

O'Briant & Associates, Inc.

P. O. Box 10487 Midland, TX 79702
(432) 683-5511 (24 Hr. Ans.), (432) 683-5903 (Fax)
E-Mail: cobriant@apex2000.net

Barry Hunt
BLM
620 East Green Street
Carlsbad, New Mexico 88220

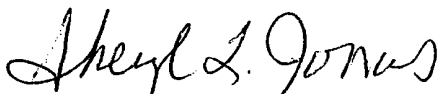
SUBJECT: Application for Downhole Commingling
 Application for Surface Commingling
 Yates Energy Corporation
 North Hess Federal "23" No. 1
 API Number 30-015-34509
 Lonesome Dove Federal No. 2
 API Number 30-015-33873

Dear Mr. Hunt:

The attached forms should cover the applications required by the NMOCD and Bureau of Land Management for both the Downhole Commingling of the North Hess Federal "23" No. 1; and the Surface Commingling of both wells.

If there are any further questions or information required please contact me.

Sheryl L. Jonas



Agent for Yates Energy Corporation
Sjonas4011@aol.com

SJ/file

**Yates Energy Corporation
Notification List
North Hess Federal "23" No. 1
Lonesome Dove Federal No. 2**

Harco Limited Partnership
P. O. Box 3716
Roswell, New Mexico 88202-3716

Attn: Gerri Harrington

Jalapeno Corporation
P. O. Box 1608
Albuquerque, NM 87103

Attn: Harvey E. Yates Jr.

Chesapeake Operating, Inc.
P. O. Box 18496
Oklahoma City, OK 73154

Attn: Doug Bellis

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Attn: John Humphrey

MCombs Energy LLC
5599 San Felipe, Suite 1220
Houston, Texas 77056

Attn: Larry Wyont

Petrohawk Energy Corporation
1100 Louisiana, Suite 4400
Houston, Texas 77002

Attn: Jana Beeson

**Yates Energy Corporation
Notification List
North Hess Federal "23" No. 1
Lonesome Dove Federal No. 2**

Armstrong Energy Corporation
P. O. Box 1973
Roswell, New Mexico 88202

Attn: Robert G. Armstrong

Grayfox Oil Company
3276 E. Willow Street
Signal Hill, CA 90755

Attn: Robert E. Long

Harvard Petroleum Company LLC
P. O. Box 936
Roswell, New Mexico 88202

Attn: H. Lee Harvard

LDM Associates
116 West First Street
Roswell, New Mexico 88203

Attn: Keith E. McCamey

Attn: Don Ford
Wespac Energy LLC
P. O. Box 311824
New Braunfels, TX 78131

Yates Energy Corporation
P. O. Box 2323
Roswell, New Mexico 88202

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 Energy Corporation
OPERATOR ADDRESS: P. O. Box 2323, Roswell, NM 88202
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. _____
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling
☒ Yes ☐ No by phone and both will be notified with copies of all paperwork

(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
	SEE ATTACHED		SEE ATTACHED		

- (2) Are any wells producing at top allowables? ☐ Yes ☒ No Not available
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No Yes, with copies of all forms
(4) Measurement type: ☒ Metering ☐ Other (Specify) _____ and allocation, with periodic well test.
(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) _____ and allocation, with periodic well test

(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. Notice to interest owners will be with a copy of all
paperwork attached herein.

(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: Sheryl L. Jonas TITLE: Agent

DATE: _____

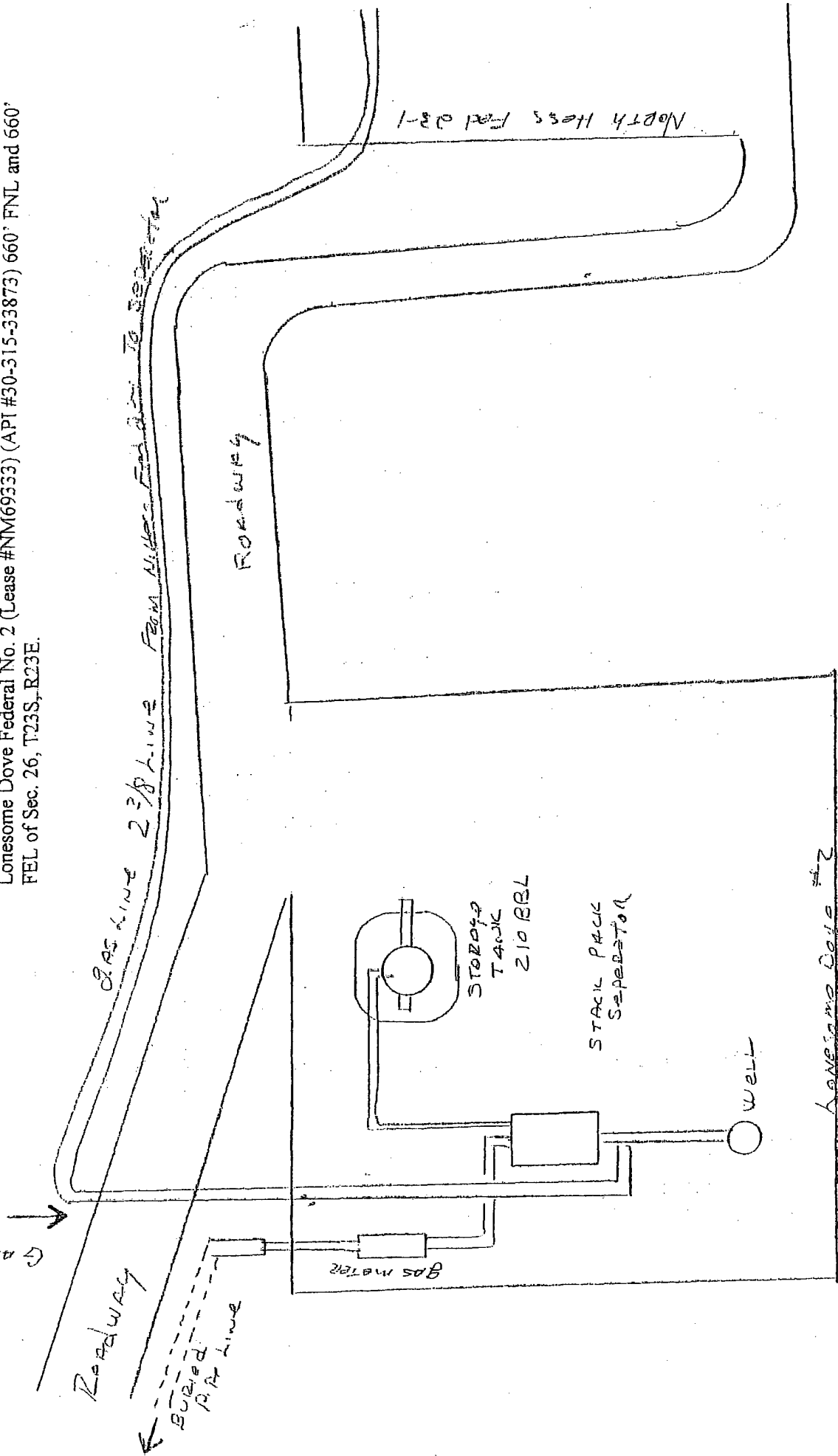
TYPE OR PRINT NAME Sheryl L. Jonas

TELEPHONE NO.: 432-683-5511

E-MAIL ADDRESS: Sjonas4011@aol.com

Description of Federal Lands Affected and Sketch of proposed Pipeline

Pipeline ROW to follow road ROW Permit #114262 from the North Hess "23" No. 1 (Lease #NM111398) (API #30-025-34509), 1650' FSL AND 910' FEL of Sec. 23, R23S, R23E: to the Lonesome Dove Federal No. 2 (Lease #NM69333) (API #30-315-33873) 660' FNL and 660' FEL of Sec. 26, T23S, R23E.



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

District II

1301 W. Grand Avenue, 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

Oil Conservation Division

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

Form C-107A
Revised June 10, 2003

APPLICATION TYPE

Single Well

Establish Pre-Approved Pools

EXISTING WELLBORE

XX Yes No

APPLICATION FOR DOWNHOLE COMMINGLING

Yates Energy Corporation P. O. Box 2323, Roswell, New Mexico 88202
Operator Address

N. Hess Federal "23" No. 1 Sec. 23, T23S, R23E Eddy

Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 25542 Property Code API No. 30-015-34509 Lease Type: Federal X State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Wolfcamp	Undesignated East Hills Upper Penn	Bandana Point Strawn Gas
Pool Code		97383	71485
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	7154' - 7171'	8334' - 8349'	8628' - 8710'
Method of Production (Flowing or Artificial Lift)	Flow	Flow	Flow
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)	Not Required	Not Required	Not Required
Oil Gravity or Gas BTU (Degree API or Gas BTU)	0.700	0.700	0.650
Producing, Shut-In or New Zone	Producing/testing	Producing/testing	Producing/testing
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: 5/12/06 Rates: est. 60 MCF/day 0.5 BOPD	Date: 5/4/06 Rates: est 60 MCF/day	Date: 4/25/06 Rates: 60 MCF/day
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 100 % 20 %	Oil Gas % 20 %	Oil Gas % 20 %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes X 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 X No

Will commingling decrease the value of production? Yes No X

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 X 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 Sheryl Jonas TITLE Agent DATE 08/08/06

TYPE OR PRINT NAME Sheryl Jonas TELEPHONE NO. (432) 683-5511

E-MAIL ADDRESS Sjonas4011@aol.com

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

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1000 Rio Brazos Road, Aztec, NM 87410

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

ADDITIONAL SECOND PAGE
State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

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

APPLICATION FOR DOWNHOLE COMMINGLING

Yates Energy Corporation
Operator Address
N. Hess Federal "23" No. 1
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. Property Code API No. Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name			Hess Morrow East
Pool Code			78380
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)			9795' - 10,038
Method of Production (Flowing or Artificial Lift)			Flow
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)			Not Required
Oil Gravity or Gas BTU (Degree API or Gas BTU)			0.650
Producing, Shut-In or New Zone			Producing/Testing
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: Rates:	Date: Rates:	Date: 04/15/06 Rates: 120 MCF/day
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 % %	Oil Gas % %	Oil Gas 40 % %

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 Sheryl L. Jones TITLE _____ DATE _____

TYPE OR PRINT NAME _____ TELEPHONE NO. () _____

E-MAIL ADDRESS _____

Yates Energy Corporation
 North Hess Federal "23" No. 1
 Lonesome Dove No. 2
 Surface and Pool Commingling

Pool Names and codes	Gravities/BTU of		Gravities/BTU of		Calculated Value of		Gas		Oil	
	non-commingled Production	commingled Production	non-commingled Production	commingled Production	Commingled Production	Gas/day Volumn	Percentages of Allocation %	Oil/day Volumn	Percentages of Allocation %	
North Hess Federal "23" No. 1										
Wolfcamp (No Pool Found)	0.7	0.7		0.7		60		40	0.5	100
Undesignated East Hills (Upper Penn)	0.7	0.7		0.7		60		20	0	
Bandana Point Strawn Gas	0.65	0.65		0.65		60		20	0	
Hess Morrow East	0.65	0.65		0.65		120		20	0	
Lonesome Dove No. 2										
Undesignated East Hills (Upper Penn)	0.7	0.7		0.7		60		50	3.5	100
Bandana Point Strawn Gas	0.65	0.65		0.65		60		50	0	0
North Hess Federal "23" No. 1										
Lonesome Dove No. 2						120		50	0.5	12
						120		50	3.5	88

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

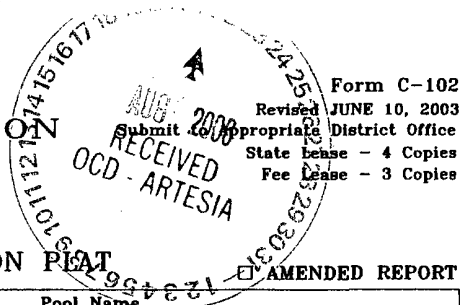
DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

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 and Natural Resources Department

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505



WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-34509	Pool Code 78380	Pool Name Hess Morrow East
Property Code	Property Name NORTH HESS FEDERAL 23	Well Number 1
OGRID No. 25542	Operator Name YATES ENERGY CORPORATION	Elevation 4117'

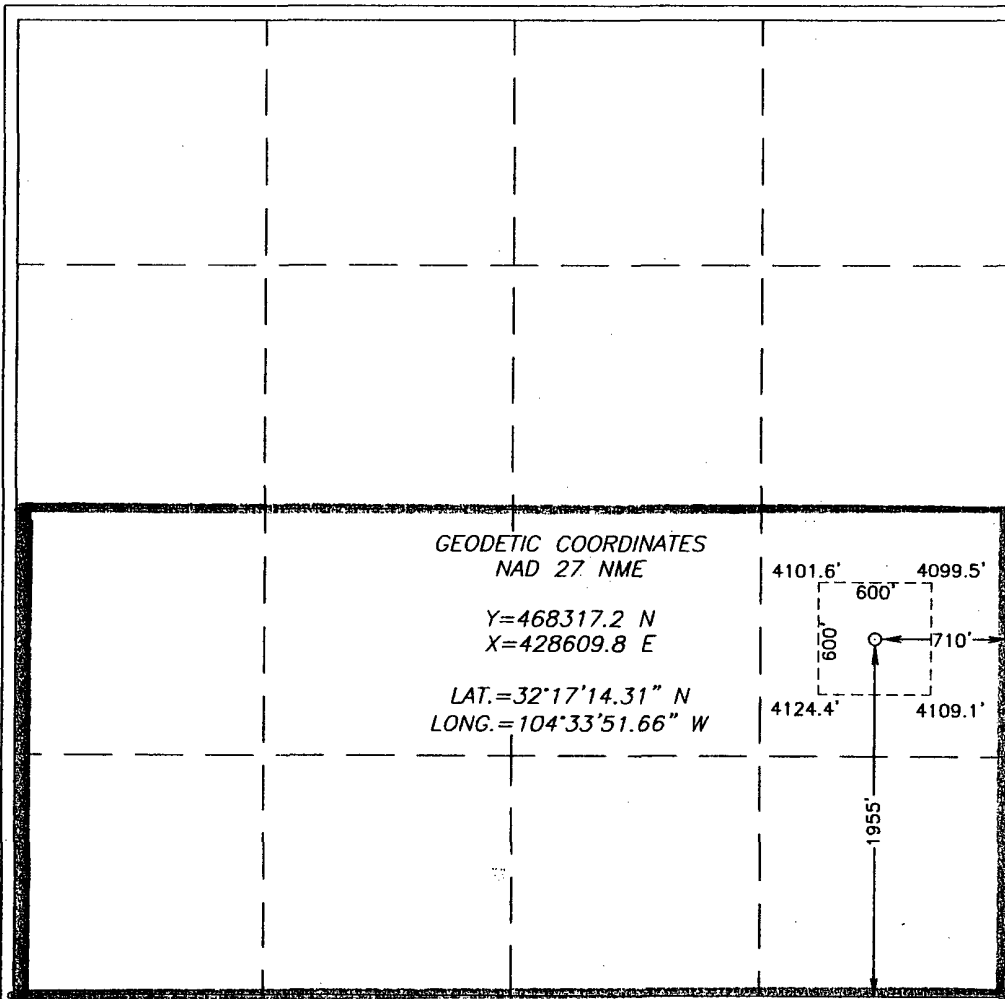
Surface Location


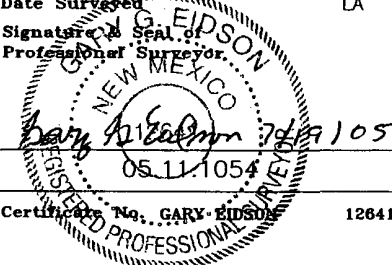
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	23	23-S	23-E		1955	SOUTH	710	EAST	EDDY

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
Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.						

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



OPERATOR CERTIFICATION	
I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.	
	
Signature	Sheryl L. Jonas
Printed Name	Agent for Yates Energy
Title	08/08/06
Date	
SURVEYOR CERTIFICATION	
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.	
JULY 14, 2005	
Date Surveyed	LA
Signature & Seal of Professional Surveyor	
Certification No.	12641

DISTRICT I
1625 N. FRENCH DR., BOBBS, NM 88240

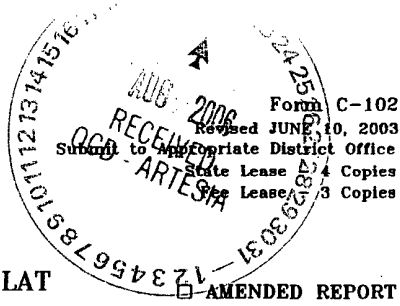
DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

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 and Natural Resources Department

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505



WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-34509	Pool Code 97383	Pool Name Undesignated East Hills Upper Penn
Property Code	Property Name NORTH HESS FEDERAL 23	Well Number 1
OGRID No. 25542	Operator Name YATES ENERGY CORPORATION	Elevation 4117'

Surface Location

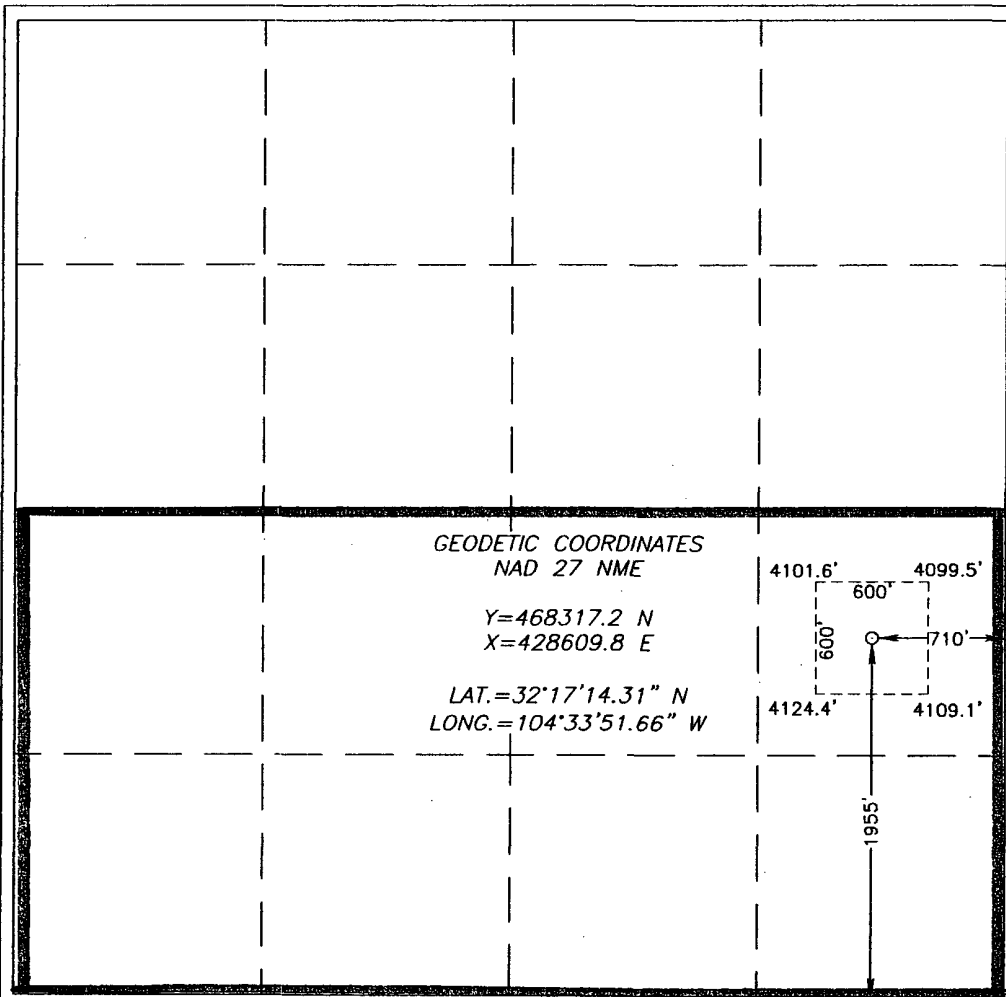
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	23	23-S	23-E		1955	SOUTH	710	EAST	EDDY

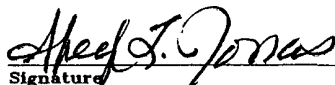
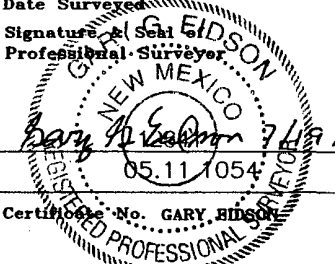
Bottom Hole Location If Different From Surface

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

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

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



OPERATOR CERTIFICATION	
I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.	
	
Signature	
Sheryl L. Jonas	
Printed Name	
Agent for Yates Energy	
Title	
Date	
SURVEYOR CERTIFICATION	
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.	
JULY 14, 2005	
Date Surveyed	
Signature of Gary A. Eidson	
Professional Surveyor	
	
Certified No. GARY EIDSON	
12641	

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

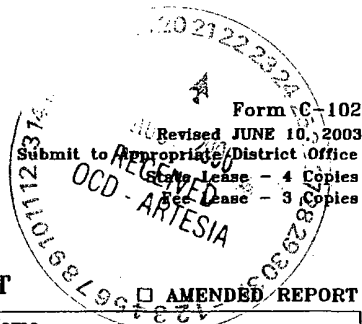
DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

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 and Natural Resources Department

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505



WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-34509	Pool Code 71485	Pool Name Bandana Point Strawn Gas
Property Code	Property Name NORTH HESS FEDERAL 23	Well Number 1
OGRID No. 25542	Operator Name YATES ENERGY CORPORATION	Elevation 4117'

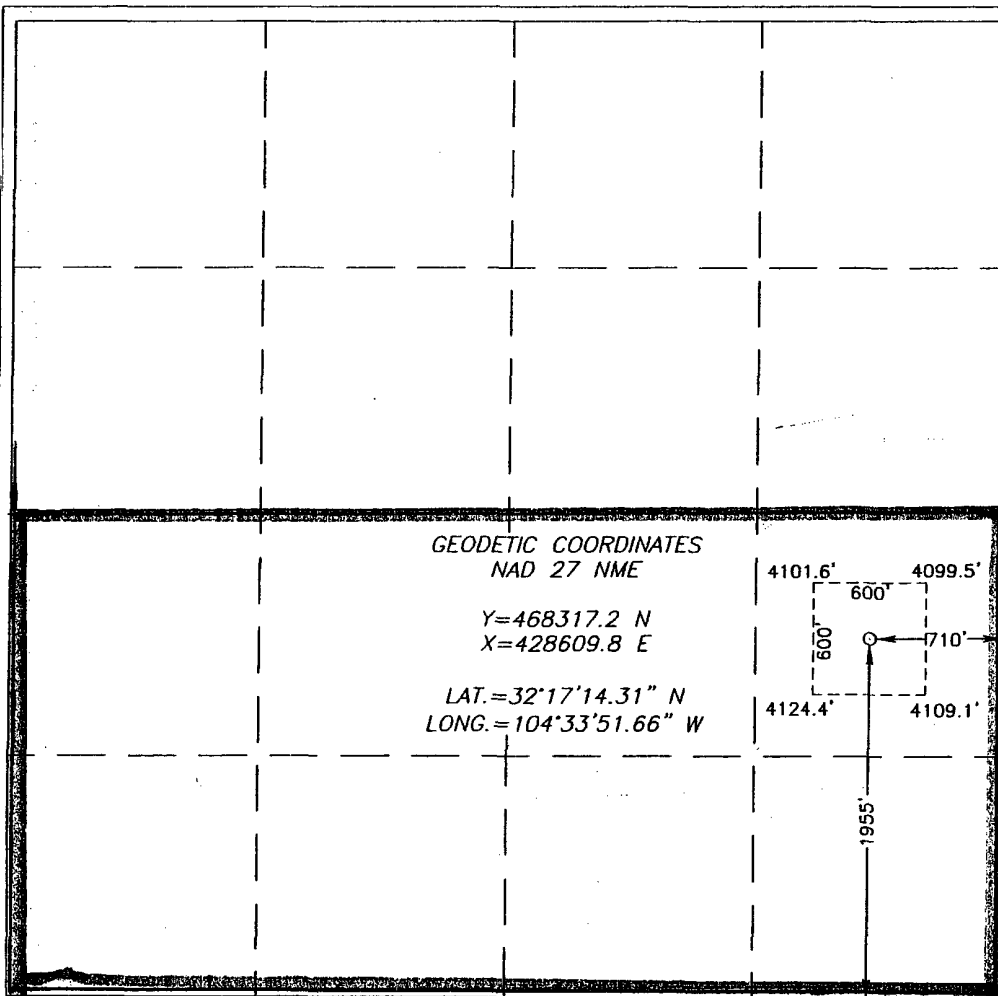
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	23	23-S	23-E		1955	SOUTH	710	EAST	EDDY

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
Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.						

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



OPERATOR CERTIFICATION

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

Sheryl L. Jonas
Signature

Sheryl L. Jonas
Printed Name

Agent for Yates Energy
Title

08/08/06
Date

SURVEYOR CERTIFICATION

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.

JULY 14, 2005

Date Surveyed
Signature of Seal
Professional Surveyor

GARY H. EIDSON
NEW MEXICO
05.11.1054
12841

Certification No. GARY EIDSON 12841

DISTRICT I
8626 N. FRENCH DR., HOBBS, NM 88240

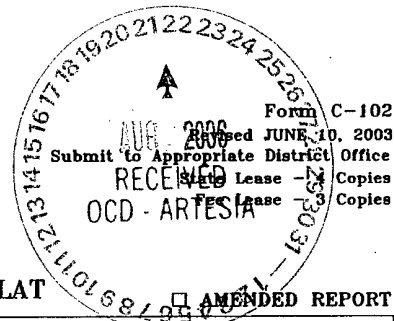
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State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505



WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-34509	Pool Code	Pool Name ildcat (Wolfcamp)
Property Code	Property Name NORTH HESS FEDERAL 23	Well Number 1
OGRID No. 25541	Operator Name YATES ENERGY CORPORATION	Elevation 4117'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	23	23-S	23-E		1955	SOUTH	710	EAST	EDDY

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
Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.						

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

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Sheryl L. Jones</i> Signature</p> <p>Sheryl L. Jones Printed Name</p> <p>Yates Energy Company Title</p> <p>08/08/06 Date</p>
	<p>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>JULY 14, 2005</p> <p>Date Surveyed LA</p> <p>Signature & Seal Professional Surveyor</p> <p><i>GARY E. ELLISON</i> 12641</p> <p>Certificate No. GARY ELLISON 12641</p>