

7

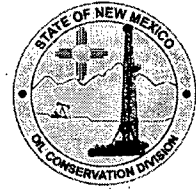
State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



Administrative Order CTB-668
January 29, 2013

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

RE: Surface Commingling

It is our understanding that you propose to commingle (only) oil production from diversely owned lands, limited to one common source of supply through facilities operated by the above named operator ("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 oil production from the Parkway; Bone Spring Pool (49622) from the following wells and completions located within Eddy County, New Mexico:

Anthill AAK State Com Well No. 2H (30-015-38575), 160-Acre (I,J,K,L) Project Area
SHL: Unit letter I, (BHL: Unit letter L) Section 2, T20S, R29E, NMPM

Anthill AAK State Com Well No. 3H (30-015-38576), 160-Acre (P,O,N,M) Project Area
SHL: Unit letter P, (BHL: Unit letter M) Section 2, T20S, R29E, NMPM

Anthill AAK State Com Well No. 4H (30-015-40731), 160-Acre (P,O,N,M) Project Area
SHL: Unit letter P, (BHL: Unit letter M) Section 2, T20S, R29E, NMPM

It is our understanding that ownership is not identical between these three wells and Applicant is proposing to use periodic well testing as the metering and allocation method between wells in order to reduce the environmental impact, extend the economic limit, and thereby prevent waste. The oil allocation method as proposed is hereby approved. Gas commingling was not proposed in this application for approval.

Oil from these wells shall be measured and sold at the Anthill AAK State Com Well No. 2H tank battery within Unit letter I of Section 2.


This installation shall be constructed and operated in accordance with applicable Division Rules.

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

As per Division Rule 19.15.12.10.C.(4)(h) NMAC, the Applicant 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 Applicant again making application and providing notice to all owners.

Sincerely,


JAM H BAILEY
Division Director

JB/wvjj

cc: Oil Conservation Division – Artesia
State Land Office – Oil, Gas, and Minerals Division