

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

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

SUNDRY NOTICES AND REPORTS ON WELLS

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.
LC055374(SHL);LC060904(BHL)
6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

Re-Submit

2. Name of Operator

Yates Petroleum Corporation

3a. Address

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

3b. Phone No. (include area code)

575-748-1471

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

1770' FSL & 410' FEL NESE Unit Letter I of Section 12-T18S-R29E

1958' FSL & 427' FWL NWSW Unit Letter L of Section 12-T18S-R29E

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

NM 124619 + NM 125546

8. Well Name and No.

SAND TANK APS Fed com #2H
Bailout BOA Federal Com #1H

9. API Well No.

30-015-37168 + 30-015-37167

10. Field and Pool or Exploratory Area

Sand Tank; Bone Spring

11. County or Parish, State

Eddy, County

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 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

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.

Yates Petroleum Corporation respectfully requests administrative approval to Surface/Lease Commingle the following wells:

FEDERAL

Bailout BOA Federal Com #1H
Sec-12-18S-29E
Sand Tank/Bone Spring
Eddy County, NM
LC055374(SHL);LC060904(BHL)
API# 30-015-37168

NM 124619
See attached.

FEDERAL

Sand Tank APS Federal Com #2H
Sec-12-18S-29E
Sand Tank/Bone Spring
Eddy County, NM
LC055374(SHL);LC050429B(BHL)
API#30-015-37167

NM 125546

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

RECEIVED

OCT 27 2010

NMOC D ARTESIA

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

Name (Printed/Typed)

Mayte Reyes

Title Production Clerk

Signature

Date September 27, 2010

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

/s/ JD Whitlock Jr

Title L PET

Date 10/22/10

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

(Instructions on page 2)

dot

The battery is located at the Bailout BOA Federal Com #1H, section 12-T18S-R29E. Please see attached plat and site facility diagram.

Owners were notified on previous application submitted 11-12-09.

Gas Measurement

Gas will be measured and sold at the Bailout BOA Federal Com #1H, section 12-T18S-R29E. Gas will not be commingled prior to sales as previously requested.

OIL Measurement

The Sand Tank APS Federal #2H shall be equipped with a continuous metering 3-phase separator located on the Bailout BOA Federal Com #1H prior to the oil being commingled for sales. A subtraction method of measurement will be used for the Bailout BOA Federal Com #1H for allocation purposes.

BLM interest in both wells are the same.

The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production. Estimated daily production for the Bailout BOA Federal Com #1H is approximately 200 barrels of oil per day and 780 mcf per day and the estimated daily production for the Sand Tank APS Federal Com #2H is 200 barrels of oil per day and 600 mcf per day. BTU = 1.304 for each well, Gravity = 41.6 for each well.

The purpose of the Surface/Lease Commingle, is to reduce operating costs for storage and treating, thereby extending the economic life of each well. Without approval for utilizing existing batteries on adjacent leases, it will become necessary to built separate facilities for each well.

The proposed commingling is necessary for economic operation of the above referenced leases

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

We understand that the request approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument. And, we will submit within 30 days an application for right-of-way approval to the BLM's Realty Section in your office if we have not already done so.

Yates Petroleum Corp (Operator's Name) is requesting approval for surface commingling and off-lease storage and measurement of hydrocarbon production from the following formation(s) and well(s):

Federal Lease No. LC055374 (SHL) LC060904 (BHL) CA # 124619

Well Name	API No.	Loc: 1/4 Sec. Twp. Rng.	Formation	BOPD	Oil Gravity	MCFPD	BTU
Bailout BOA Federal Com #1H 30-015-37168		NESE Sec 12-T18S-R29E	Bone Spring	200 BPD	41.6	780 MCFPD	1,304

With hydrocarbon production from:

Federal Lease No. LC055374 (SHL) LC050429B (BHL) CA # 125546

Well Name	API No.	Loc: 1/4 Sec. Twp. Rng.	Formation	BOPD	Oil Gravity	MCFPD	BTU
Sand Tank APS Federal Com #2H 30-015-37167		*SESE Sec 12-T18S-R29E	Bone Spring	200 BPD	41.6	600 MCFPD	1,304

The storage and measuring facility is located at NESE 1/4, Sec. 12, T 18, S, R 29 E, on Lease No. LC055374, Lea/Eddy (circle one), New Mexico. BLM will be notified if there is any future change in the facility location.

Details of the proposed method for allocating production to contributing sources are as follows:

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO
---------	----------	----------	-----------	------	--------

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



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 _____

Bureau of Land Management
RECEIVED

SEP 28 2010

Carlsbad Field Office
Carlsbad, N.M.

[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 & 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.

Mayte Revo Mayte Revo Production Clerk 9-27-10
 Print or Type Name Signature Title Date
 mayte@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 4th STREET
APPLICATION TYPE:

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

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

(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

- (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 attached 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.

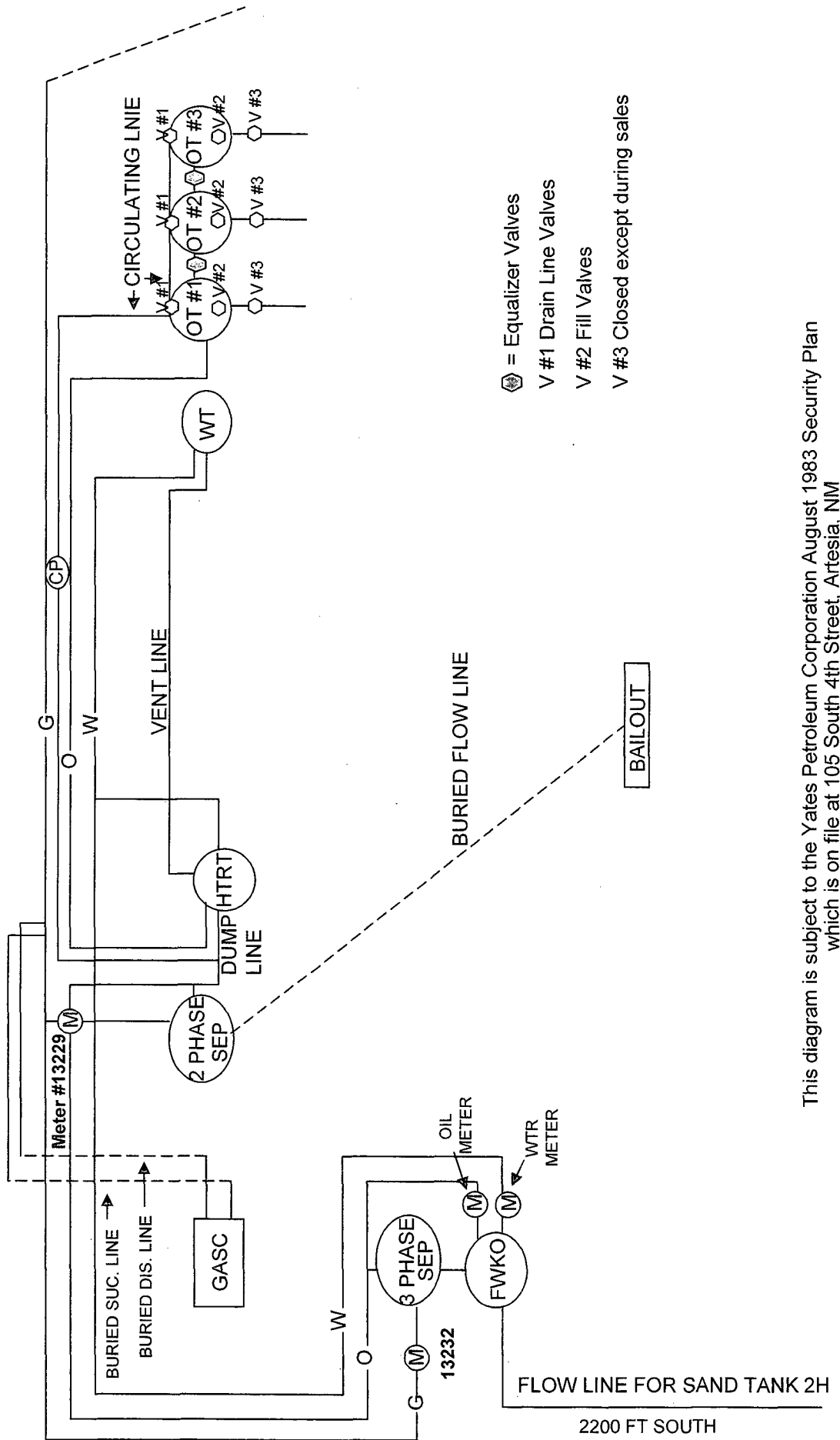
SIGNATURE: Math. Rego TITLE: PRODUCTION CLERK DATE: 9-27-10



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

-Danny Matthews
September, 2010

Bailout BOA Federal Com #1 H 1770' FSL & 410' FEL * Sec 12 - T18S - R29E * Unit L Eddy County, NM



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

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-402
Revised October 12, 2005
Submit to Appropriate District Office
State Lease- 4 Copies
Fee Lease- 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-37168	Pool Code 96832	Pool Name Sand Tank; Bone Sprng
Property Code 37754	Property Name BAILOUT BOA FED. COM	Well Number 1H
OGRID No. 7377	Operator Name EOG RESOURCES, INC.	Elevation 3522.0'

Surface Location

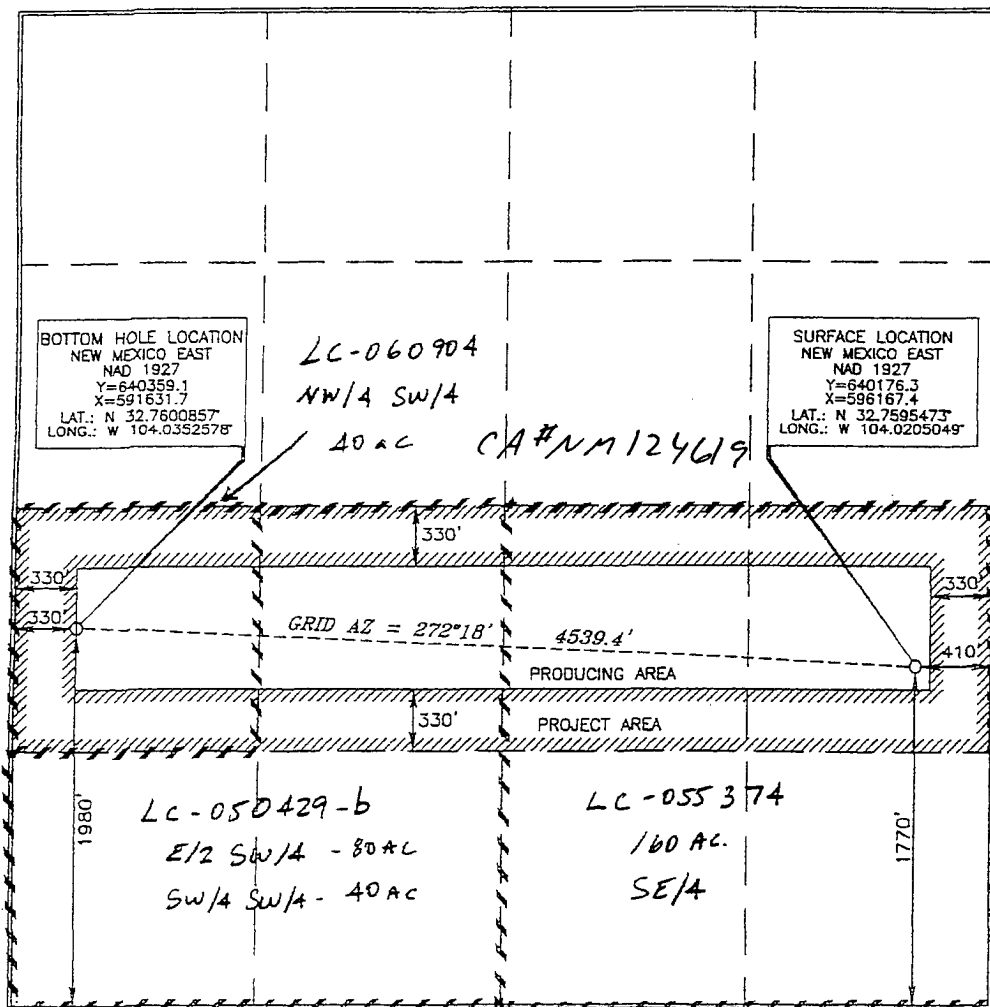
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	12	18 SOUTH	29 EAST, N.M.P.M.		1770'	SOUTH	410'	EAST	EDDY

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
L	12	18 SOUTH	29 EAST, N.M.P.M.		1980'	SOUTH	330'	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

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 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.

Signature: Donny G. Glanton Date: 4/21/09

Printed Name: Donny G. Glanton

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes or actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.

Date of Survey: APRIL 7, 2009

Signature and Seal of Professional Surveyor: Terry J. Ouel

Certificate Number: 15079

WO# 090407WL-b (KA)

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-402
Revised October 12, 2005
Submit to Appropriate District Office
State Lease-4 Copies
Fee Lease-3 Copies
☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-37167	Pool Code 96832	Pool Name Sand Tank; Bone Spring
Property Code 37754	Property Name BAILOUT BOA FED. COM	Well Number 2H
OGRID No. 7377	Operator Name EOG RESOURCES, INC.	Elevation 3509.5'

Surface Location

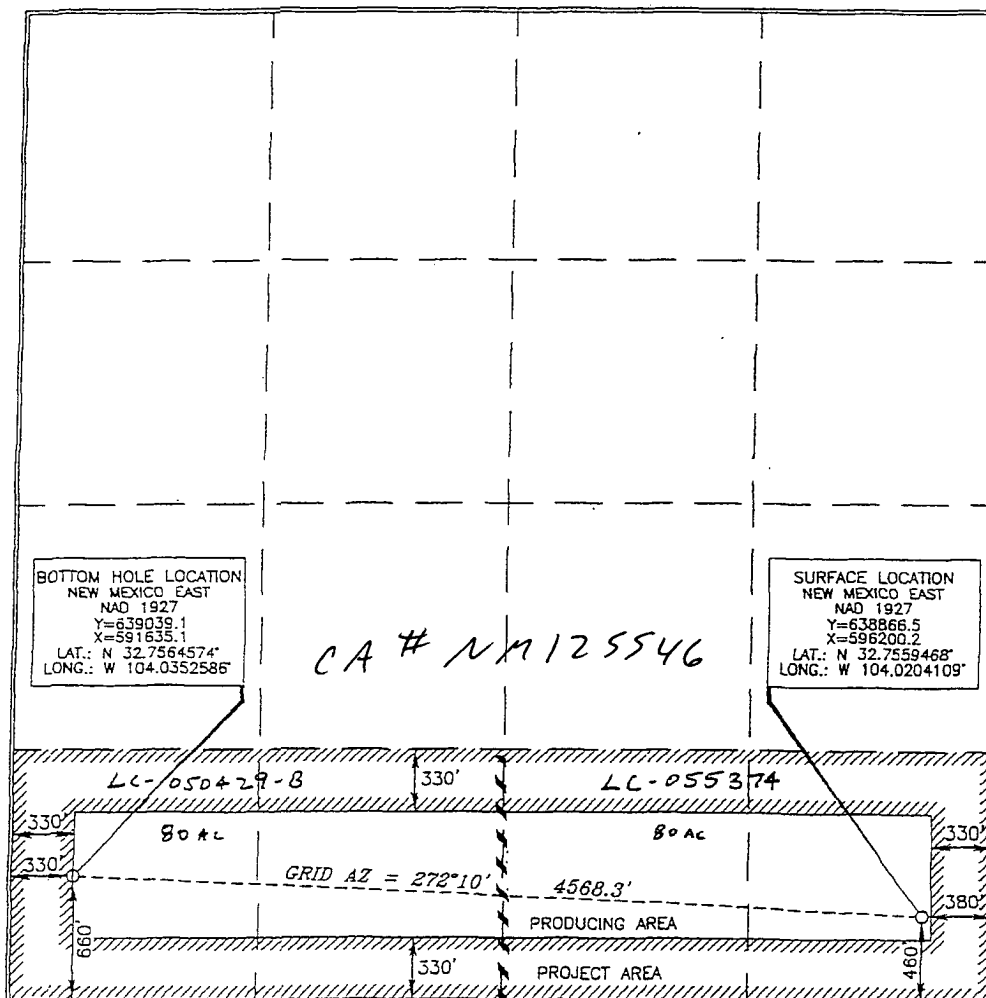
UL or lot no.	Section	Township	Range	Lot 1dn	Feet from the	North/South line	Feet from the	East/West line	County
P	12	18 SOUTH	29 EAST, N.M.P.M.		460'	SOUTH	380'	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot 1dn	Feet from the	North/South line	Feet from the	East/West line	County
M	12	18 SOUTH	29 EAST, N.M.P.M.		660'	SOUTH	330'	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

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 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.

Don J. Hut
Signature
Date 1/3/09

Donny G. Glenton
Printed Name

SURVEYOR CERTIFICATION

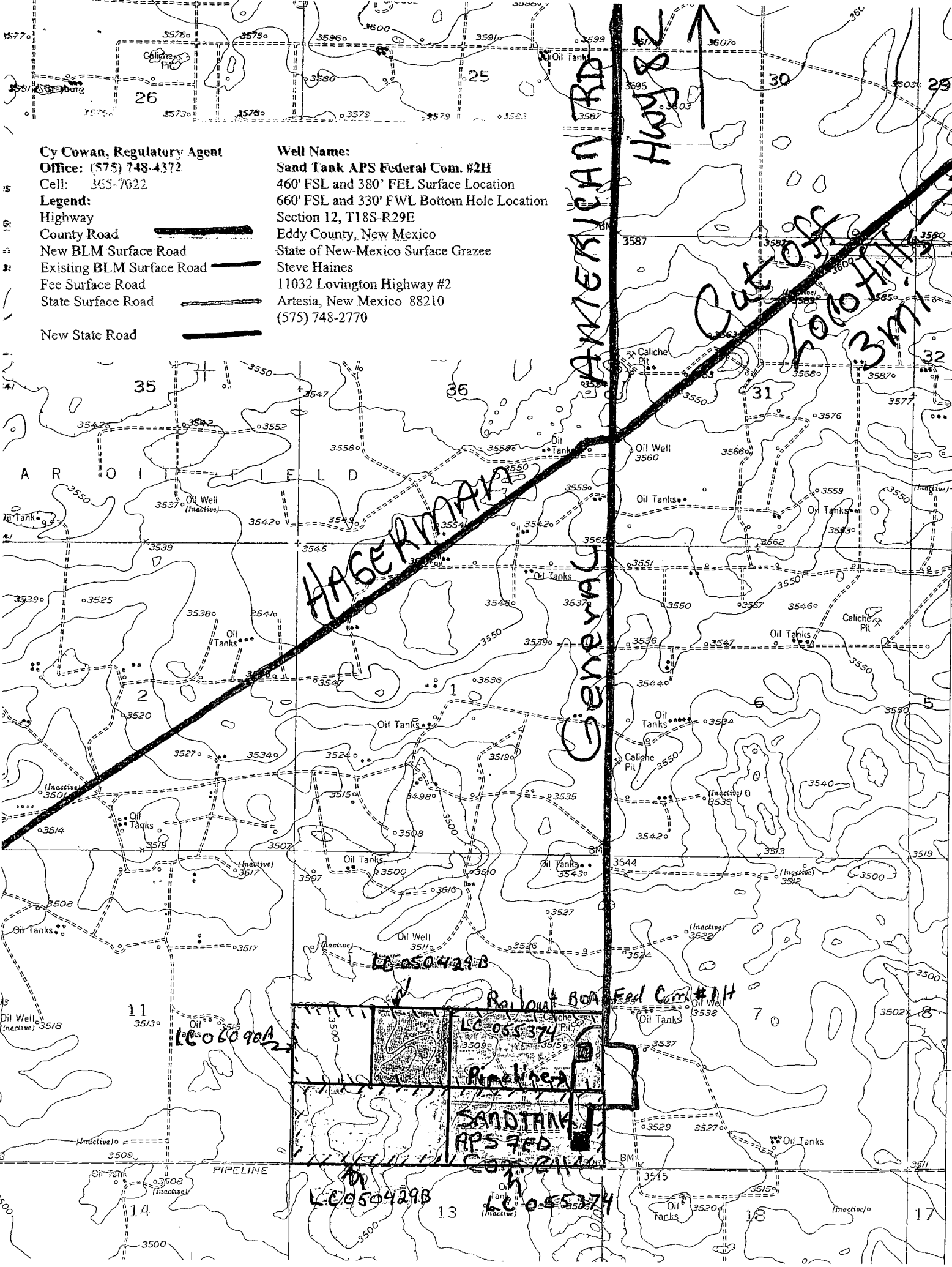
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

APPROVED
Date of Survey 7/2009

Signature and Seal of
Professional Land Surveyor

Tommy A. Abel
Certificate Number 15079

WO# 090407WL-a (KA)



Cy Cowan, Regulatory Agent

Office: (575) 748-4372

Cell: 365-7022

Legend:

Highway

County Road

New BLM Surface Road

Existing BLM Surface Road

Fee Surface Road

State Surface Road

New State Road

Well Name:

Sand Tank APS Federal Com. #2H

460' FSL and 380' FEL Surface Location

660' FSL and 330' FWL Bottom Hole Location

Section 12, T18S-R29E

Eddy County, New Mexico

State of New-Mexico Surface Graze

Steve Haines

11032 Lovington Highway #2

Artesia, New Mexico 88210

(575) 748-2770

HAGERMAN

AMERICAN RD
Hwy 2

CUT OFF
3mi

LC 050429B
LC 050429A
LC 055374
SANDTANK
APS FED
COR 2114
LC 050429B
LC 055374

[illegible]

Yates Petroleum Corp

October 22, 2010

**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 MMS as required. All gas which is vented, flared or used on lease shall be reported as per NTL-4A to MMS. 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.