

State of New Mexico
Energy, Minerals and Natural Resources Department

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Governor

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Cabinet Secretary

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Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



June 20, 2012

Administrative Order CTB-646

Yates Petroleum Corporation
Attention: Miriam Morales
105 South Fourth Street
Artesia, NM 88210

RE: Surface Commingling

It is our understanding that you propose to commingle oil and gas production from diversely owned lands, limited to one common source of supply through facilities operated by Yates Petroleum Corporation ("Applicant"). By this application you are seeking commingling approval pursuant to Division Rule 12.10.C(4) [19.15.12.10.C.(4) NMAC]. It is further understood that you have provided notice to all interest owners in accordance with Rule 12.10.C(4)(c), and no objections have been received.

Applicant is hereby authorized to [surface] commingle both oil and gas production from the Long Draw; Glorieta Yeso Pool from the following wells and completions located within Eddy County, New Mexico:

Palo Verde AJV Fed Com Well No. 1H (API No. 30-015-26907), Horizontal
SHL: 760FSL 660FWL (Unit letter M), Sec24, T20S, R24E, NMPM
(planned) BHL: 760FSL 330FEL (Unit letter P), Sec24, T20S, R24E, NMPM
Oil Spacing Unit: 160-Acres, Units MNOP of Section 24

Prickly Pear AIE Federal Well Com No. 1 (API No. 30-015-26738), Vertical
990FSL 990FEL (Unit letter P), Sec23, T20S, R24E, NMPM
Oil Spacing Unit: 40-Acres, Unit P of Section 24

The oil and gas from both wells will be measured and sold at the battery location near the surface location of the Palo Verde AJV Fed Com Well No. 1H.

This installation shall be constructed and operated in accordance with applicable Division Rules. As in this application, each well shall be equipped with a dedicated separator and oil and gas (continuous measuring) meters prior to commingling for sales. The gas meter shall be calibrated on a schedule based on throughput as per Rule 12.10.C(2) NMAC.

The operator shall notify the District office of the Division prior to implementation of commingling operations. It is the also responsibility of the operator to notify the transporter of this commingling authority.

As per Division Rule 19.15.12.10.C.(4)(h) NMAC, the operator shall not commence commingling prior to approval from the State Land Office if state lands are involved or the US BLM if tribal or federal lands are involved.

Applicant has not provided notice that it is requesting addition of future wells or additional leases or pools to this commingle as per Rule 12.10.C.(4)(g)(i) NMAC. Therefore, additional wells or pools shall not be included in this surface commingle without the operator again making application and providing notice to all owners.

Sincerely,



JAMIE BAILEY
Division Director

JB/wvjj

cc: Oil Conservation Division – Artesia
Bureau of Land Management – Carlsbad Field Office