

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 YATES PETROLEUM)
CORPORATION FOR APPROVAL OF A UNIT)
AGREEMENT, LEA COUNTY, NEW MEXICO)

CASE NO. 13,383

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, JR., Hearing Examiner

December 16th, 2004

Santa Fe, New Mexico

2004 DEC 30 AM 10 30

WVJ

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, December 16th, 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.

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I N D E X

December 16th, 2004
 Examiner Hearing
 CASE NO. 13,383

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REPORTER'S CERTIFICATE

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E X H I B I T S

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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: OCEAN MUNDS-DRY

* * *

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

1 WHEREUPON, the following proceedings were had at
2 8:17 a.m.:

3 EXAMINER JONES: Okay, let's call the first case
4 this morning, would be on page 3, Case 13,383, Application
5 of Yates Petroleum Corporation for approval of a unit
6 agreement, Lea County, New Mexico.

7 Call for appearances?

8 MS. MUNDS-DRY: Good morning, Mr. Hearing
9 Examiner, my name is Ocean Munds-Dry. I'm with Holland and
10 Hart, LLP, and I'm here on behalf of Yates Petroleum
11 Corporation this morning.

12 EXAMINER JONES: Any other appearances?

13 No witnesses? Guess not.

14 MS. MUNDS-DRY: None that I know of.

15 EXAMINER JONES: Okay. You can go ahead whenever
16 you're ready.

17 MS. MUNDS-DRY: Mr. Hearing Examiner, Yates seeks
18 approval of the Boots State Exploratory Unit. They seek
19 approval of this proposed unit by affidavit pursuant to
20 Division policy.

21 The unit is comprised of 4619.46 acres of State
22 of New Mexico lands and is located approximately 10 miles
23 northwest of Tatum. A hundred percent of the working
24 interests in these lands is owned by Yates and its
25 affiliated companies. Yates proposes to test all

1 formations from the surface to the Mississippian formation.

2 Exhibit Number 1, you will see, is an affidavit
3 from Mr. John Amiet, who's the petroleum geologist
4 identifying the project.

5 Attachment A to the affidavit is the fully
6 executed copy of the unit agreement. You will see that it
7 conforms to the State Land Office form.

8 Attachment B to the affidavit is a copy of the
9 plat to the executed unit agreement, and you will see it
10 identifies in blue the unit boundaries.

11 The initial test well is to be located at a
12 standard gas-well location 1830 feet from the north line
13 and 660 feet from the west line of Section 9, and it will
14 test all formations from the surface to an approximate
15 total depth of 12,660 feet.

16 Attachment C to the affidavit is a copy of the
17 ownership breakdown. As you will see, and as I stated
18 before, 100 percent of the working interest is owned by
19 Yates and its affiliated companies, and 100 percent is
20 voluntarily committed to the unit. You'll also notice that
21 the first lease expires February of '05. This also shows
22 you, then, that Yates has complete control of the
23 operations.

24 Attachment D to the affidavit is a letter from
25 the Commissioner of Public Lands giving preliminary

1 approval to the formation of this unit.

2 Attachment E to the affidavit is a mid-Atoka sand
3 isopach map for which it's showing the Atoka-Morrow sands,
4 illustrating Yates' projection of the sand trend in this
5 area. Atoka-Morrow sands are the main producing objective.

6 Yates is attempting to locate channel sands by
7 utilizing 3-D seismic, log correlation and regional
8 mapping. Although these gas sands can be very productive,
9 the channels are often narrow and limited in areal extent.
10 The targeted sand channels are shown on the Atoka sand
11 isopach map. The productive Atoka-Morrow wells are also
12 shown on the map by the purple circles. You'll see the
13 main producing wells are the Reba well and Ray well.

14 Attachment F to the affidavit is a structural
15 cross-section of the Atoka-Morrow sands in the proposed
16 area. It shows a slight thickening on the three seismic
17 data due to differential compaction from the sands and
18 shales. This concept is shown in yellow on the cross-
19 section map. The targeted sand channel is thicker than the
20 corresponding interval in the offsetting two wells.

21 You'll see the first well in the cross-section is
22 East Sand Springs Number 1. It produces, but it only has a
23 cumulative production of 17 BO and 1 MMCF.

24 The Yates Roger well only tested 78 MCFD and is
25 currently waiting on a pipeline.

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The Yates Ray well has tested the same interval as targeted in the Boots well and IP'd for 1.9 MMCF/D.

Mr. Amiet testifies in his affidavit that there's no production from any of the horizons inside the proposed unit area. Mr. Amiet also testifies that the development of this unit area pursuant to a unit plan is in the best interests of conservation, the prevention of waste and the protection of correlative rights.

And at this time we ask that Yates Exhibit Number 1 and all of its attachments be admitted into evidence.

EXAMINER JONES: Yates Exhibit Number 1 and all its attachments will be admitted to evidence.

MS. MUNDS-DRY: At this time we also ask that this matter be taken under advisement.

EXAMINER JONES: Okay, you've answered all the questions that I had while I was -- while you were started, so that's pretty thorough. Thank you very much, Ms. Munds-Dry.

With that, we'll take Case 13,383 under advisement.

MS. MUNDS-DRY: Thank you, Mr. Hearing Examiner.

EXAMINER JONES: Thank you.

(Thereupon, these proceedings were concluded at 8:23 a.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. _____ heard by me on _____

STEVEN T. BRENNER, CCR
(505) 989-~~217~~_____, Examiner
Oil Conservation Division

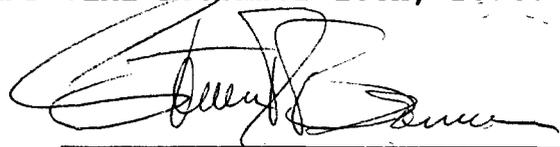
CERTIFICATE OF REPORTER

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 December 16th, 2004.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006