

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:)
AMENDED APPLICATION OF YATES PETROLEUM)
CORPORATION FOR APPROVAL OF A UNIT)
AGREEMENT, CHAVES COUNTY, NEW MEXICO)

CASE NO. 13,297

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

July 22nd, 2004

Santa Fe, New Mexico

RECEIVED

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Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, July 22nd, 2004, 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.

* * *

I N D E X

July 22nd, 2004
 Examiner Hearing
 CASE NO. 13,297

	PAGE
REPORTER'S CERTIFICATE	11

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	5	8
Exhibit A	5	8
Exhibit B	5	8
Exhibit C	5	8
Exhibit D	5	8
Exhibit E	6	8
Exhibit F	7	8
Exhibit G	7	8
Exhibit H	7	8
Exhibit I	7	8
Exhibit J	7	8

* * *

A P P E A R A N C E S

FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR
 110 N. Guadalupe, Suite 1
 P.O. Box 2208
 Santa Fe, New Mexico 87504-2208
 By: MICHAEL H. FELDEWERT

* * *

1 WHEREUPON, the following proceedings were had at
2 8:45 a.m.:

3 EXAMINER STOGNER: At this time I will call Case
4 13,297. This is the amended Application of Yates Petroleum
5 Corporation for approval of a unit agreement in Chaves
6 County, New Mexico.

7 Call for appearances.

8 MR. FELDEWERT: May it please the Examiner,
9 Michael Feldewert with the Santa Fe office of the law firm
10 of Holland and Hart, appearing on behalf of the Applicant,
11 Yates Petroleum Corporation, and I do not have a witness
12 here today.

13 EXAMINER STOGNER: Let's see now. This is also
14 advertised as -- I'm sorry, it appears on the docket as an
15 amended Application. Is this amended from a previous
16 hearing, or are you going to explain that to me here in a
17 sec?

18 MR. FELDEWERT: Well, to be honest, I'm sure
19 exactly why it's styled amended application.

20 EXAMINER STOGNER: That could be an error on our
21 part.

22 MR. FELDEWERT: In looking at the -- The
23 Application that was filed is indeed an amended
24 Application. Bear with me here a minute. It looks like
25 there's an Application that was initially filed with the

1 Division on June 15th of 2004, and then the amended
2 Application was filed on June 29th, 2004. So it looks like
3 a styling issue more than anything else, Mr. Examiner.

4 EXAMINER STOGNER: I'll take note of that. It
5 might have denoted that it was put on a previous docket.
6 Do you know if it was put on a previous docket?

7 MR. FELDEWERT: I am not aware.

8 EXAMINER STOGNER: Okay. I don't think this will
9 be an issue, but please continue anyway, and we'll address
10 this matter at the end of the docket.

11 MR. FELDEWERT: Okay.

12 EXAMINER STOGNER: I'm sorry, at the end of your
13 testimony, or presentation, I should say.

14 MR. FELDEWERT: Mr. Examiner, by way of affidavit
15 Yates Petroleum Corporation seeks approval of the Barracuda
16 State Exploratory Unit, which is comprised entirely of New
17 Mexico State Lands. The unit would include 3200 acres.
18 It's located approximately 21 miles east northeast of
19 Roswell, New Mexico. 100 percent of the working interests
20 in these lands has now been voluntarily committed to the
21 unit plan, as have all royalty and overriding royalty
22 interests, and with this unit Yates proposes to test all
23 formations from the surface to the base of the Siluro-
24 Devonian formation.

25 We seek approval of this unit by way of an

1 affidavit, pursuant to Division policy, the affidavit of
2 Tim Miller, M-i-l-l-e-r. It has been marked for this case
3 as Yates Exhibit Number 1. This affidavit identifies the
4 project, Mr. Examiner.

5 And you'll see that Exhibit A to Mr. Miller's
6 affidavit is a copy of the unit agreement that conforms to
7 the State Land Office form. That unit agreement has now
8 been signed by all of the working interest owners. And I
9 intend to provide, Mr. Examiner, after this hearing, a
10 complete executed copy of this unit agreement. We did not
11 have this at the time we filed -- or -- we prepared this
12 yesterday, but we did confirm yesterday that all signatures
13 have now been obtained, and so we will provide that to the
14 Division.

15 Exhibit B to this affidavit is the schedule A to
16 the executed unit agreement, which identifies the unit
17 boundary as well as the interests held by each of the
18 parties in each state tract.

19 Exhibit C to the affidavit is the Schedule B to
20 the unit agreement which shows, again, the ownership
21 breakdown. And now that 100 percent of the working
22 interest owners has been committed to the unit, Mr.
23 Examiner, Yates has complete control of unit operations.

24 Continuing on with Exhibit D to the affidavit,
25 you'll see that that is the letter from the Commissioner of

1 Public Lands giving preliminary approval to the formation
2 of this unit.

3 And then Exhibit E to the affidavit is a seismic
4 time-structure map. You'll see that it denotes cross-
5 section lines A-A', as well as B-B'.

6 In general, Mr. Examiner, the initial test well
7 on this -- in this unit, you will see, has been identified
8 as the Barracuda State Unit Well Number 1. It is to be
9 drilled up there in the northeast quarter of Section 5 at a
10 location 1650 feet from the north line and 880 feet from
11 the east line of Section 5.

12 Yates believes that this proposed location will
13 be updip and on the crest of a structure from the two
14 producing Siluro-Devonian wells in Section 32, north of
15 Section 5, and as well be on the top of -- or be on the
16 upthrown block from the Moalbo State Com AZ Well Number 1,
17 which is located in the west half of Section 5, which was a
18 dry hole.

19 The seismic structure map also shows proposed
20 location is bounded by two faults, which are shown in
21 orange, one to the west and the other to the southeast of
22 the proposed location.

23 Mr. Examiner, the next exhibit is actually --
24 next two exhibits, and I don't necessarily recommend that
25 you, unless you want to, pull them out here at this

1 hearing, but Exhibit F for this affidavit is the cross-
2 section A-A', and then Exhibit G to the affidavit is a
3 cross-section B-B'.

4 And just for your information -- and I'll skip
5 ahead here -- Exhibit J to this affidavit is a complete
6 summary of the geologic data supporting this Application,
7 so I'm not going to try to repeat that here today.

8 But moving on with the exhibits, then, if we get
9 past F and G you then come to an Exhibit H, which again
10 shows the Barracuda Unit outline in red. And this is a
11 gross isopach map of the Wolfcamp, because Yates is of the
12 opinion that they may have a secondary objective in this
13 unit, which would be the Wolfcamp A zone. Although this
14 zone has not produced in this area, they think this may be
15 a viable secondary objective. So Exhibit H is a gross
16 isopach for the Wolfcamp A zone.

17 And then Exhibit I to this affidavit is a net
18 porosity isopach map for this zone. It appears to show
19 that the zone is present in several wells in this area and
20 that the proposed location for the initial test well should
21 encounter between 50 and 55 gross feet of limestone with 25
22 to 30 feet of net porosity greater than or equal to 4
23 percent.

24 If you want more detail than certainly I can
25 offer, Exhibit J to this affidavit provides a complete

1 summary of the geologic data supporting formation of the
2 Barracuda State Exploratory Unit.

3 Mr. Miller's affidavit, Mr. Examiner, testifies
4 that he believes this is an area that can be reasonably
5 developed under a unit plan, and he testifies that approval
6 of this unit and development of this area under a unit plan
7 is in the best interests of conservation, the prevention of
8 waste and the protection of correlative rights.

9 So at this time I ask that Yates Exhibit Number 1
10 with attachments A through J be admitted into evidence.
11 And we have been informed, Mr. Examiner, that the leases in
12 this area are scheduled to expire on September 1st. So if
13 at all possible, we would ask that this matter be taken
14 under advisement and respectfully request that the Division
15 expedite the entry of an order in this matter.

16 EXAMINER STOGNER: So noted. Exhibit 1 and its
17 subparts A through J will be admitted into evidence at this
18 time.

19 MR. FELDEWERT: And Mr. Examiner, that concludes
20 my presentation.

21 EXAMINER STOGNER: Do you know by chance if the
22 State Land Office -- if representatives of Yates actually
23 met with the State Land Office, or was this all done
24 through correspondence?

25 MR. FELDEWERT: I don't know -- I do not know the

1 answer to that question. I know it's their custom
2 generally to meet with the State Land Office. I do not
3 know if they met in this particular case or not. That's
4 certainly something I can find out.

5 EXAMINER STOGNER: I don't think that will be
6 necessary at this time. I will take note that we -- the
7 Division -- this is not the first time a unit case has been
8 done through affidavit in this manner. It might behoove on
9 the next ones, at least, to contact the Division and maybe
10 have a Division Examiner or somebody sit in on those
11 meetings. I'm not saying that that's a requirement, but
12 until we feel more comfortable with it, that might be
13 something to do. Or maybe other Examiners -- I have sat in
14 on those meetings. Perhaps other Examiners may wish to see
15 how that process actually works and what is covered at
16 those meetings with the State Land Office in similar
17 situations. I just wanted to put that on the record.

18 Oh, I did see -- I did discover the mystery here.
19 The original Application, dated June 15th, paragraph 4 in
20 that Application, the closed unit covers the geological
21 structures from the surface to the top of the
22 Mississippian.

23 And then your June -- or I should say Mr. Carr's
24 letter of the 28th, that's the only thing I show that was
25 amended as to the base of the Siluro-Devonian formation, as

1 opposed to reference to the Mississippian. And somehow
2 that got transferred as an amended Application, and I do
3 not show any record that this case has any reference to any
4 other previous unit agreement, so we'll just make a
5 notation that the word "amended" should be struck, and it
6 doesn't affect one way or the other today's case.

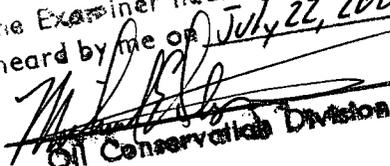
7 So if there's nothing further in Case 13,297,
8 this matter will be taken under advisement.

9 MR. FELDEWERT: Thank you, Mr. Examiner.

10 EXAMINER STOGNER: I'm going to take about a
11 short five-, ten-minute recess at this time.

12 (Thereupon, these proceedings were concluded at
13 8:57 a.m.)

14 * * *

15
16
17 I do hereby certify that the foregoing is
18 a complete record of the proceedings in
19 the Examiner hearing of Case No. 13297,
20 heard by me on July 22, 2004.
21  , Examiner
22 Oil Conservation Division
23
24
25

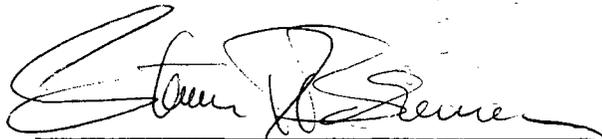
CERTIFICATE OF REPORTER

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 July 23rd, 2004.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006