

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

HOBBS OCD
Hobbs

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.

FEB 05 2013

RECEIVED

5. Lease Serial No.
NM-121957

6. If Indian, Allottee or Tribe Name

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

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1. Type of Well
 Oil Well Gas Well Other PA

8. Well Name and No.

2. Name of Operator
Yates Petroleum Corporation

Capella BOP Federal #2H

3a. Address
105 S. 4th St., Artesia, NM 88210

3b. Phone No. (include area code)
575-748-1471

9. API Well No.
30-025-39529

4. Location of Well (Footage, Sec., T., R., M., OR Survey Description)
 330' FSL & 330' FEL Sec. 8-T21S-R32E Unit P, SESE Surface
 330' FNL & 660' FEL Sec. 8-T21S-R32E Unit A, NENE Bottom

10. Field and Pool or Exploratory Area
Lost Tank; Delaware

11. County or Parish, State
Lea 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 <u>Surface/lease</u> |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | <u>Commingle oil</u> |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | |

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 recomplete 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 recompletion 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 respectfully requests approval to Surface/lease Commingle oil only for the Capella BOP Federal #1 and Capella BOP Federal #2H.

The battery is located at the Capella BOP Federal #1. Please see attached site security diagram.

The ownership is diversified. All owners have been notified. (see attached)

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

Please see continuation attached

CTB-660

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

Name (Printed/Typed) Miriam Morales Title Production Analyst

Signature [Signature] Date 10/16/2012

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by /s/ JD Whitlock Jr Title SPE7 Date 2/2/13

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 CFD KH FEB 06 2013

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

FEB 06 2013

Continuation of Capella BOP Federal #2H surface/lease Commingle oil only

Federal Lease #NM-121957

| <u>Well name</u> | <u>Field/Pool</u> | <u>BOPD</u> | <u>Gravity</u> | <u>MCFPD</u> | <u>BTU</u> |
|--|------------------------|-------------|----------------|--------------|------------|
| Capella BOP Federal #1 Sec. 9-T21S-R32E API #30-025-39528 Lea County, NM | Lost Tank; Delaware | 17 | 38.6 | 53 | 1367 |
| Capella BOP Federal #2H Sec. 8-T21S-R32E API #30-025-39529 Lea County, NM | Lost Tank; Delaware | *250 | *39.6 | *250 | *1335 |

*This is an estimated production, updated information will be provided to BLM upon well completion with updated site security diagram as requested.

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 Capella BOP Federal Com #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.

Gas Measurement

Each of the wells 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 overall emissions. It 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 each well.

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.

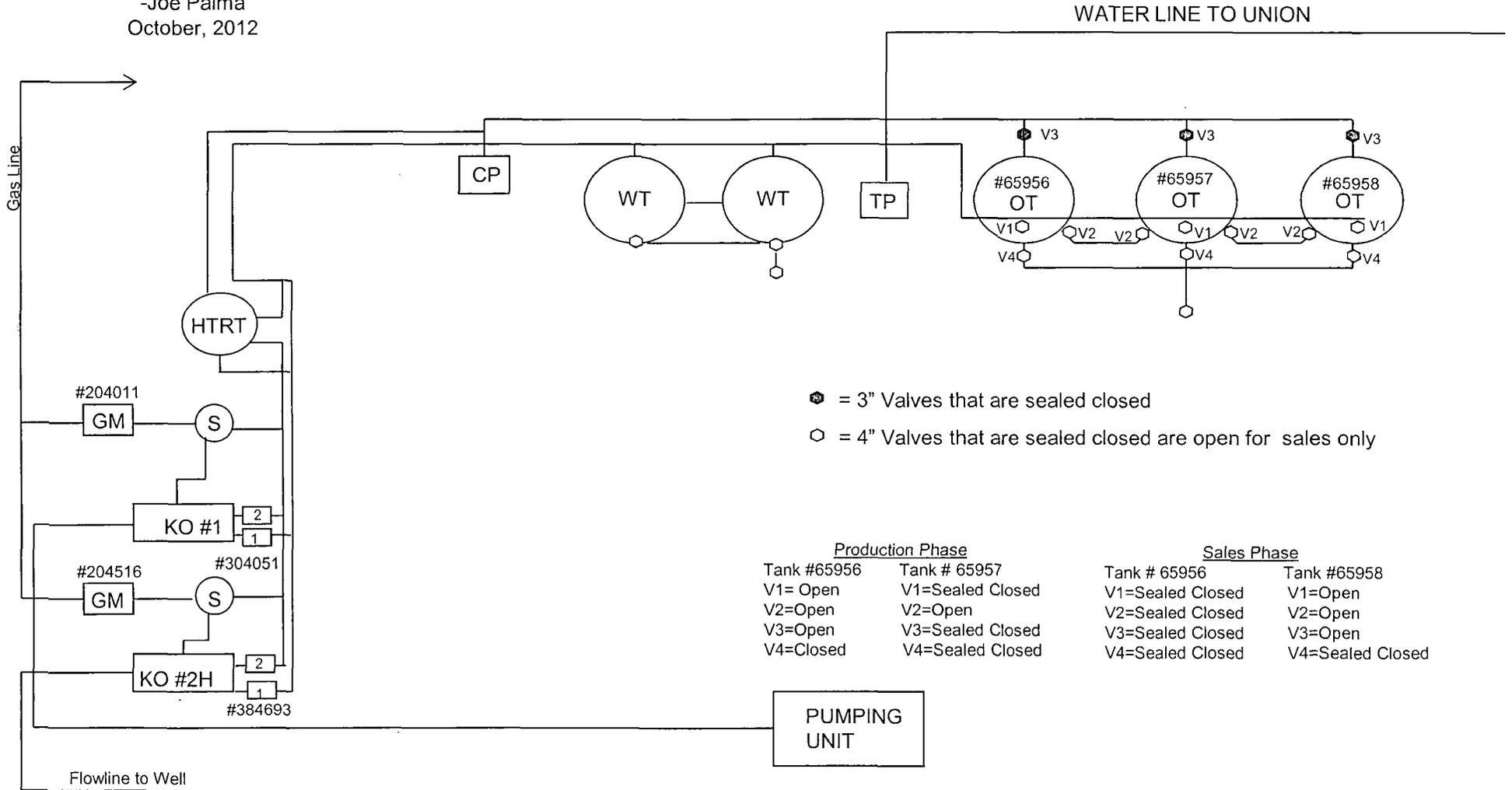


105 South 4th Street * Artesia, NM 88210
(575)-748-1471

-Joe Palma
October, 2012

CAPELLA BOP FEDERAL #1

330' FSL & 330' FWL * Sec 9 – T21S – R32E * Unit M
Lea County, NM
API - 3002539528



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

RECEIVED

DISTRICT I
1425 N. Franklin Dr., Hobbs, NM 88240
DISTRICT II
1301 N. Grand Avenue, Artesia, NM 87003
DISTRICT III
1000 Edo Brazos Rd., Artesia, NM 87410
DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

SEP 20 2009

HOBBSON

State of New Mexico
Energy, Minerals and Natural Resources Department
CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

| | | |
|----------------------------|--|------------------------------------|
| API Number 30-025-39528 | Pool Code 40299 | Pool Name Lost Tank Delaware |
| Property Code 37845 | Property Name CAPELLA "BOP" FEDERAL | Well Number 1 |
| OGHD No. 025575 | Operator Name YATES PETROLEUM CORP. | Elevation 3713' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn. | Feet from the | North/South Line | Feet from the | East/West Line | County |
|---------------|---------|----------|-------|----------|---------------|------------------|---------------|----------------|--------|
| M | 9 | 21 S | 32 E | 330 | | SOUTH | 330 | WEST | LEA |

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 40 | | | | | | | | | |
| 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>SURFACE LOCATION</p> <p>Lat - N 32°29'12.95"</p> <p>Long - W 103°41'13.94"</p> <p>NMSPCE - N 541479.083</p> <p>E 740565.629</p> <p>(NAD-83)</p> | <p>OPERATOR CERTIFICATION</p> <p>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 undivided mineral interest in the land including the proposed bottom hole 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.</p> <p><i>Lucky Briggs</i> 5/21/09 Signature Date</p> <p>Lucky Briggs Printed Name</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>Date Surveyed Signature & Seal of Professional Surveyor W.D. Certificate No. Cory L. Jones 7977</p> <p>BASIN SURVEYS</p> | |

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

HOBBS OCD
AUG 28 2012
RECEIVED

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 12, 2005

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

| | | | |
|-----------------------------------|---|-------------------------------|---------------------------|
| API Number 30-025-39529 | Pool Code 40299 | Pool Name Lost Tank | Delaware |
| Property Code 37845 | Property Name CAPELLA "BOP" FEDERAL | | Well Number 2H |
| OGRID No. 025575 | Operator Name YATES PETROLEUM CORP. | | Elevation 3702' |

Surface Location

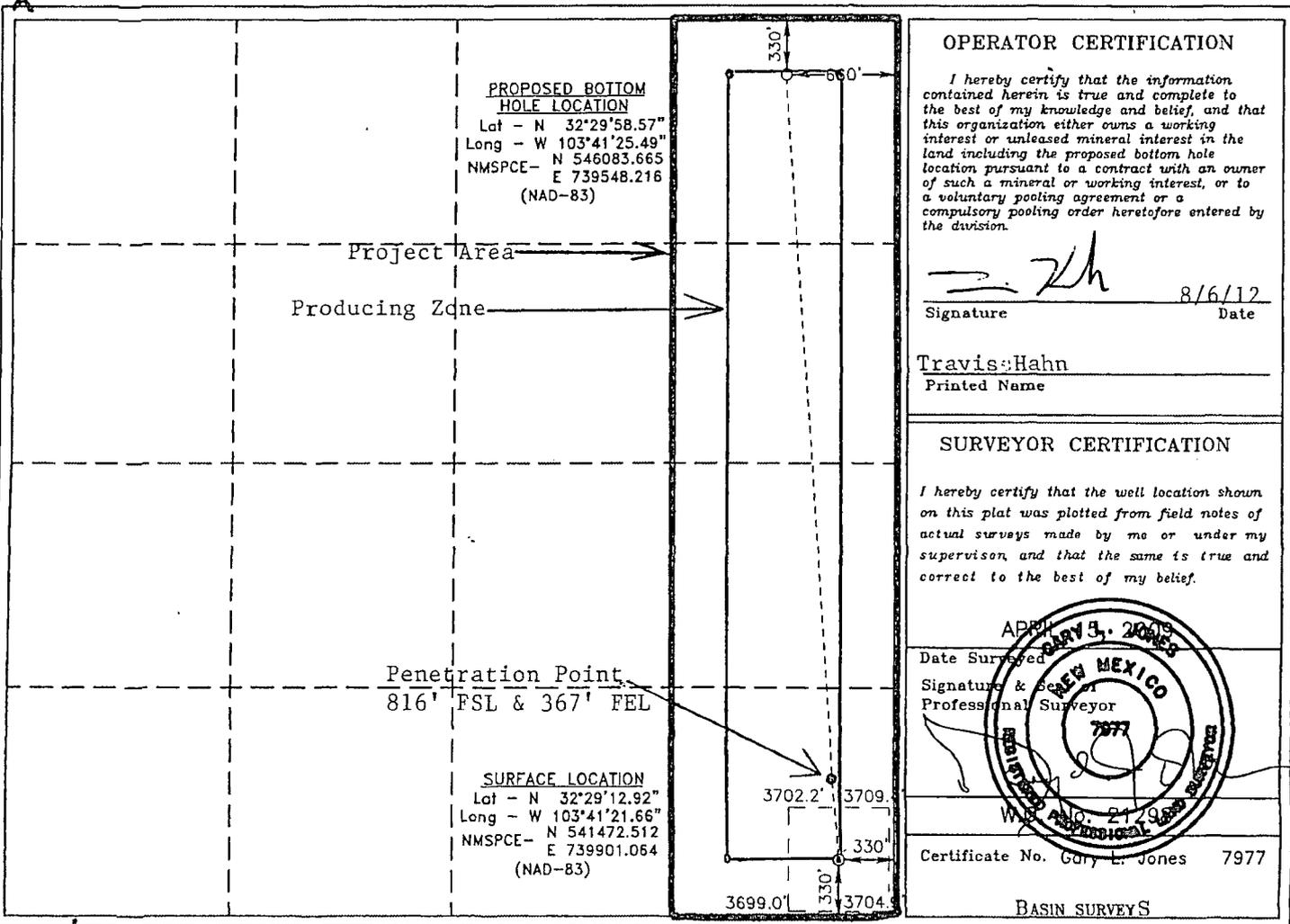
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| P | 8 | 21 S | 32 E | | 330 | SOUTH | 330 | EAST | LEA |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| A | 8 | 21 S | 32 E | | 330 | NORTH | 660 | EAST | LEA |

| | | | |
|-------------------------------|-----------------|--------------------|-----------|
| Dedicated Acres 160 | 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

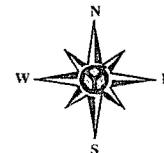


* Amended

AUG 29 2012



105 SOUTH FOURTH (575) 748-4471
ARTESIA, NEW MEXICO 88210



LEGEND

- OIL WELL PROPOSED
- GAS WELL
- OIL WELL
- GPS ROADS
- FLOW LINE YATES

TOWNSHIP AND RANGE
T21S R32E

| SECTION | FOOTAGE |
|---------|---------|
| 8,9 | |

- NM STATE
- US BUREAU OF LAND MANAGEMENT

DRAWN BY: JAH
 DATE DRAWN: 10-03-12
 COUNTY: LEA
 STATE: NEW MEXICO
 SHEET NUMBER: 1 OF 1
 SCALE: 1" = 1/16 MILE

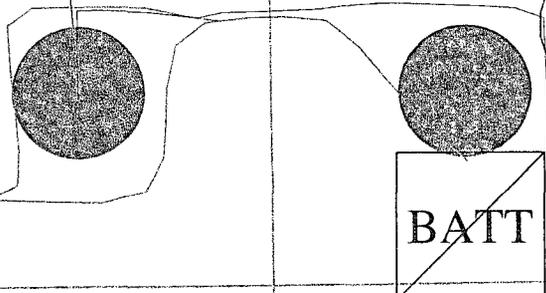
TITLE:

THIS MAP HAS BEEN CAREFULLY COMPILED AND PRINTED BY YATES PETROLEUM CORPORATION FROM AVAILABLE INFORMATION. YATES PETROLEUM CORPORATION DOES NOT GUARANTEE THE ACCURACY OF THIS MAP OR INFORMATION DELINEATED THEREON. NOR DOES YATES PETROLEUM CORPORATION ASSUME RESPONSIBILITY FOR ANY RELIANCE THEREON. RECIPIENT AGREES NOT TO COPY, DISTRIBUTE OR DIGITIZE THIS MAP WITHOUT EXPRESS CONSENT FROM YATES PETROLEUM CORPORATION OR ITS AFFILIATES.

CAPELLA
#2H

CAPELLA
#1

CAPER BFE
FED #6H



MARTIN YATES, III
1912-1985
FRANK W. YATES
1936-1986
S.P. YATES
1914-2008



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CHIEF ADMINISTRATIVE OFFICER

October 15, 2012

Re: Surface/Lease Commingle Oil Only
Capella BOP Federal #1 and 2H
Lea County, New Mexico

Dear Interest Owner,

Yates Petroleum is notifying you of an application to Surface/Lease Commingle oil only on the following wells:

Federal Lease #NM-121957

| <u>Well name</u> | <u>Field/Pool</u> | <u>BOPD</u> | <u>Gravity</u> | <u>MCFPD</u> | <u>BTU</u> |
|--|------------------------|-------------|----------------|--------------|------------|
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*This is an estimated production, updated information will be provided to BLM upon well completion with updated site security diagram as requested.

The battery is located at the Capella BOP Federal #1.
The ownership is diversified.

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 Capella BOP Federal #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.

Gas Measurement

Each of the wells 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 overall emissions. It 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 each 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

Company: MYCO Industries

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986

S.P. YATES
1914-2008



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October 15, 2012

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Capella BOP Federal #1 and 2H
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Federal Lease #NM-121957

| <u>Well name</u> | <u>Field/Pool</u> | <u>BOPD</u> | <u>Gravity</u> | <u>MCFPD</u> | <u>BTU</u> |
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Sincerely,

Miriam Morales

Production Analyst

I hereby approve this application

Company: ABO Petroleum Corporation

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

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October 15, 2012

Re: Surface/Lease Commingle Oil Only
Capella BOP Federal #1 and 2H
Lea County, New Mexico

Dear Interest Owner,

Yates Petroleum is notifying you of an application to Surface/Lease Commingle oil only on the following wells:

Federal Lease #NM-121957

| <u>Well name</u> | <u>Field/Pool</u> | <u>BOPD</u> | <u>Gravity</u> | <u>MCFPD</u> | <u>BTU</u> |
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Company: Yates Petroleum Corporation

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October 15, 2012

Re: Surface/Lease Commingle Oil Only
Capella BOP Federal #1 and 2H
Lea County, New Mexico

Dear Interest Owner,

Yates Petroleum is requesting approval from the Bureau of Land Management and Oil Conservation Division to Surface/Lease Commingle oil only for the following wells:

Federal Lease #NM-121957

| <u>Well name</u> | <u>Field/Pool</u> | <u>BOPD</u> | <u>Gravity</u> | <u>MCFPD</u> | <u>BTU</u> |
|--|------------------------|-------------|----------------|--------------|------------|
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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

OCD
1220 S SAINT FRANCIS DR
SANTA FE, NEW MEXICO

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

MYCO INDUSTRIES INC
P O BOX 840
ARTESIA, NEW MEXICO 88211

ABO PETROLEUM CORP
P O BOX 900
ARTESIA, NEW MEXICO

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

**Yates Petroleum Corporation
Capella BOP Federal 1 and 2H
NM121957**

February 2, 2013

**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.

The public's interest in this leases has been found to be identical for all wells 12.5%-25% SCH B. Therefore, this commingle is being approved. This does not mean that the allocation of production to each well will be 100% accurate each month. By approving this request it will only guarantee that the public's interest will not be compromised.