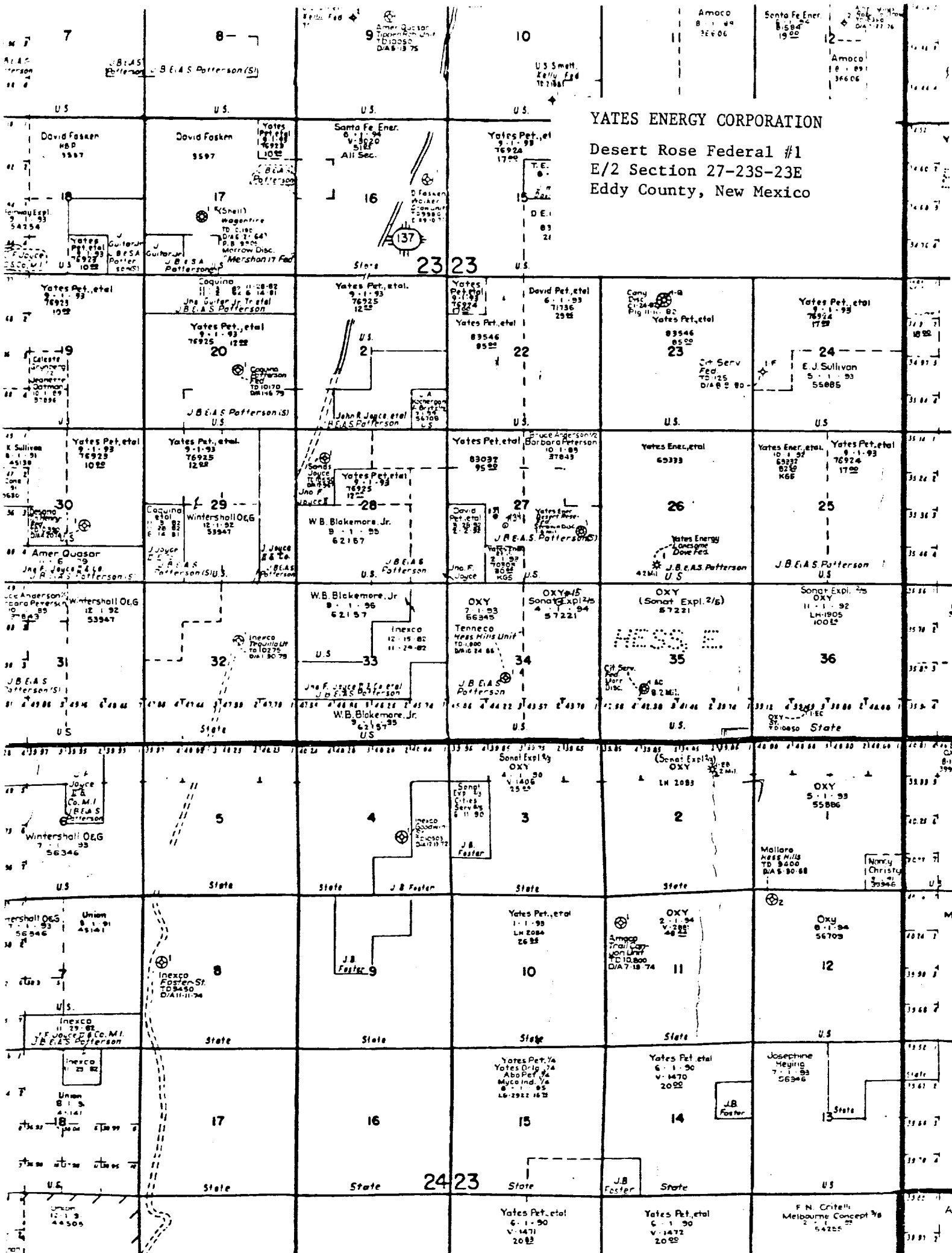
A handwritten signature in black ink, appearing to read 'Kirk Ross', with a stylized flourish at the end.

Kirk Ross  
Engineer

attachments

cc: OCD-Artesia  
BLM-Carlsbad

Desert Rose Federal #1  
E/2 Section 27-23S-23E  
Eddy County, New Mexico

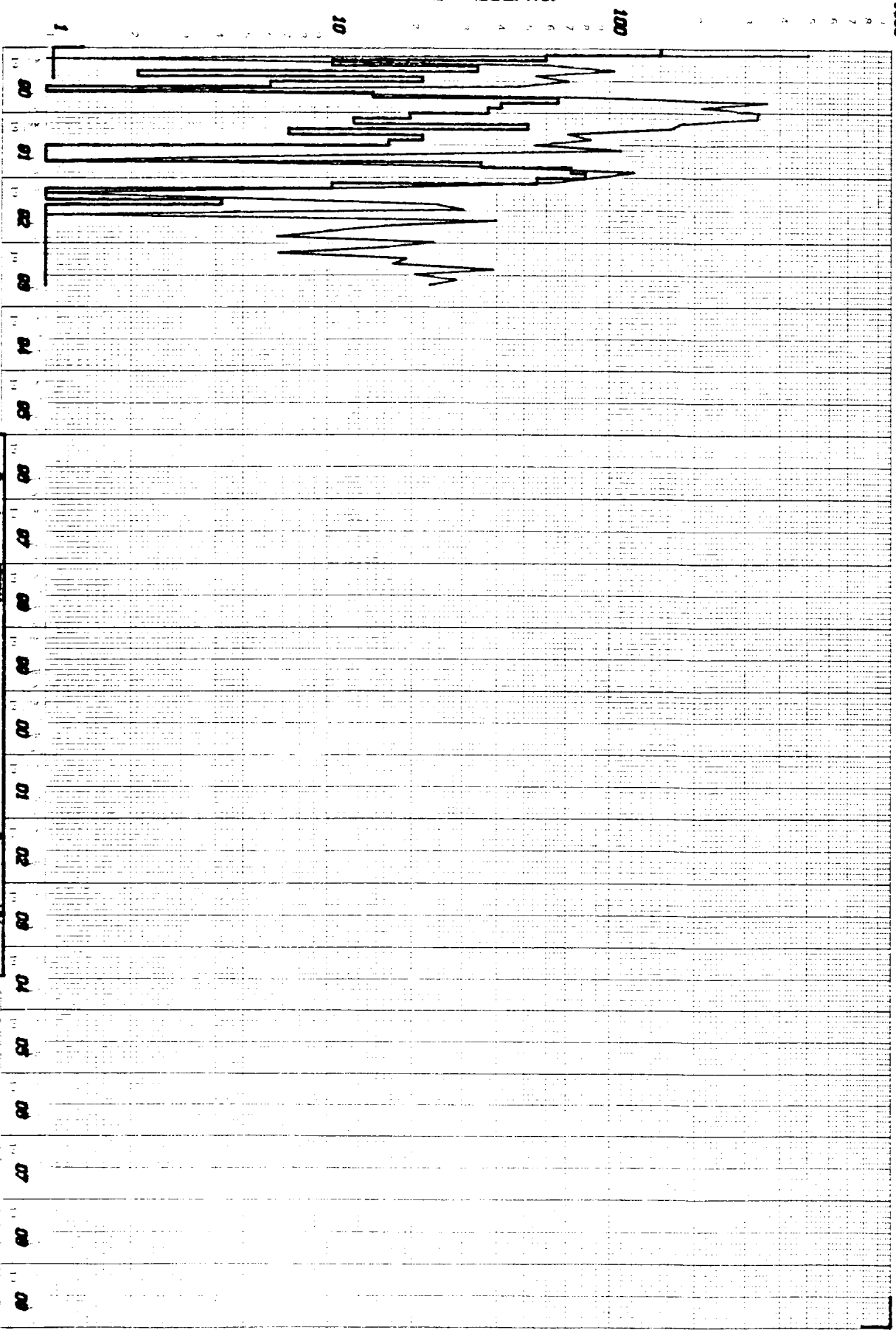


**Patrol Level Code: 250.015, 28523E27100P5**

1077777

**10000**

GAS (MCF/MO)



100

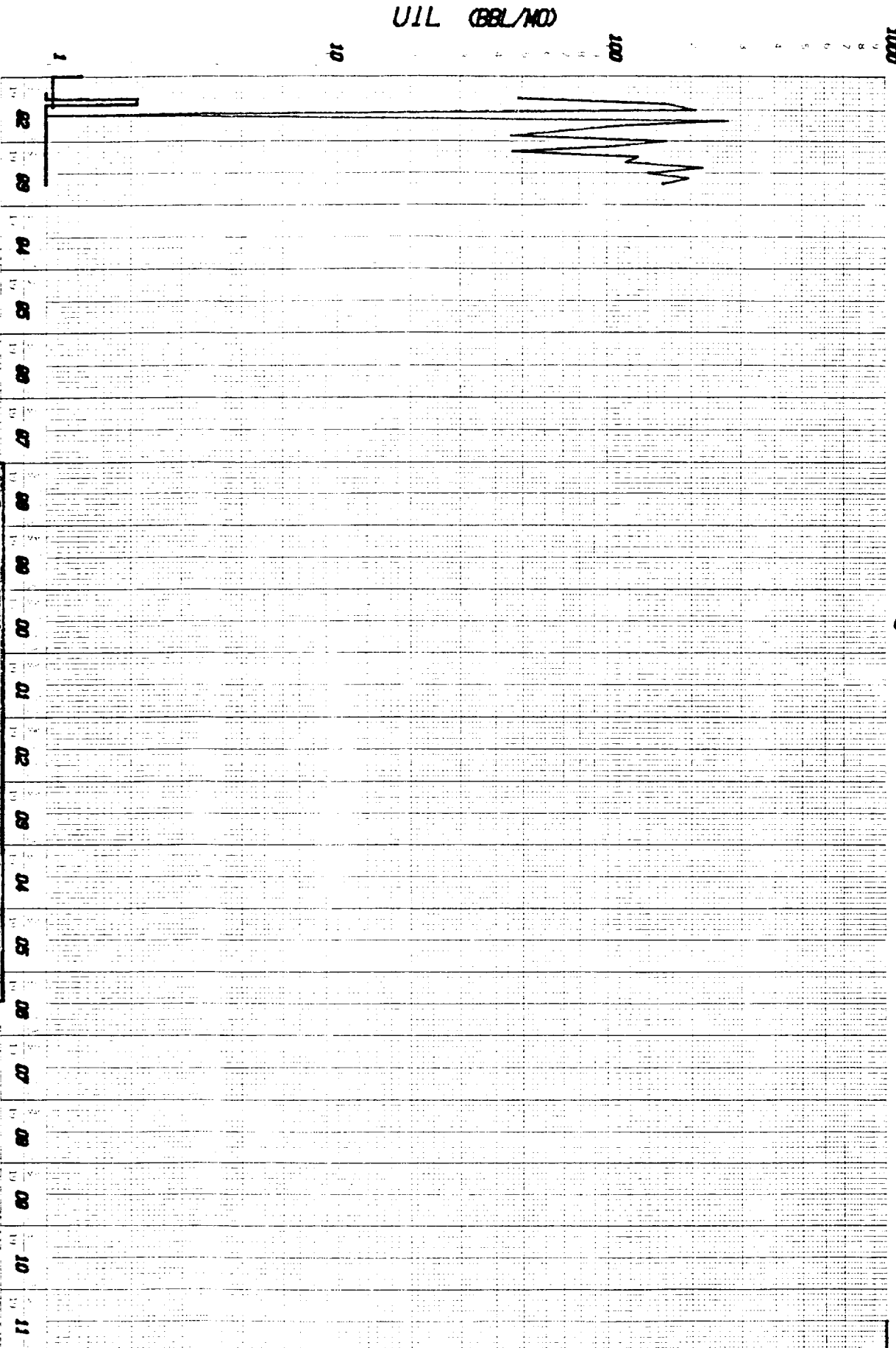
**1000**

533

1000  
Location DESERT ROSE FEDERAL

000001 Dwight's ENERGY MATA Inc.

Referral Codes 250, 015, 2552327100PM



DATE TIME

County EIDY  
Field HESS EAST OGDON  
Reservoir MORROW  
Operator YATES ENERGY CORP  
Oil Dam 2 Gas Dam 21584

Station IN  
PM

DATE TIME

10000  
1000  
100  
10  
GAS (MCF/MO)