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

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

CASE NO. 13415

AFFIDAVIT OF JOHN AMIET

STATE OF NEW MEXICO)

(COUNTY OF EDDY

(State of New Mexico)

- I, John Amiet, being first duly sworn on oath, states as follows:
- 1. My name is John Amiet. I reside in Artesia, New Mexico. I am the petroleum geologist employed by Yates Petroleum Corporation ("Yates") who is responsible for the formation of the proposed Patsy State Exploratory Unit ("the Unit") comprised of 3200 acres, more or less, of State of New Mexico lands situated in Chaves County, New Mexico. The horizontal limits of said Unit Area are described as follows:

Township 11 South, Range 31 East, N.M.P.M.

Section 35: E/2

Township 12 South, Range 31 East, N.M.P.M.

Section 2: All Section 10: All Section 11: All Section 14: N/2 Section 15: All

- 2. Yates, the designated Unit Operator in the Patsy State Exploratory Unit Agreement, proposes the formation of the Unit to test all formations from the surface to the base of the lower Mississippian formation.
- 3. The initial unit well will be drilled at a standard gas well location 660 feet from the East line and 990 feet from the North line of Section 15, Township 12 South, Range 31 East, NMPM, Chaves County, New Mexico to an approximate depth of 11,375 feet to test all formations from the surface to the lower Mississippian formation. The estimated costs for this well are \$1,836,500 million.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. <u>13415</u> Exhibit No. 1
Submitted by:
Yates Petroleum Corporation

Yates Petroleum Corporation
Hearing Date: February 17, 2005

- 4. Attachment A to this Affidavit is a copy of the Unit Agreement for the proposed Patsy State Exploratory Unit. This agreement is on the New Mexico State Land Office State/Fee Unit Agreement form.
- 5. Attachment B is the plat to the Unit Agreement that shows the boundaries of the Patsy State Exploratory Unit and the location of the initial unit test well.
- 6. Attachment C to this affidavit is a copy of Schedule B to the Unit Agreement for the Patsy State Exploratory Unit that identifies the working interest ownership in the unit area. Approximately 72% percent of the working interest in the Unit Area is owned by Yates and its affiliated companies and is committed to the unit.
- 7. The schedule under Attachment C also identifies the royalty interest in the Unit Area. One hundred percent of the royalty interest is owned by the State of New Mexico and under Attachment D to this Affidavit is a letter from the New Mexico Commissioner of Public Lands giving preliminary approval of the State Land Office to the proposed Patsy State Exploratory Unit. There are no overriding royalty interests in the Unit Area.
 - 8. All interests in the Unit Area have been committed to the Unit.
- 9. Attachment E is a Basal Atoka Net Sand Isopach Map. Yates is attempting to locate channel sands by utilizing 3-D seismic, log correlation, and regional mapping. Although these gas sands can be very productive, the channels can be very narrow and limited in aerial extent. The productive well located in Section 13 has been a great Atoka producer making over 5,433 MMCFG. The well in Section 24 only had a cumulative production of 35 MMCFG. The wells to the Northwest and Southeast have been very poor producers. The basal Atoka producers are highlighted with solid purple circles on the map.
- 10. Attachment F, is Stratigraphic Cross Section A-A', and crosses two channel systems in the proposed Patsy Unit. The basal Atoka sands are highlighted in yellow on the cross section. The proposed well will test the channel system to the West. The fourth Atoka penetration (in Section 34) was a dry hole. This emphasizes the lack of drilling and the risk involved in drilling Atoka wells in this area. There were only four Atoka penetrations within a 24 square-mile area, and only one good producer. There has been only one Atoka well drilled inside the proposed unit. Wells of all depths are shown on the Isopach map.
- 11. The unit covers an area that can be reasonably developed under a unit plan.
- 12. Yates is attempting to develop deep Atoka production where there has been a total production of only 77 MMCFG and less than 1,000 BO, and no production since 1986. Yates believes there is potential for channel sand development in this proposed unit.

- 13. This is a high risk project, but if the initial unit well is successful, additional wells will be drilled in the Unit Area. Accordingly, approval of the unit agreement will result in the efficient recovery of hydrocarbons.
- 14. Approval of the Patsy State Exploratory Unit and the development of the Unit Area pursuant to a unit plan is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

FURTHER AFFIANT SAYETH NOT.

John Amiet

SUBSCRIBED AND SWORN before me on this \(\frac{1}{2}\) day of February, 2005.

Notary Public

My Commission Expires: