

1/27/06 —

DHC-3640 PWTJ 0604058152

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



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105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

January 25, 2006

David Catanach
State of New Mexico
OIL CONSERVATION DIVISION
1220 South Saint Francis Drive
Santa Fe, NM 87505

Re: Corral Draw AGH Federal #2

Dear Mr. Catanach,

Yates Petroleum Corporation hereby seeks administrative approval to downhole commingle the production from the Cedar Canyon Bone Springs and the Cedar Canyon Delaware pools in our Corral Draw AGH Federal #2 located in Unit C, of Section 13, Township 24 South, Range 29 East, in Eddy County, NM.

If you have any questions or need additional information, please call me at (505) 748-4219.

Sincerely,

Mike Hill
Operations Engineer

MH/dc

Enclosures

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

State of New Mexico
Energy, Minerals and Natural Resources Department

DHC-3640

Form C-107A
Revised June 10, 2003

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

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE
 Single Well
 Establish Pre-Approved Pools
EXISTING WELLBORE
 Yes No

District III
1000 Rio Brazos Road, Aztec, NM 87410

APPLICATION FOR DOWNHOLE COMMINGLING

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

Yates Petroleum Corporation

105 South Forth Street, Artesia, NM 88210

Operator _____ Address _____
Lease Corral Draw AGH Federal #2 Unit F - Section 13 - 24S-29E Eddy County
Well No. _____ Unit Letter-Section-Township-Range _____

OGRID No. 025575 Property Code 018265 API No. 30-015-34257 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	UNDES LOWER ZONE
Pool Name	<u>UNDES Cedar Canyon</u> Delaware		<u>EAST PIERCE Crossing</u> Bone Springs
Pool Code	11540 ✓		<u>96473</u> 50371
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	5,366-6,958'		8,092-9,110'
Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)			
Oil Gravity or Gas BTU (Degree API or Gas BTU)			
Producing, Shut-In or New Zone	New Zone		New Zone
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: New Zone Rates:		Date: New Zone Rates:
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas Allocation % will be submitted when completed		Oil Gas Allocation % will be submitted when completed

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes No _____
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes _____ No _____

Are all produced fluids from all commingled zones compatible with each other? Yes No _____

Will commingling decrease the value of production? Yes _____ No

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes No _____

NMOCD Reference Case No. applicable to this well: _____

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

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

SIGNATURE Mike Hill TITLE Operations Engineer DATE 1-26-06

TYPE OR PRINT NAME Mike Hill TELEPHONE NO. (505) 748-4219

E-MAIL ADDRESS mhill@ypcnm.com

There are no working, royalty and overriding royalty interests in this well other than Yates Petroleum Corporation

The Bone Springs is a new zone and production curves are not available.

The Delaware is a new zone and production curves are not available.