

DATE IN 02/22/2013	SUSPENSE	ENGINEER RE	LOGGED IN 02/26/13	TYPE PLC	APP NO. PPAG1305738049
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



30-025-40891
 Hemlock BSH State #2H
 Yates Petroleum

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☒ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

[A] ☒ Working, Royalty or Overriding Royalty Interest Owners
 [B] ☐ Offset Operators, Leaseholders or Surface Owner
 [C] ☐ Application is One Which Requires Published Legal Notice
 [D] ☒ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☒ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Miriam Morales
 Print or Type Name

Signature

Production Analyst
 Title

2/20/13
 Date

mmorales@yatespetroleum.com
 e-mail Address

District I
1625 N. French Drive, Hobbs, NM 88240
District II
1301 W. Grand Ave, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St Francis Dr, Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-B
Revised June 10, 2003

OIL CONSERVATION DIVISION
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original
application to the Santa Fe
office with one copy to the
appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: Yates Petroleum Corporation
OPERATOR ADDRESS: 105 South Fourth St. Artesia, NM 88210
APPLICATION TYPE:

☐ Pool Commingling ☐ Lease Commingling ☒ Pool and Lease Commingling ☐ Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE: ☐ Fee ☒ State ☐ Federal

Is this an Amendment to existing Order? ☒ Yes ☐ No If "Yes", please include the appropriate Order No. PLC-358

Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling

☒ Yes ☐ No

(A) POOL COMMINGLING
Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes
Triple X; Bone Spring 59900	1571	1571			
Brinninstool; Delaware 96193	1390(est. 0-1 mfcpd)				

(2) Are any wells producing at top allowables? ☐ Yes ☒ No

(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No

(4) Measurement type: ☒ Metering ☐ Other (Specify)

(5) Will commingling decrease the value of production? ☐ Yes ☒ No If "yes", describe why commingling should be approved

(B) LEASE COMMINGLING
Please attach sheets with the following information

(1) Pool Name and Code.

(2) Is all production from same source of supply? ☐ Yes ☐ No

(3) Has all interest owners been notified by certified mail of the proposed commingling? ☐ Yes ☐ No

(4) Measurement type: ☐ Metering ☐ Other (Specify)

(C) POOL and LEASE COMMINGLING
Please attach sheets with the following information

(1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT
Please attach sheets with the following information

(1) Is all production from same source of supply? ☐ Yes ☐ No

(2) Include proof of notice to all interest owners.

(E) ADDITIONAL INFORMATION (for all application types)
Please attach sheets with the following information

(1) A schematic diagram of facility, including legal location.

(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.

(3) Lease Names, Lease and Well Numbers, and API Numbers.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: Miriam Morales

TITLE: Production Analyst

DATE: 2/20/2013

TYPE OR PRINT NAME Miriam Morales

TELEPHONE NO.: (575) 748-1471

E-MAIL ADDRESS: mmorales@yatespetroleum.com

Submit 1 Copy To Appropriate District Office
District I - (575) 393-6161
1625 N. French Dr., Hobbs, NM 88240
District II - (575) 748-1283
811 S. First St., Artesia, NM 88210
District III - (505) 334-6178
1000 Rio Brazos Rd., Aztec, NM 87410
District IV - (505) 476-3460
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-103
Revised August 1, 2011

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-025-40891
1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>		5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator Yates Petroleum Corporation		6. State Oil & Gas Lease No. VB-1169
3. Address of Operator 105 S. Fourth Street Artesia, NM 88210		7. Lease Name or Unit Agreement Name Hemlock BSH State
4. Well Location Unit Letter <u>D</u> : <u>220</u> feet from the <u>N</u> line and <u>580</u> feet from the <u>W</u> line Section <u>32</u> Township <u>23S</u> Range <u>33E</u> NMPM County <u>Lea</u>		8. Well Number <u>2H</u>
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3667' GR		9. OGRID Number <u>025575</u>
		10. Pool name or Wildcat Triple X; Bone Spring

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
DOWNHOLE COMMINGLE <input type="checkbox"/>			
OTHER: Amend Surface Pool/Lease Commingle <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Yates Petroleum respectfully requests administrative approval for an addition to PLC-358 previously approved by OCD on 8/31/12 and by SLO on 8/9/12.

Hemlock BSH State #1H
Triple X; Bone Spring
Sec. 32-T23S-R33E
API #30-025-40489
St. Lease #VB-1169
Lea County, NM

Yarrow BHY State #1
Brinninstool; Delaware
Sec. 32-T23S-R33E
API #30-025-37561
St. Lease #VO-6276
Lea County, NM

Hemlock BSH State #2H
Triple X; Bone Spring
Sec. 32-T23S-R33E
API #30-025-40891
St. Lease #VB-1169
Lea County, NM

The ownership is diversified. All owners have been notified and copies of certified receipts and letters are attached.

Oil Measurement - Allocation for Hemlock BSH State #1H & #2H only

Each of these wells will be equipped with continuously metering separators for oil production prior to oil being commingled for sales at the Hemlock #1H. Total sales/production will be allocated back to each individual well using the metered (daily well tests) volumes. Metered volumes will be compared to totals battery volumes daily and monthly for accuracy. Any vapor recovery gas shall be included in this application.

The battery will be located at the Hemlock BSH State #1H. Please see attached site security diagram.
Estimated daily oil production for the Hemlock #1H is 448 bbls and for the Hemlock #2H is 750 bbls.

Gas Measurement- Yarrow battery CDP

Total gas production and sales will be based on the measurement at the CDP and allocated back to each well based on EFM readings.
The DCP's meter #722112 is located at the Yarrow #1.

Estimated daily gas production for the Hemlock #1H is 500 MCF, for the Hemlock #2H is 600 MCF with 1571 BTU. The Yarrow #1 gas production is marginal, 0-5 MCF with 1390 BTU.

The purpose of the Surface Pool/Lease Commingle 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 the same battery, it will become necessary to build separate facilities for each well. This will greatly increase costs and shorten the economic life of all the wells.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Miriam Morales TITLE Production Analyst DATE 2/20/2013
Type or print name Miriam Morales E-mail address: mmorales@yatespetroleum.com PHONE: 575-748-4200

For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____
Conditions of Approval (if any): _____

District I
1625 N. French Dr., Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-37561	² Pool Code 96193	³ Pool Name Brinninnstool; Delaware
⁴ Property Code 35240	⁵ Property Name Yarrow BHY State	
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation	
		⁶ Well Number 1
		⁹ Elevation 3672' GR

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	32	23S	33E	A	990	North	990	East	Lea

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16					17 OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i> Signature
					Stormi Davis Printed Name Regulatory Compliance Technician Title and E-mail Address stormid@ypcnm.com
					Date 6-29-06
					18 SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i>
					Date of Survey Signature and Seal of Professional Surveyor:
					Certificate Number

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office
☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-40489		² Pool Code 59900	³ Pool Name Triple X; Bone Spring
⁴ Property Code 39118	⁵ Property Name Hemlock BSH State		⁶ Well Number 1H
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation		⁹ Elevation 3667' GR

¹⁰ Surface Location

UL or lot no. C	Section 32	Township 23S	Range 33E	Lot Idn	Feet from the 330	North/South line North	Feet from the 1980	East/West line West	County Lea
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no. N	Section 32	Township 23S	Range 33E	Lot Idn	Feet from the 255	North/South line South	Feet from the 1982	East/West line West	County Lea
¹² Dedicated Acres 160	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No. 4926 2006						

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

¹⁶				<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Tina Huerta</i> November 15, 2012 Signature Date</p> <p>Tina Huerta Printed Name</p> <p>tinah@yatespetroleum.com E-mail Address</p>
1980'W	330'N Surface			
				<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>Date of Survey Signature and Seal of Professional Surveyor:</p>
1982'W	BHL			
	330'N			
				Certificate Number

04/1/16/13CS

DEC 2 0 2012

* Amended

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

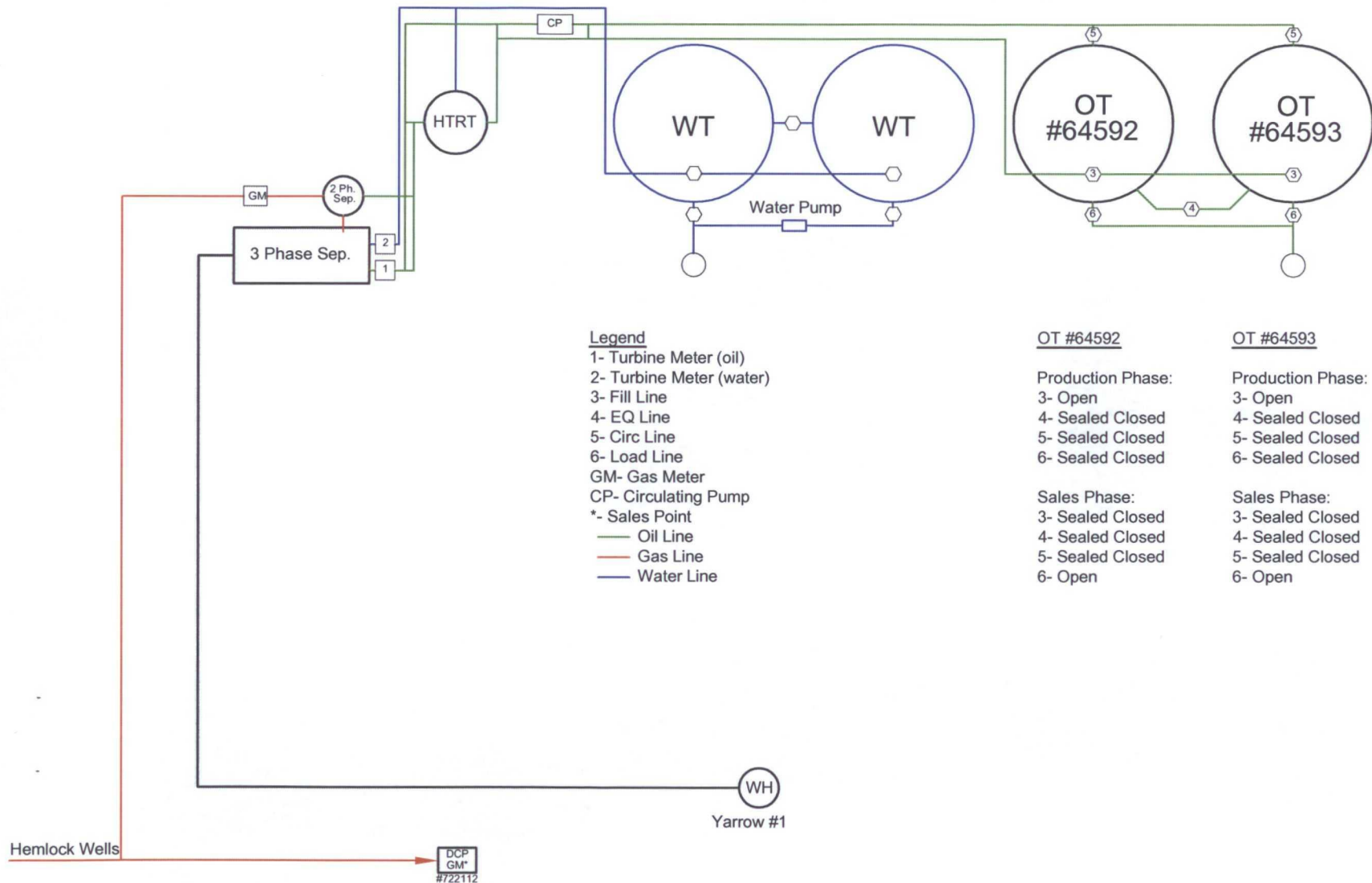
Joe Chaves
July 2012

Yarrow BHY State #1 Battery

990' FNL & 990' FEL Sec 32-T23S-R33E Unit A

Eddy County, NM

API #3002537561



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

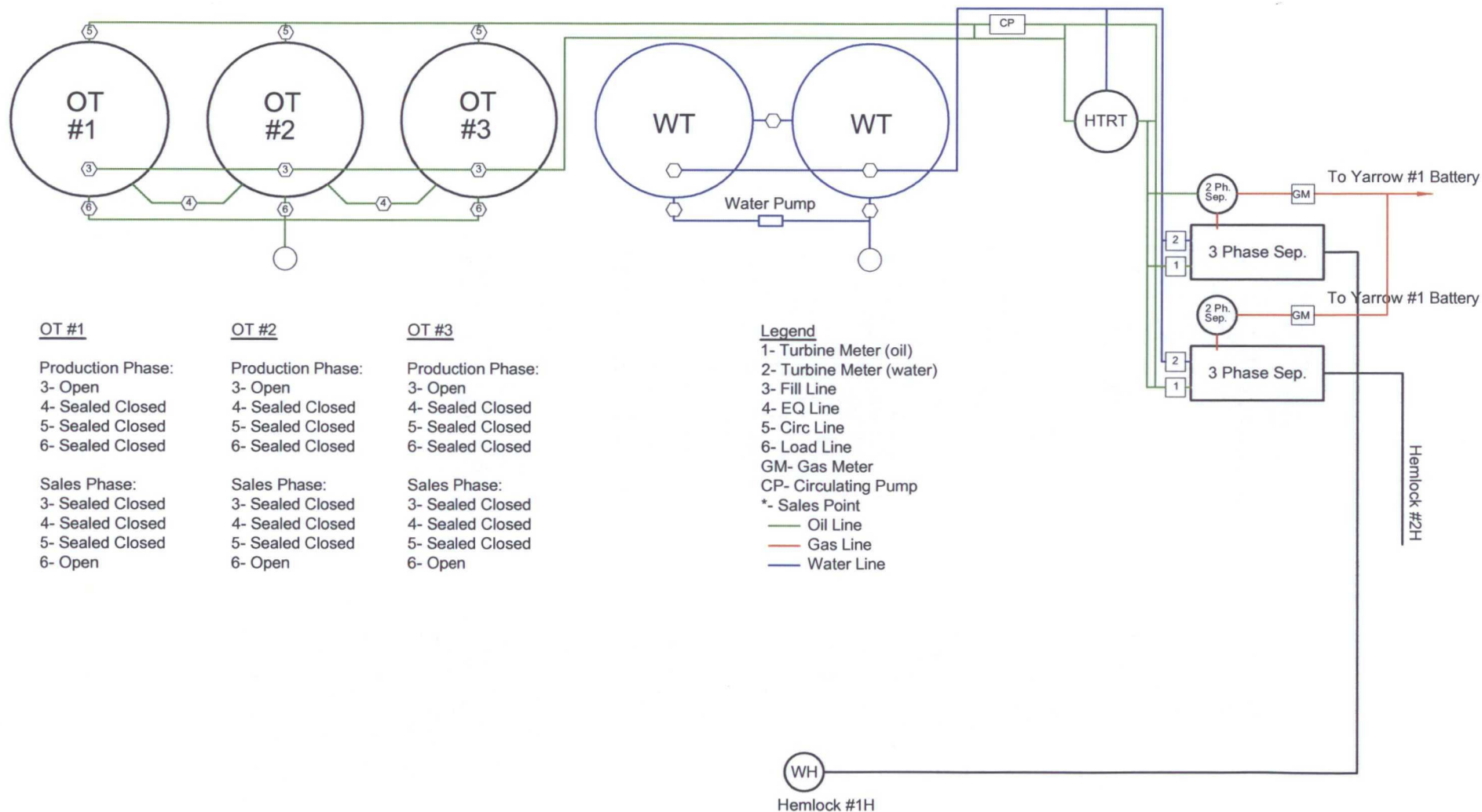
Joe Chaves
July 2012

Hemlock BSH State #1H Battery

330' FNL & 1980' FWL Sec 32-T23S-R33E Unit C

Eddy County, NM

API #3002540489



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

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986

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

JOHN D. PERINI
EXECUTIVE V.P. OF MONETIZATION
CHIEF FINANCIAL OFFICER

JAMES S. BROWN
CHIEF OPERATING OFFICER

February 20, 2013

RE: Surface Pool/Lease Commingle
Hemlock BSH State #2H
Lea County, New Mexico

Dear Interest Owner,

Yates Petroleum is notifying you of an addition to Surface Pool/Lease commingle application on the following wells:

Hemlock BSH State #1H
Triple X; Bone Spring
Sec. 32-T23S-R33E
API #30-025-40489
St. Lease #VB-1169
Lea County, NM

Yarrow BHY State #1
Brinninstool; Delaware
Sec. 32-T23S-R33E
API #30-025-37561
St. Lease #VO-6276
Lea County, NM

Hemlock BSH State #2H
Triple X; Bone Spring
Sec. 32-T23S-R33E
API #30-025-40891
St. Lease #VB-1169
Lea County, NM

The ownership is diversified.

Oil Measurement – Allocation for Hemlock BSH State #1H & #2H only

Each of these wells will be equipped with continuously metering separators for oil production prior to oil being commingled for sales at the Hemlock #1H. Total sales/production will be allocated back to each individual well using the metered (daily well tests) volumes. Metered volumes will be compared to totals battery volumes daily and monthly for accuracy. Any vapor recovery gas shall be included in this application.

The battery will be located at the Hemlock BSH State #1H.

Estimated daily oil production for the Hemlock #1H is 448 bbls and for the Hemlock #2H is 750 bbls.

Gas Measurement- Yarrow battery CDP

Total gas production and sales will be based on the measurement at the CDP and allocated back to each well based on EFM readings. The DCP's meter #722112 is located at the Yarrow #1.

Estimated daily gas production for the Hemlock #1H is 500 MCF, for the Hemlock #2H is 600 MCF with 1571 BTU. The Yarrow #1 gas production is marginal, 0-5 MCF with 1390 BTU.

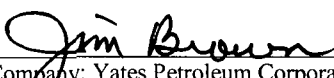
The purpose of the Surface Pool/Lease Commingle is in the interest of conservation, economic feasibility, the reduction of environmental impact area, and overall emissions. It will not result in reduced royalty or improper measurement of production. Without approval for utilizing the same battery, it will become necessary to build separate facilities for each well. This will greatly increase costs and shorten the economic life of all the wells.

If you have any questions, please call me at (575) 748-4200

Sincerely,

Miriam Morales

I hereby approve this application


Company: Yates Petroleum Corporation

KATHY H. PORTER
SECRETARY

DENNIS G. KINSEY
TREASURER

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986

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

JOHN D. PERINI
EXECUTIVE V.P. OF MONETIZATION
CHIEF FINANCIAL OFFICER

JAMES S. BROWN
CHIEF OPERATING OFFICER

February 20, 2013

RE: Surface Pool/Lease Commingle
Hemlock BSH State #2H
Lea County, New Mexico

Dear Interest Owner,

Yates Petroleum is notifying you of an addition to Surface Pool/Lease commingle application on the following wells:

Hemlock BSH State #1H
Triple X; Bone Spring
Sec. 32-T23S-R33E
API #30-025-40489
St. Lease #VB-1169
Lea County, NM

Yarrow BHY State #1
Brinninstool; Delaware
Sec. 32-T23S-R33E
API #30-025-37561
St. Lease #VO-6276
Lea County, NM

Hemlock BSH State #2H
Triple X; Bone Spring
Sec. 32-T23S-R33E
API #30-025-40891
St. Lease #VB-1169
Lea County, NM

The ownership is diversified.

Oil Measurement – Allocation for Hemlock BSH State #1H & #2H only

Each of these wells will be equipped with continuously metering separators for oil production prior to oil being commingled for sales at the Hemlock #1H. Total sales/production will be allocated back to each individual well using the metered (daily well tests) volumes. Metered volumes will be compared to totals battery volumes daily and monthly for accuracy. Any vapor recovery gas shall be included in this application.

The battery will be located at the Hemlock BSH State #1H.

Estimated daily oil production for the Hemlock #1H is 448 bbls and for the Hemlock #2H is 750 bbls.

Gas Measurement- Yarrow battery CDP

Total gas production and sales will be based on the measurement at the CDP and allocated back to each well based on EFM readings. The DCP's meter #722112 is located at the Yarrow #1.

Estimated daily gas production for the Hemlock #1H is 500 MCF, for the Hemlock #2H is 600 MCF with 1571 BTU. The Yarrow #1 gas production is marginal, 0-5 MCF with 1390 BTU.

The purpose of the Surface Pool/Lease Commingle 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 the same battery, it will become necessary to build separate facilities for each well. This will greatly increase costs and shorten the economic life of all the wells.

If you have any questions, please call me at (575) 748-4200

Sincerely,

Miriam Morales

I hereby approve this application

Company: MYCO Industries INC

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986

S.P. YATES
1914-2008



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

JOHN A. YATES
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EXECUTIVE V.P. OF MONETIZATION
CHIEF FINANCIAL OFFICER

JAMES S. BROWN
CHIEF OPERATING OFFICER

February 20, 2013

RE: Surface Pool/Lease Commingle
Hemlock BSH State #2H
Lea County, New Mexico

Dear Interest Owner,

Yates Petroleum is notifying you of an addition to Surface Pool/Lease commingle application on the following wells:

Hemlock BSH State #1H
Triple X; Bone Spring
Sec. 32-T23S-R33E
API #30-025-40489
St. Lease #VB-1169
Lea County, NM

Yarrow BHY State #1
Brinninstool; Delaware
Sec. 32-T23S-R33E
API #30-025-37561
St. Lease #VO-6276
Lea County, NM

Hemlock BSH State #2H
Triple X; Bone Spring
Sec. 32-T23S-R33E
API #30-025-40891
St. Lease #VB-1169
Lea County, NM

The ownership is diversified.

Oil Measurement – Allocation for Hemlock BSH State #1H & #2H only

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If you have any questions, please call me at (575) 748-4200

Sincerely,

Miriam Morales

I hereby approve this application

Company: ABO Petroleum Corporation

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986

S.P. YATES
1914-2008



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
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EXECUTIVE V.P. OF MONETIZATION
CHIEF FINANCIAL OFFICER

JAMES S. BROWN
CHIEF OPERATING OFFICER

February 20, 2013

RE: Surface Pool/Lease Commingle
Hemlock BSH State #2H
Lea County, New Mexico

Dear Interest Owner,

Yates Petroleum is requesting administrative approval from the Oil Conservation Division and the State Land Office for an addition on a previously approved Surface Pool/Lease Commingle application on the following wells:

Hemlock BSH State #1H
Triple X; Bone Spring
Sec. 32-T23S-R33E
API #30-025-40489
St. Lease #VB-1169
Lea County, NM

Yarrow BHY State #1
Brinninstool; Delaware
Sec. 32-T23S-R33E
API #30-025-37561
St. Lease #VO-6276
Lea County, NM

Hemlock BSH State #2H
Triple X; Bone Spring
Sec. 32-T23S-R33E
API #30-025-40891
St. Lease #VB-1169
Lea County, NM

The ownership is diversified.

Oil Measurement – Allocation for Hemlock BSH State #1H & #2H only

Each of these wells will be equipped with continuously metering separators for oil production prior to oil being commingled for sales at the Hemlock #1H. Total sales/production will be allocated back to each individual well using the metered (daily well tests) volumes. Metered volumes will be compared to totals battery volumes daily and monthly for accuracy. Any vapor recovery gas shall be included in this application.

The battery will be located at the Hemlock BSH State #1H.

Estimated daily oil production for the Hemlock #1H is 448 bbls and for the Hemlock #2H is 750 bbls.

Gas Measurement- Yarrow battery CDP

Total gas production and sales will be based on the measurement at the CDP and allocated back to each well based on EFM readings. The DCP's meter #722112 is located at the Yarrow #1.

Estimated daily gas production for the Hemlock #1H is 500 MCF, for the Hemlock #2H is 600 MCF with 1571 BTU. The Yarrow #1 gas production is marginal, 0-5 MCF with 1390 BTU.

The purpose of the Surface Pool/Lease Commingle 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 the same battery, it will become necessary to build separate facilities for each well. This will greatly increase costs and shorten the economic life of all the wells.

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 have any questions, please call me at (575) 748-4200 (direct line)

Sincerely,

Miriam Morales
Production Analyst



YATES BUILDING - 105 SOUTH FOURTH ST.
ARTESIA, NEW MEXICO 88210-2118

ADDRESS SERVICE REQUESTED

7011 2000 0002 6461 6756
7011 2000 0002 6461 6756

Sent to
Street, Apt. No.
or PO Box No.
City, State ZIP+4
PS Form 3800, August 2006 See Reverse for Instructions

Sharbro Energy LLC
P O BOX 840
Artesia NM 88211-0840

Postage \$
Certified Fee
Return Receipt Fee
(Endorsement Required)
Restricted Delivery Fee
(Endorsement Required)
Total Postage & Fees \$

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SHARBRO ENERGY LLC
P O BOX 840
ARTESIA, NM 88211-0840

SENDER: COMPLETE THIS SECTION

1. Article Addressed to:

SHARBRO ENERGY LLC
P O BOX 840
ARTESIA, NM 88211-0840

2. 7011 2000 0002 6461 6756

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X ☐ Agent ☐ Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes ☐ No
If YES, enter delivery address below:

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540



YATES BUILDING - 105 SOUTH FOURTH ST.
ARTESIA, NEW MEXICO 88210-2118

ADDRESS SERVICE REQUESTED

CERTIFIED MAIL™

7011 2000 0002 6461 7081

7011 2000 0002 6461 7081

Sent to
Street, Apt. No.,
or PO Box No.
City, State, Zip
PS Form 3800, August 2006 See Reverse for Instructions

Postage
Certified Fee
Return Receipt Fee
(Endorsement Required)
Restricted Delivery Fee
(Endorsement Required)
Total Postage & Fees

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DUSTRIES LLC
1091
NM 88211-1091

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Yates Industries LLC
PO Box 1091
Artesia, NM 88211-1091

2. Article Number
(Transfer from)

7011 2000 0002 6461 7081

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

- ☐ Agent
☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

- ☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

CERTIFIED MAIL™



YATES BUILDING - 105 SOUTH FOURTH ST.
ARTESIA, NEW MEXICO 88210-2118

ADDRESS SERVICE REQUESTED

7011 2000 0002 6461 7128

7011 2000 0002 6461 7128

Sent to
Street, Apt. No.,
or PO Box No. *OXY Y-1 Company*
City, State, ZIP+4 *P.O. Box 841803*
Dallas TX 75284-1803

PS Form 3800, August 2006 See Reverse for Instructions

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Postmark
Here

4/17/06 1000

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Y-1 COMPANY
BOX 841803
LAS, TX 75284-1803

SENDER: COMPLETE THIS SECTION

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- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

OXY-Y-1 Company
P.O. Box 841803
Dallas, TX 75284-1803

2. Article Number
(Transfer from s)

7011 2000 0002 6461 7128

PS Form 3811, February 2004

Domestic Return Receipt

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent

☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail

☐ Express Mail

☐ Registered

☐ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

102595-02-M-1540

Yates Petroleum Corporation
105 South 4th Street
Artesia, NM 88210

New Mexico State Land Office
Commissioner of Public Lands
310 Old Santa Fe Trail
P.O. Box 1148
Santa Fe, New Mexico 87504-1148

CERTIFIED MAIL™

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7011 2000 0002 6461 7036

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Remlock #2A amend KC-358 2/20/13

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Minum @ prod.

Postmark
Here

Sent To *N.M. SCO*
Street, Apt. No.,
or PO Box No. *PO Box 1148*
City, State, ZIP+4 *Santa Fe, NM 87504*

PS Form 3800, August 2006

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

New Mexico State Land Office
Commissioner of Public Lands
310 Old Santa Fe Trail
P.O. Box 1148
Santa Fe, New Mexico 87504-1148

2. Article Number
(Transfer from s)

7011 2000 0002 6461 7036

PS Form 3811, February 2004

COMPLETE THIS SECTION ON DELIVERY**A. Signature****X**☐ Agent
☐ Addressee**B. Received by (Printed Name)****C. Date of Delivery**

- D. Is delivery address different from item 1?** ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)☐ Yes

Domestic Return Receipt

102595-02-M-1540