

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No 1004-0137
Expires July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS

OCD Artesia

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.

NM-81708

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on page 2.

7. If Unit or CA/Agreement, Name and/or No

8. Well Name and No

Palo Verde AJV Federal Com #1H

9. API Well No.

30-015-26907

10. Field and Pool or Exploratory Area

Long Draw; Glorieta-Yeso

11. County or Parish, State

Eddy County, New Mexico

12. CHECK APPROPRIATE BOX(ES) 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"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Surface/Lease
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	Commingle oil

13. Describe Proposed or Completed Operation. Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.

RECEIVED

AUG 14 2012

NMOCD ARTESIA

Yates Petroleum respectfully requests approval to surface/lease commingle for the following wells:

Palo Verde AJV Federal Com #1H
Federal FC Com #2H(future name after recompleat)
Long Draw; Glorieta-Yeso *poolcode 97451*
Sec. 24-T20S-R24E
API #30-015-26907
Fed. Lease #NM-81708 & NM-662
CA # (not available at this time) *NM 127934*
Eddy County, NM

Prickly Pear AIE Federal #1

Long Draw; Glorieta-Yeso *poolcode 97451*
Sec. 23-T20S-R24E
API #30-015-26738
Fed. Lease #NM-27055
Eddy County, NM

Accepted for record
NMOCD

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Miriam Morales

Title Production Analyst

Signature

Date

8/14/12 (re-submitted)

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

/s/ JD Whitlock Jr.

Title

L PET

Date

8/14/12

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

CFo

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

SEE ATTACHED FOR

(Instructions on page 2)

CONDITIONS OF APPROVAL

Continuation of surface/lease commingle for Palo Verde AJV Federal Com #1H

The battery is located at the Palo Verde #1H. Please see attached plats and site security diagram.

Diversified ownership. All owners were notified and all documentation is attached.

Oil Measurement

Each of the wells will be equipped with continuous metering separators for oil production prior to oil being commingled for sales at the Palo Verde #1. Total sales/production will be allocated back to each individual well using the metered (daily well tests) volumes. Metered volumes will be compared to total battery volumes daily and monthly for accuracy.

Estimated daily oil production for the Palo Verde #1H is 160 bbls, and for the Prickly Pear #1 is 1 bbl. with a gravity of 36.5.

Gas Measurement

Each well will have its own meter.

The purpose of the Surface/Lease Commingle of production is in the interest of conservation, economic feasibility, the reduction of environmental impact area, and will not result in reduced royalty or improper measurement of production. Without approval for utilizing existing batteries on adjacent leases, it will become necessary to built separate facilities for each well. This will greatly increase costs and shorten the economic life of the well.

See attached verification process.

** Daily Production volume & Gravity To be supplied Upon
completion of well
going (BLM)*

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

JAMES S. BROWN
CHIEF OPERATING OFFICER

JOHN D. PERINI
CHIEF FINANCIAL OFFICER

JORGE S. MENDOZA
CHIEF ADMINISTRATIVE OFFICER

Procedure to verify accuracy of turbine allocation meters:

- 1) After the initial install of the turbine allocation meter, production fluid from the well associated to said meter is flowed through the meter and into a sales tank.
- 2) The sales tank is then gauged and the calculated volume is compared to the metered volume.
- 3) If needed, corrections to the meter's calibration factor are made to ensure that metered volumes correspond to the measured volumes from the gauged tank.
- 4) This process is repeated periodically or as needed, determined from the lease operator's daily comparison of total allocation meter readings to gauged tank volumes.

Note: Turbine allocation meters are locked to prevent unwanted tampering of the meter calibration factor.

KATHY H. PORTER
SECRETARY

DENNIS G. KINSEY
TREASURER



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

-Chance Sexton
October, 2011

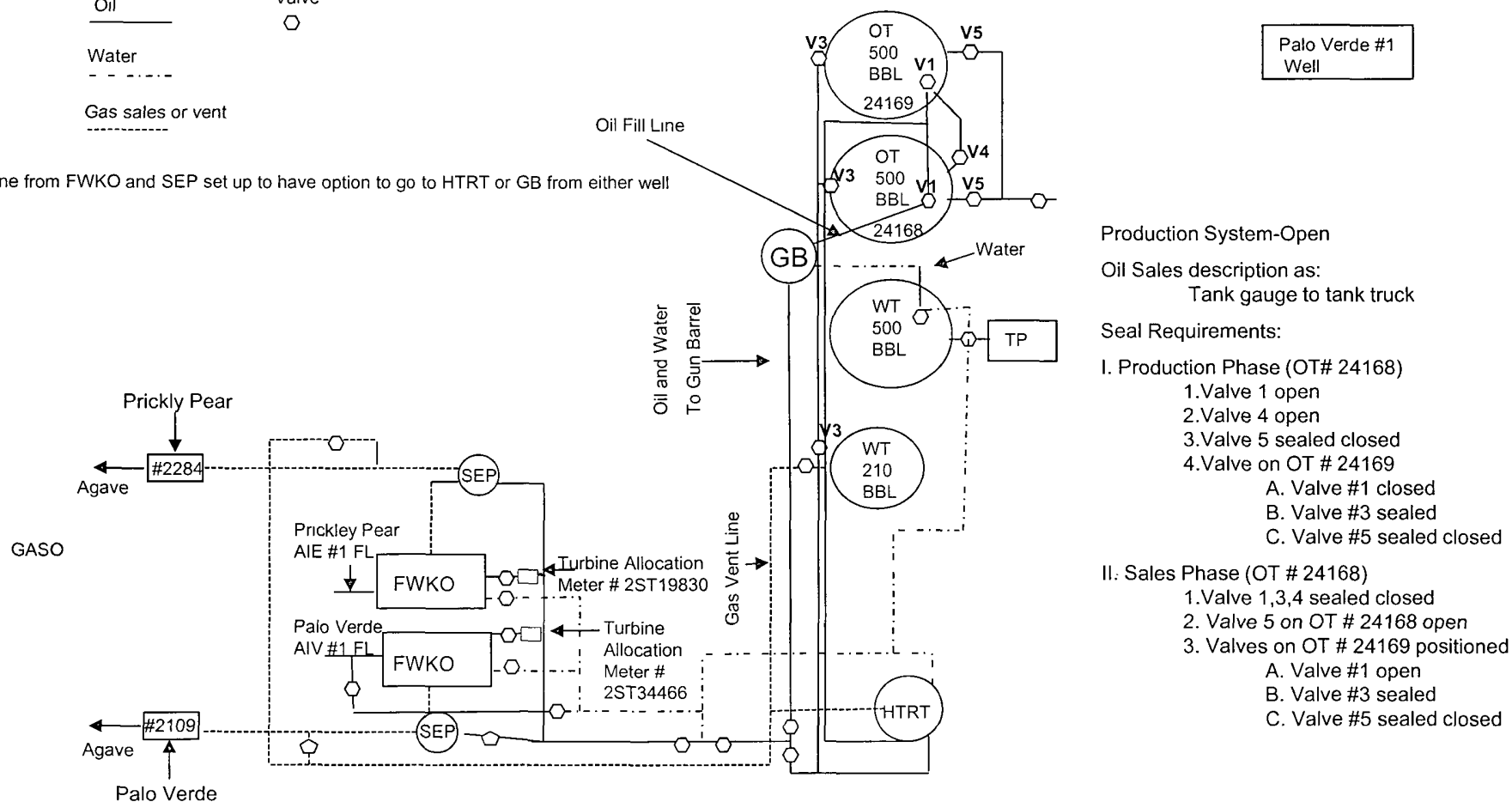
Palo Verde AJV Com #1 Battery

760' FSL & 660' FWL * Sec 24 – T20S – R24E *
Eddy County, NM
API -30-015-26907
Lease # NM-81708



Oil —————
Valve ○
Water - - - - -
Gas sales or vent -----

**Oil line from FWKO and SEP set up to have option to go to HTRT or GB from either well



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



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CHIEF ADMINISTRATIVE OFFICER

May 2, 2012

RE: Surface/lease Commingle
Palo Verde AJV Federal Com #1H
Eddy County, NM

Dear Interest Owner,

Yates Petroleum is notifying you of a surface/lease commingle on the following wells:

Palo Verde AJV Federal Com #1H
Federal FC Com #2H (future name after recompletion)
Long Draw; Glorietta-Yeso
Sec. 24-T20S-R24E
API #30-015-26907
Fed. Lease #NM-81708 & NM-662
CA # (not available at this time)
Eddy County, NM

Prickly Pear AIE Federal #1

Long Draw; Glorietta-Yeso
Sec. 23-T20S-R24E
API #30-015-26738
Fed. Lease #NM-27055

Eddy County, NM

The battery is located at the Palo Verde #1H.

Diversified ownership.

Oil Measurement

Each of the wells will be equipped with continuous metering separators for oil production prior to oil being commingled for sales at the Palo Verde #1. Total sales/production will be allocated back to each individual well using the metered (daily well tests) volumes. Metered volumes will be compared to total battery volumes daily and monthly for accuracy. Estimated daily oil production for the Palo Verde #1H is 160 bbl and for the Prickly Pear #1 is 1 bbl.

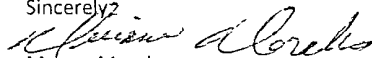
Gas Measurement

Each well will have its own meter

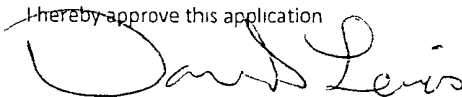
The purpose of the Surface/Lease Commingle of production is in the interest of conservation, economic feasibility, the reduction of environmental impact area, and will not result in reduced royalty or improper measurement of production. Without approval for utilizing existing batteries on adjacent leases, it will become necessary to build separate facilities for each well. This will greatly increase costs and shorten the economic life of the well.

If you should have any questions, please give me a call at (575) 748-4200 (direct line).

Sincerely,


Miriam Morales
Production Analyst

I hereby approve this application



ABO Petroleum Corporation

KATHY H. PORTER
SECRETARY

DENNIS G. KINSEY
TREASURER

MARTIN YATES, III
1912-1985

FRANK W YATES
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CA # (not available at this time)
Eddy County, NM

Prickly Pear AIE Federal #1

Long Draw; Glorietta-Yeso
Sec. 23-T20S-R24E
API #30-015-26738
Fed. Lease #NM-27055

Eddy County, NM

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Production Analyst

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MYCO Industries INC.

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May 2, 2012

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Eddy County, NM

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Sec. 24-T20S-R24E

API #30-015-26907

Fed. Lease #NM-81708 & NM-662

CA # (not available at this time)

Eddy County, NM

Prickly Pear AIE Federal #1

Long Draw; Glorietta-Yeso

Sec. 23-T20S-R24E

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CHIEF ADMINISTRATIVE OFFICER

May 2, 2012

RE: Surface/lease Commingle
Palo Verde AJV Federal Com #1H
Eddy County, NM

Dear Interest Owner,

Yates Petroleum is requesting administrative approval from the Bureau of Land Management and Oil Conservation Division to surface/lease commingle the following wells:

Palo Verde AJV Federal Com #1H
Federal FC Com #2H(future name after recompletion)
Long Draw; Glorietta-Yeso
Sec. 24-T20S-R24E
API #30-015-26907
Fed. Lease #NM-81708 & NM-662
CA # (not available at this time)
Eddy County, NM

Prickly Pear AIE Federal #1

Long Draw; Glorietta-Yeso
Sec. 23-T20S-R24E
API #30-015-26738
Fed. Lease #NM-27055

Eddy County, NM

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Diversified ownership.

Oil Measurement

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

Sincerely,

Miriam Morales
Production Analyst

KATHY H. PORTER
SECRETARY

DENNIS G. KINSEY
TREASURER

BRETT C BARTON
C/O BARTON OIL PRODUCERS
1919 N TURNER ST
HOBBS, NM 88240-2712

ROY G BARTON JR
1919 N TURNER ST
HOBBS, NM 88240-2712

ROY G SR AND OPAL BARTON
BARTON REVOCABLE TRUST U/T/A
1919 N TURNER ST
HOBBS, NM 88210-2712

OXY Y-1 COMPANY
P O BOX 841803
DALLAS, TX 75284-1803

ROY G BARTON III
13700 MARINA POINTE DR
UNIT #1819
MARINA DEL REY, CA 90292-9273

TIERRA OIL COMPANY, LLC
P O BOX 700968
SAN ANTONIO, TX 78270-0968

HEIDI C BARTON
2008 N VEGA
HOBBS, NM 88240

NORMA J BARTON
P O BOX 728
HOBBS, NM 88241-0728

RF PARTNERSHIP
ATTN: STEVE ROARK
2732 S FILLMORE ST
DENVER, CO 80210

OCD
1220 S SAINT FRANCIS DR
SANTA FE, 87505

**Bureau of Land Management
Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220
575-234-5972**

Palo Verde AJV Federal Com 1H and Prickly Pear AIE Federal 1

Yates Petroleum Corporation

August 11, 2012

**Condition of Approval
Commingle on and off lease**

1. This approval is subject to like approval by the New Mexico Oil Conservation Division.
2. This agency shall be notified of any spill or discharge as required by NTL-3A.
3. This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
4. This approval does not constitute right-of-way approval for any off-lease activities. Within 30 days, an application for right-of-way approval must be submitted to the Realty Section if not already done.
5. Approval for combining production from various sources is a privilege which is granted to lessees for the purpose of aiding conservation and extending the economic life of leases. Applicants should be cognizant that failure to operate in accordance with the provisions outlined in the Authorized Officer's conditions of approval and/or subsequent stipulations or modifications will subject such approval to revocation.
6. All above ground structures on the lease shall be painted Shale Green (5Y 4/2), or as per approved APD stipulations. This is to be done within 90 days, if you have not already done so.
7. Gas measurement for allocation must be measured as per Onshore Order #5 for sales meters.
8. All gas and oil subject to royalty shall be measured as per federal regulations and shall be reported to ONRR as required. All gas which is vented, flared or used on lease shall be reported as per NTL-4A to ONRR. All gas which is vented or flared shall be subject to royalty, unless prior approval was given by the authorized officer.
9. This agency shall be notified of any change in sales method or location of sales point.
10. Additional wells and/or leases require additional commingling approvals.
11. Upon completion of Palo Verde AJV Federal Com 1H, Supply oil daily production volumes and gravity information as required.

The public's interest in all these leases/CA has been found to be identical at 12.5%. Therefore, this commingle is being approved. This does not mean that the allocation of production to each lease/CA will be 100% accurate each month. By approving this request it will only guarantee that the public's interest will not be compromised.