

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)
APPLICATION OF HARVEY E. YATES COMPANY)
FOR COMPULSORY POOLING, EDDY COUNTY,)
NEW MEXICO)

CASE NO. 13,936

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Jr., Legal Examiner
RICHARD EZEANYIM, Technical Examiner

June 21st, 2007

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Jr., Legal Examiner, and RICHARD EZEANYIM, Technical Examiner, on Thursday, June 21st, 2007, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

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I N D E X

June 21st, 2007
 Examiner Hearing
 CASE NO. 13,936

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APPLICANT'S WITNESSES:	
<u>VERNON D. DYER</u> (Landman)	
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A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

JAMES G. BRUCE
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P.O. Box 1056
Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 11:27 a.m.:

3 EXAMINER BROOKS: At this time we'll call Case
4 Number 13,936, Application of Harvey E. Yates Company for
5 compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
8 representing the Applicant. I have one witness to be
9 sworn.

10 EXAMINER BROOKS: Any other appearances?
11 Okay, very well. The witness will be sworn.
12 (Thereupon, the witness was sworn.)

13 VERNON D. DYER,
14 the witness herein, after having been first duly sworn upon
15 his oath, was examined and testified as follows:

16 DIRECT EXAMINATION

17 BY MR. BRUCE:

18 Q. Would you please state your name for the record?

19 A. It's Vernon Dyer.

20 Q. Where do you reside?

21 A. In Roswell, New Mexico.

22 Q. Who do you work for and in what capacity?

23 A. Harvey E. Yates Company, I'm the land manager.

24 Q. Have you previously testified before the Division
25 as a landman?

1 A. Yes, I have.

2 Q. Many times?

3 A. Yes --

4 Q. And were --

5 A. -- yes.

6 Q. And were your credentials as an expert landman
7 accepted as a matter of record?

8 A. Yes, they were.

9 Q. And are you familiar with the land matters
10 involved in this Application?

11 A. Yes, I am.

12 MR. BRUCE: Mr. Examiner, I'd tender Mr. Dyer as
13 an expert petroleum landman.

14 EXAMINER BROOKS: So qualified.

15 Q. (By Mr. Bruce) Mr. Dyer, could you identify
16 Exhibit 1 and describe what Heyco seeks in this
17 Application?

18 A. Okay, Exhibit 1 is a Midland map. It's part of
19 the Midland map, where we have highlighted the west half of
20 Section 12, which would be the 320-acre spacing for this --
21 for a 9500-foot Morrow test.

22 Q. And do you only seek to pool 320-acre units?

23 A. Yes.

24 Q. Okay. And what is the name of the well involved?

25 A. It would be the Taylor Deep 12 Fed Com Well

1 Number 5.

2 Q. And is this an existing well?

3 A. Yes, it's a -- it will be a re-entry we're going
4 to do.

5 Q. What is the footage location of the well?

6 A. It's 990 from the north line and 660 from the
7 west line of Section 12.

8 Q. What does Exhibit 2 reflect?

9 A. Exhibit 2 is the working interest owners and
10 their interest in the well.

11 Q. Which of these interest owners does Heyco seek to
12 force pool?

13 A. Yates Energy Corporation and ConocoPhillips.

14 Q. Were proposal letters regarding this well, this
15 re-entry, sent to those two working interest owners?

16 A. Yes, they were.

17 Q. And is that reflected in Exhibit 3?

18 A. Yes, that letter that was -- copy of the letter
19 that was sent to each one of them.

20 Q. Okay, it was sent to all of the interest owners?

21 A. To everybody, yes.

22 Q. Okay. Have you had any response from the two
23 parties that you seek to pool?

24 A. No. We've communicated, but there's no response
25 of what they intend to do.

1 Q. So they've never said one way or the other what
2 they intend to do?

3 A. No, they have not.

4 Q. You've spoken with them besides the letter, but
5 they just give no response?

6 A. Right.

7 Q. In your opinion, has Heyco made a good faith
8 effort to obtain the voluntary joinder of the interest
9 owners in this well?

10 A. Yes, we have.

11 Q. What is Exhibit 4?

12 A. Exhibit 4 is the AFE for the well, 12,460 foot
13 Morrow re-entry.

14 Q. And what are the costs of this well?

15 A. The dryhole cost would be \$621,339, and the
16 producing well cost will be \$1,566,055.

17 Q. And are these costs in line with the costs of
18 other re-entries of this depth in this area of the state?

19 A. Yes, it is.

20 Q. And do you request that Heyco be named operator
21 of the well?

22 A. Yes.

23 Q. Do you request the maximum cost-plus-200-percent
24 risk charge against nonconsenting owners?

25 A. Yes, I do.

1 Q. What overhead rates do you propose?

2 A. On the drilling rates it's \$9500 a month, and on
3 the producing rates it's \$950 a month.

4 Q. And are these rates equivalent to those charged
5 by Heco and other operators in this area for wells of this
6 depth?

7 A. Yes, it is.

8 Q. Do you request that these rates be adjusted under
9 the COPAS accounting procedure?

10 A. Yes, we do.

11 Q. And finally, were the parties being pooled
12 notified of this hearing?

13 A. Yes.

14 Q. And is that reflected in Exhibit 5?

15 A. Yes, it is.

16 Q. Now one party that was notified in the letter
17 that came back was Stelaron, Inc. Have you made a --
18 reached an agreement with Stelaron?

19 A. Yes, we have, we've reached one.

20 Q. And so you do not seek to force pool Stelaron?

21 A. No, we do not.

22 Q. Were Exhibits 1 through 5 prepared by you or
23 under your supervision, or compiled from company business
24 records?

25 A. That is correct.

1 Q. And in your opinion, is the granting of this
2 Application in the interests of conservation and the
3 prevention of waste?

4 A. Yes, it is.

5 MR. BRUCE: Mr. Examiner, I'd move the admission
6 of Exhibits 1 through 5.

7 EXAMINER BROOKS: 1 through 5 are admitted.

8 MR. BRUCE: I have no further questions of the
9 witness.

10 EXAMINATION

11 BY EXAMINER BROOKS:

12 Q. Okay. You're seeking -- This is a Morrow test?

13 A. Yes.

14 Q. And in response to Mr. Bruce's question you said
15 you're seeking only to pool 320. Are you seeking to pool
16 320 from surface to the base of the Morrow?

17 A. No, it would be from 9500 foot down to the base
18 of the Morrow.

19 Q. 9500 to the base of the Morrow?

20 A. Yes, sir.

21 EXAMINER EZEANYIM: And the base of the Morrow is
22 12,000?

23 THE WITNESS: Yes, 12,000. We're projecting the
24 depth to be 12,547 feet, somewhere along in there.

25 EXAMINER EZEANYIM: 12,000?

1 MR. BRUCE: The AFE says -- I can't see if that's
2 12,460 --

3 THE WITNESS: 12,450 feet.

4 EXAMINER BROOKS: Okay, I believe that's all my
5 questions.

6 Mr. Ezeanyim, do you have anything further?

7 EXAMINATION

8 BY EXAMINER EZEANYIM:

9 Q. What is the status of this well now? What is the
10 current status?

11 A. It's a plugged well.

12 Q. It's plugged?

13 A. Yes.

14 Q. And so you are going to re-enter the well from
15 9500 to 1200 [sic] --

16 A. Yes.

17 Q. -- 12,000?

18 A. That is correct.

19 Q. And your drilling rate is \$9500? Is that --

20 A. I'm sorry, the what?

21 Q. Overhead rate for drilling --

22 A. Yes, overhead rate is \$950 for producing and
23 \$9500 during drilling.

24 Q. And that is in accordance with the COPAS?

25 A. Yes, yes.

1 EXAMINER EZEANYIM: That's all I have.

2 EXAMINER BROOKS: Anything?

3 MR. SWAZO: I have nothing.

4 EXAMINER BROOKS: Very good. If there's nothing
5 further, Case Number 13936 will be taken under advisement.

6 (Thereupon, these proceedings were concluded at
7 11:34 a.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 13936,
heard by me on June 21 2007.
David K. Brooks, Examiner
Oil Conservation Division

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL June 25th, 2007.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010