

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

N.M. Oil Cons. DIV-Dist. 2

1301 W. Grand Avenue

Artesia, NM 88210

FORM APPROVED
OMB No. 1004-0135
Expires March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS

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

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☐

Oil Well

☒

Gas Well

☐

Other

RECEIVED

FEB 08 2006

ODD-ARTESIA

2. Name of Operator

Yates Petroleum Corporation

3a. Address

105 S. 4th Str., Artesia, NM 88210

3b. Phone No. (include area code)

505-748-1471

4. Location of Well (Footage, Sec., T., R., M., OR Survey Description)

710' FNL and 710' FEL of Section 5-25S-26E

5. Lease Serial No.

NM-94589

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

Chosa ATR Federal #2

9. API Well No.

30-015-34210

10. Field and Pool, or Exploratory Area

Undesignated Chosa Draw Morrow

11. County or Parish, State

Eddy, New Mexico

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

TYPE OF ACTION

☒ Notice of Intent

☐ Subsequent Report

☐ Final Abandonment Notice

☐ Acidize

☐ Alter Casing

☐ Casing Repair

☐ Change Plans

☐ Convert to Injection

☐ Deepen

☐ Fracture Treat

☐ New Construction

☐ Plug and Abandon

☐ Plug Back

☐ Production (Start/Resume)

☐ Reclamation

☐ Recomplete

☐ Temporarily Abandon

☐ Water Disposal

☐ Water Shut-Off

☐ Well Integrity

☒ Other Down Hole

Commingling

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 recompleate 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 shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleation in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Yates Petroleum intends to down hole commingle the the production from Chosa Draw Morrow Sands,

Ward Draw and Sage Draw Wolfcamp pools

APPROVED FOR 12 MONTH PERIOD

ENDING 8-16-06

APPROVED

FEB - 6 2006

GARY GOURLEY
PETROLEUM ENGINEER

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

SUBJECT TO
LIKE APPROVAL
BY STATE

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Debbie Chavez

Title Engineering Technician

Signature

Debbie Chavez

Date February 1, 2006

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

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

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

Downhole Commingling

1. A formal request (Sundry Notice Form 3160-5 or letter) by the operator for approval to commingle production between intervals downhole.
2. The application should contain the lease number; well name and number, location; names of zones, formations or deposits to be commingled; interval of each pay section as identified by existing or proposed perforations; current volumes of oil and/or gas produced from each zone (by well test within 60 days from the date of the application for commingling); oil gravities and gas BTU values produced from each zone; and bottom hole pressures of each zone, both original and current (within 60 days from the date of the application for commingling). The information submitted should include decline curves for each zone to be commingled for the last 24 months of production, unless the zone(s) has produced less than 24 months. Also, a statement of the royalty rate for each zone and the spacing order in effect for each zone is required.
3. The proposed allocation method (straight percentage, periodic well test, etc.) and formula(s).
4. A wellbore diagram depicting the proposed production method for efficient recovery of oil and gas, if necessary.
5. Economic justification that commingling is necessary to recover the maximum volume of oil and gas reserves. Economic factors to consider may include drilling and operating costs, producing rates, reserve calculations, decline rates, etc.
6. State which zone(s) are communitized or are in unit participating areas.

The Authorized Officer may approve downhole commingling when the following facts exist and following conditions are met:

1. The fluids from each zone are compatible with the fluids from the other(s); and combining the fluids will not result in the formation of precipitates or emulsions which may damage any of the reservoirs.
2. The commingling will not jeopardize the efficiency of any present or future secondary recovery operations in any zones to be commingled.
3. The commingling will not result in a produced fluid stream which is of lesser quality or value than the individual production streams; i.e., a reduction in BTU content or gravity.
4. The commingling will not result in the permanent loss of reserves due to cross-flow in the wellbore (one zone thieving from another).

5. An applicable method of allocating production to each of the commingled zones.

6. A condition of approval that provides for periodic production testing of individual zones or verification that the allocation factors or methods used are proper.

The Authorized Officer must also follow up approvals with verification that production to each zone is being allocated and reported properly, particularly when a communitization agreement or unit participating area is involved with one or more zones.

New requirements were placed on oil & gas operators and reporters within the state of New Mexico that require them to report to the New Mexico Oil Conservation Division by formation for wells commingled downhole. The MMS and BLM are in concurrence on a solution as to how to accommodate this new requirement. To assure proper reporting in Oklahoma, Texas, and Kansas, the procedures now in place for New Mexico operators will apply to all operators under the jurisdiction of the New Mexico State Office.

Down-hole commingled wells are to be reported with an alpha character, "C" versus the "S" or "A", that is used at the present time.

For example, a well with downhole commingling in two zones would show an API well number/Completion Code in AIRS or AFMSS as 430191234500C1 and 430191234500C2. The first formation would be C1 with subsequent formations numbered as C2, C3, etc. This is compatible with industry systems used to report to both the state of New Mexico and MMS.

Each well completion record should be documented following the C1, C2 designation in the AIRS *Well Processing Screen*. Comments should be added as to how well production is allocated to each zone, whether one or more IID is involved. Also, the commingling approval should be documented in the AIRS *Approval Screen*. Comments should also be added as to how well production is allocated to each zone and whether one or more IID is involved.

Each well completion record should be documented following the C1, C2 designation in the AFMSS *Well Header Review Window* (GLB.90). Also, the commingling approval should be documented in the AFMSS *Sundry Notice List for Well Window* (SNT.38). Comments should also be added as to how well production is allocated to each zone and whether one or more IID is involved.

The BLM and MMS are in concurrence on the above procedures. the MMS uses the AIRS and AFMSS data to validate what is reported by the operator. By following the above procedures, the data collected by MMS will be correctly reported in MRO.