

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:)

CASE NO. 13,404

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

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

February 3rd, 2005

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, February 3rd, 2005, 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

February 3rd, 2005
Examiner Hearing
CASE NO. 13,404

	PAGE
APPEARANCES	3
REPORTER'S CERTIFICATE	11

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	4	-
Attachment A	4	-
Attachment B	5	-
Attachment C	5	-
Attachment D	5	-
Attachment E	5	-
Attachment F	6	-

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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:

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By: OCEAN MUNDS-DRY

* * *

1 WHEREUPON, the following proceedings were had at
2 8:40 a.m.:

3 EXAMINER JONES: Okay, let's call Case 13,404,
4 Application of Yates Petroleum Corporation for approval of
5 a unit agreement, Lea County, New Mexico.

6 Call for appearances.

7 MS. MUNDS-DRY: Ocean Munds-Dry with Holland and
8 Hart, on behalf of Yates Petroleum Corporation.

9 EXAMINER JONES: Any other appearances?

10 MS. MUNDS-DRY: Mr. Hearing Examiner, Yates seeks
11 approval of the Faron State Exploratory Unit. Yates has
12 been in apparently a country kind of mood these days. It's
13 comprised of 6400 acres of State of New Mexico lands, and
14 it's located approximately 10 miles northeast of Caprock.

15 One hundred percent of the working interest in
16 these lands is owned by Yates and its affiliated companies.

17 Yates proposes to test all formations from the
18 surface to the Mississippian formation.

19 Yates seeks approval of this proposed unit by
20 affidavit, pursuant to Division policy.

21 Yates Exhibit Number 1 is the affidavit of John
22 Amiet, the petroleum geologist for Yates Petroleum,
23 identifying the project.

24 Attachment A to the affidavit is a fully executed
25 copy of the unit agreement. You'll see it conforms to the

1 State Land Office form.

2 Attachment B to the affidavit is a copy of the
3 plat to the executed unit agreement, identifying the unit
4 boundary.

5 The initial test well will be located in Section
6 5 at a standard gas-well location 660 feet from the north
7 line and 1980 feet from the east line, and it will test all
8 formations from the surface to an approximate total depth
9 of 11,220 feet.

10 Attachment C to the affidavit is a copy of the
11 ownership breakdown. One hundred percent of the working
12 interest is owned by Yates and its affiliated companies,
13 and 100 percent is voluntarily committed to the unit.

14 Attachment D to the affidavit is a letter from
15 the Commissioner of Public Lands giving preliminary
16 approval to the formation of this unit.

17 Attachment E to the affidavit is a net sand
18 isopach map for the Atoka sands, illustrating Yates'
19 projection of the sand trend in the area. The Atoka sands
20 are the main producing objective. Again, Yates is
21 attempting to locate channel sands by using log
22 correlation, old sample-description logs, drill stem test
23 information and regional mapping.

24 Although these gas sands can be very productive,
25 the channels are often narrow and limited in areal extent.

1 You'll see the targeted sand channels are shown
2 on the isopach map.

3 The productive Atoka wells are shown on the map
4 by solid red circles. You'll see them primarily down in
5 the southeast corner here, and they're outside of the
6 proposed unit area. The only economic Atoka well is
7 located in the southeast corner in Section 25, and you'll
8 see that it has a cumulative production of 13 MBO and 1042
9 MMCF. So again, you'll see that there was no Atoka
10 production within the proposed unit boundary.

11 You will note that the green circle there was
12 Mississippian production, but no Atoka production.

13 Attachment F to the affidavit is a stratigraphic
14 cross-section of the Atoka gas sands in the proposed area.

15 EXAMINER JONES: Okay.

16 MS. MUNDS-DRY: Mr. Amiet testifies in his
17 affidavit that approval of this unit is in the best
18 interest for conservation pursuant to unit plan, and the
19 prevention of waste and the protection of correlative
20 rights.

21 And if there are no questions, we ask that Yates
22 Exhibit Number 1 and all of its attachments be admitted
23 into evidence.

24 EXAMINER JONES: I have a question before we
25 admit them into evidence.

1 The map shows Section 32 and the township north
2 to be in the unit, but the advertisement doesn't say that,
3 and the -- which would be 10 sections, and the
4 advertisement says nine sections.

5 MS. MUNDS-DRY: Mr. Hearing Examiner, what are
6 you -- are you looking at the notice?

7 EXAMINER JONES: Well, actually the acreage says
8 6400 acres, and it looks like these are all standard-sized
9 sections, so there should be 10 sections, and there's --
10 but in the -- yeah, in the notice, in the affidavit and in
11 the notice, there's only nine sections; is that right?

12 MS. MUNDS-DRY: Let's see, two, three --

13 EXAMINER JONES: So it's just -- They must have
14 dropped out Section 32.

15 MS. MUNDS-DRY: I'm not sure I can answer that
16 question for you, Mr. Hearing Examiner. What we can do, if
17 you'd like to continue this case, we'll be glad to check
18 with Mr. Amiet and correct that if we need to, because I'm
19 not sure what they did.

20 (Off the record)

21 EXAMINER JONES: Did you say Yates has all of the
22 working interest in this one?

23 MS. MUNDS-DRY: They do.

24 EXAMINER JONES: Okay, let's see what Section 32
25 shows here. It's going to be Township 8 South, and I don't

1 see it on the land --

2 MS. MUNDS-DRY: I do see what you're referring
3 to.

4 EXAMINER JONES: Here it is, here it is, 8 South.
5 It shows it all to be Yates also.

6 I guess we probably should continue it and have
7 you check with Yates and find out what the correct --
8 whether Section 32 is in or out of the --

9 MS. MUNDS-DRY: It looks like we -- Mr. Hearing
10 Examiner, it looks like we didn't notice it correctly. So
11 I think we're going to have to re-do that anyway.

12 EXAMINER JONES: Okay, okay.

13 And another question would be, on this unit --
14 the other one looked real consistent on the objective, but
15 the mapped sands he's got in here doesn't even include some
16 of the sections that he's including in the unit. So it's
17 obviously okay with the State Land Office, but I think they
18 run it by us to check that again --

19 MS. MUNDS-DRY: Okay --

20 EXAMINER JONES: -- so --

21 MS. MUNDS-DRY: -- looks like we need to do some
22 cleaning up on this, Mr. Examiner.

23 EXAMINER JONES: Just a little bit, just -- Maybe
24 you could ask John Amiet about the -- why some of the
25 acreage that's not even included as a map on the net pay

1 should be included in the unit, to save this acreage for
2 Yates. Then the issue of Section 32 --

3 MS. MUNDS-DRY: Sure.

4 EXAMINER JONES: -- and you could --

5 (Off the record)

6 EXAMINER JONES: Okay, can you have him write up
7 a little bit of a statement more about why the acreage is
8 included in the unit that's not being mapped as a target on
9 his net pay isopach map? And he's probably going to tell
10 me that the isopach map is not very accurate and it could
11 be expanded, but that's fine, let him tell me that.

12 And then also have him and a land guy sign off on
13 the acreage, and make sure the State Land Office letter
14 includes the right acreage too.

15 MS. MUNDS-DRY: We'll get that corrected, Mr.
16 Hearing Examiner.

17 EXAMINER JONES: Okay. I was going to say, he
18 could almost send it to me directly, and I could write up
19 the case after that, but I think it needs to be noticed
20 again. So it needs to be noticed.

21 MS. MUNDS-DRY: I think we're -- Yeah, we're
22 going to need to do that anyway.

23 And I was checking to make sure, it looks like
24 none of the leases are expiring very soon, so we've got
25 some time.

1 EXAMINER JONES: Okay. With that, we'll continue
2 Case 13,404 to February 17th.

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

4 (Thereupon, these proceedings were concluded at
5 8:50 a.m.)

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10
11 I do hereby certify that the foregoing is
12 a complete record of the proceedings in
13 the Examiner hearing of Case No. _____
14 heard by me on _____

15 _____, Examiner
16 Oil Conservation Division
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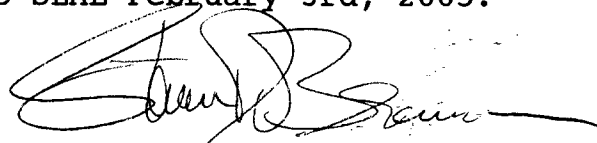
CERTIFICATE OF REPORTER

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 February 3rd, 2005.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006