

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

ORIGINAL

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

Case No. 14776
14777

APPLICATION OF YATES PETROLEUM CORPORATION FOR APPROVAL OF A
NON-STANDARD SPACING AND PRORATION UNIT, LEA COUNTY, NEW
MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: TERRY WARNELL, Technical Examiner
DAVID K. BROOKS, Legal Examiner

February 16, 2012

Santa Fe, New Mexico

This matter came on for hearing before the New
Mexico Oil Conservation Division, TERRY WARNELL, Technical
Examiner, and DAVID K. BROOKS, Legal Examiner, on February
16, 2012, at the New Mexico Energy, Minerals and Natural
Resources Department, 1220 South St. Francis, Drive, Room
102, Santa Fe, New Mexico.

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A P P E A R A N C E S

FOR THE APPLICANT:

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I N D E X

RAYMOND PODANY
Case 14776

Direct by Mr. Larson 05
Redirect by Mr. Larson 18

Case 14777

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EXHIBITS CASE 14776

EXHIBIT 1 ADMITTED 04
EXHIBITS 2 THROUGH 6 ADMITTED 15

EXHIBITS CASE 14777

EXHIBIT 1 ADMITTED 19
EXHIBITS 2 THROUGH 6 ADMITTED 23

1 EXAMINER WARNELL: Let's go back on the record then.
 2 We'll call Case 14776 and Case 14777 and hear them together.
 3 Both are applications from the Yates Petroleum Corporation
 4 for approval of a non-standard spacing and proration unit,
 5 Lea County, New Mexico. Call for appearances.

6 MR. LARSON: Gary Larson from Hinkle, Hensley and
 7 Shanor and Martin in Santa Fe for the applicant, Yates
 8 Petroleum Corporation. I have one witness.

9 EXAMINER WARNELL: Will the witness please stand and
 10 be sworn.

11 (Oath administered.)

12 MR. LARSON: Mr. Examiner, I prepared separate
 13 presentations, so I have sets of exhibits in each case, but I
 14 think I will just present 14776 first, and then follow up
 15 with 14777.

16 EXAMINER WARNELL: Excellent. That's a good point.

17 MR. LARSON: And before I begin with Mr. Podany's
 18 testimony, I would direct your attention to Yates Exhibit
 19 Number 1, which is an ~~affidavit of the Yates landman Kevin~~
 20 ~~Klein.~~ And in his affidavit Mr. Klein states that Yates
 21 ~~seeks approval of an 80-acre oil spacing and proration unit~~
 22 ~~to be dedicated to the Belco AIA Federal Number 5 Well~~, which
 23 will be a directional well. And attached to the affidavit is
 24 Exhibit A is a ~~C-102 plat identifying the surface and bottom~~
 25 ~~hole locations for the well~~. The well is entirely located on

Surface J-14-20S-32E 1980 FSL 1950 FEL

BH I-14-20S-32E 1980 FSL 660 FEL

80 acres
2 1/4 1/4

1 a federal lease which covers all of Section 14.

2 On Page 2 of his affidavit, Mr. Klein lists the
3 entities that own working interests in the proposed 80-acre
4 unit and identifies the percentages of interest that they
5 hold. He then states that ~~all of the interest owners have~~
6 ~~joined in the~~, what I will refer to as the Belco Number 5
7 Well, pursuant to a joint operating agreement, and that
8 pursuant to the JOA, Yates Petroleum -- ~~Yates Petroleum~~ will
9 operate the well.

10 Finally, Mr. Klein states that he determined whether
11 there are any operators and/or interest owners in the 40-acre
12 units offsetting the proposed 80-acre unit, and he found one
13 such operator, Pecos Operating Company, and sent a certified
14 mail, notice of Yates' application to Pecos Operating. *No Reply*
15 Company. Copies of Mr. Klein's notice letter and certified
16 mail receipt are attached to his affidavit as Exhibit B.

17 And, with that, Mr. Examiner, I would move the
18 admission of Yates Exhibit Number 1.

19 EXAMINER WARNELL: Yates Exhibit Number 1 is
20 admitted.

21 (Exhibit 1 Case Number 14776 admitted.)
22
23
24
25

1 RAYMOND PODANY

2 (Sworn, testified as follows:)

3 DIRECT EXAMINATION

4 BY MR. LARSON

5 Q. Mr. Podany, would you state your full name for the
6 record, please?

7 A. It's Raymond ~~Podany~~.

8 Q. Podany. And where do you reside?

9 A. I reside in Artesia, New Mexico.

10 Q. And by whom are you employed and in what capacity?

11 A. I'm employed by Yates Petroleum as ~~manager of~~
12 geology for the Permian Basin.

13 Q. And could you briefly summarize your educational and
14 professional background?

15 A. I graduated from George Washington University in
16 Washington, DC, with a bachelor's of science degree in
17 geology, and a master's of science in geology, 1980. I
18 subsequently worked in the oil industry for several
19 companies, including Getty Oil Company, Texaco, CalTex in
20 Indonesia, and Yates Petroleum as a geologist in Artesia.

21 Q. And have you previously been qualified by the
22 Division Hearing Examiner as an expert in petroleum
23 geology?

24 A. I have.

25 Q. And are you the Yates geologist responsible for

1 analyzing the prospects for the Belco 5 Directional Well?

2 A. I am, yes.

3 MR. LARSON: Mr. Examiner, I tender Mr. Podany as an
4 expert in petroleum geology for purposes of both cases.

5 EXAMINER WARNELL: Mr. Podany is so recognized.

6 Q. And could I direct your attention to Exhibit A to
7 Exhibit 1, which is Mr. Klein's affidavit, specifically the
8 ~~C-102 plat~~. Was Yates restricted in its choice of a surface
9 ~~location~~ for the proposed Belco 5 Well by BLM requirements?

10 A. We were, yes. And so we -- ~~we were given a drilling~~
11 ~~island from which to locate a surface well for any additional~~
12 ~~drilling that was going to be done in this section~~, and this
13 is due to ~~potash concerns~~ and cultural archeological ~~type of~~
14 ~~concerns~~ in this area. There's a dried lake where it was
15 formerly -- I think it's Laguna Salada type where the Indians
16 used to camp.

17 Q. And has Yates submitted an ~~APD to the Bureau of Land~~
18 ~~Management for the Belco Number 5 Well?~~

19 A. Yes, we have.

30-075-

20 Q. And has the BLM ~~approved the APD?~~

21 A. Yes.

22 Q. And has Yates also submitted a sundry notice to the
23 BLM identifying the 80-acre unit that Yates' application
24 addresses in this case?

25 A. We have.

1 Q. And has the BLM acted on that sundry notice?

2 A. Yes.

3 Q. Did they indicate that it would be approved pending
4 the hearing in this case?

5 A. That was the indication they gave, yes.

6 Q. Is Yates also restricted in its choice of the
7 surface location for the well by Division Order R-1211-9,
8 which includes setback requirements?

*Salt Lake Delaware Pool
(53565)*

9 A. Yes.

10 Q. And does the well as proposed comply with those
11 requirements?

12 A. I believe it does, yes.

13 Q. And I next direct your attention to Exhibit Number 2
14 in Case 14776. Would you please identify this document?

15 A. This is a location map of 20-32 in Lea County, New
16 Mexico, showing Section 14 where we plan to drill our wells.
17 ~~We have two drilling islands, one where the Belco Number 1 is~~
18 ~~listed and its subsequent horizontal well, the Number 3, was~~
19 ~~drilled from that same pad, and one in the southwest where~~
20 ~~the Belco Number 2 Well was drilled as a horizontal well, and~~
21 ~~then a Belco Number 4 going off to the east, and the~~
22 second -- and the second drilling island.

23 And subsequently another operator, which Yates has
24 no interest in, was allowed to share our drilling island in
25 Section 14, so they were able to get access to Section 15 for

1 drilling their horizontal well, the Queenie~~TH~~, which is
2 drilled from near our drilling island in Section 14 onto
3 Section 15.

4 Q. And did you prepare this map?

5 A. I did.

6 Q. And would it be correct to say that the wells
7 identified as Number 1, Number 2, Number 3, and Number 4 are
8 Yates Wells?

9 A. Yes, they are.

10 Q. Could you briefly explain to the Hearing Examiner
11 the history of each of those wells?

12 A. The Number 1 Well was originally drilled by a
13 company called Belco Petroleum, and it was drilled down to
14 13,000 feet, 13,250, and plugged as a dry hole in 1983.
15 Yates re-entered this well in 19 -- 1990, and subsequently
16 tested several intervals in the Wolfcamp, the Bone Springs,
17 and the Brushy Canyon, and subsequently established
18 production and completed the well in the Cherry Canyon
19 Interval of the Brushy Canyon, and that was the original well
20 back in 1990, and it took us a number of years to get a
21 second location.

22 This particular well is an excellent Delaware Well,
23 probably the best Delaware Well Yates operates, has produced
24 600,000 barrels of oil in this vertical well. Subsequently,
25 we went in and drilled the Number 2 from a second drilling

1 island that was awarded to us from the BLM at their selection
2 of where we could drill from, not necessarily our particular
3 choice, and it turned out to be downdip from the Number 1
4 Well and was wet in the main sand that had produced the
5 600,000 barrels, so we had to select a different target,
6 which we did, of the B Sand, which we'll show in subsequent
7 cross-sections which sand that is below the A Sand. And we
8 went horizontal in it, and subsequently drilled the Number 2
9 and completed it, and that was -- we, in 2000 -- put that one
10 on production in 2007. And from 2007 to -- through December,
11 it has produced 88,000 barrels of oil.

12 And the second -- the next well we drilled was the
13 Number 3, the horizontal well in the A Sand that was -- which
14 we had thought to be productive. We drilled the well and
15 completed it in 2008, and in -- and through December has made
16 83,000 barrels of oil. And drilled a lateral in the Number 4
17 Well in the B Sand, the same sand as the Number 2, and it has
18 produced 76,000 barrels of oil from completion in 2008
19 through December of 2011. ↔ ↔

20 So we have drilled several good zones in the Upper
21 Delaware. The original well tested the Brushy Canyon
22 intervals, but could not sustain production because of the
23 poor cement and the ability to get a good oil -- a good
24 enough water cut, so there was some uncertainty for sure
25 which particular zones in the Brushy Canyon that we want to

1 test. So in doing these laterals, we'll go down and test
2 this lower portion of the Delaware, the Brushy Canyon
3 Interval, which did, in the initial well, and the only one
4 that has tested it was the Belco Number 1.

5 Q. And would it be fair to say that Yates considers
6 each of these wells, Number 1 through 4, successful wells?

7 A. Yes.

8 Q. And did the production from those wells lead to
9 Yates' decision to drill the Number 5 Well?

10 A. Yes, and to get further production from the
11 Delaware.

12 Q. And I next direct your attention to Exhibit Number
13 3. Could you identify this document?

14 A. This is a directional plot prepared by the
15 directional drilling company for Yates Petroleum for the
16 Number 5 Well, which shows an S-curve, and, from our
17 location, going off directionally and then coming down
18 vertically in the part of the Delaware where our main
19 objective is.

20 Q. And was this document included in the APD package
21 that Yates submitted to the Bureau of Land Management?

22 A. Yes.

23 Q. And will ~~the Number 5 Well be producing only in the~~
24 quarter-quarter section of the bottom-hole location?

25 A. Yes.

1 Q. And what is the target of the well?

2 A. It's the Brushy Canyon Interval and subsequent
3 higher-up zones that were not tested, so we can fully
4 evaluate ~~the entire Delaware Interval from the Cherry Canyon~~
5 ~~down to the Brushy Canyon.~~

6 Q. In your opinion, is the well prospective in the
7 Delaware Brushy Canyon?

8 A. Yes.

9 Q. And would you please identify the document marked as
10 ~~Exhibit 4~~ in Case 14776?

11 A. ~~This is a structure map on the B Sand which is --~~
12 ~~the B Sand is the one below the Manzanita marker in the~~
13 ~~Cherry Canyon which is a regional marker.~~ This shows
14 structure of a dipping nose that it's a regional nose that
15 goes for many miles on major -- some of the major horizons.
16 This particular one shows it on the -- in this Cherry Canyon
17 Sand, it shows the location of the wells, and it shows a
18 cross-section, A to A Prime, which we'll look at next.

19 It has -- we have projected on a minimum oil which
20 we have seen from the Number -- as seen in the Number 1 Well,
21 which means that section in the well was full of oil, and
22 then the next well down we drilled was full of water, so
23 somewhere in between is our oil water contact, which we did
24 not actually see in a well, yet, but it would be close to
25 that red line due to the thickness of the sands in the A

1 Sand.

2 The B Sand is producing -- is productive throughout
3 this area. There are some shallow wells, Yates Seven Rivers
4 over in 16 and off to the east in Sections 18 and 7, which do
5 not penetrate the Delaware. The control for this map are the
6 red numbers next to the well symbols are Sub C numbers, so
7 dip is to the south, and it is a structural nose, and there
8 is fairly sparse and limited drilling in this immediate area
9 for the control of this map.

10 Q. And what bearing did your structure map have on
11 Yates' decision to drill the Number 5 Well?

12 A. Well, we thought there -- there is further south
13 production along this nose in the Brushy Canyon, and we
14 believe we have, in the drilling of the original well, the
15 Number 1 Well, there were shows in the Delaware in this
16 interval. They did not run electric logs over the Delaware
17 at all. They -- they ran logs just on the zones, the deep
18 zones they were interested in at the time, so we -- when we
19 re-entered this well, we ran a case neutron log, and that
20 will be in our next exhibit in our cross-section from the
21 Number 1 Discovery Well and our Number 2 pilot hole in the
22 vertical well, which we logged, a density neutron log.

23 Q. And could you next identify what's been marked as
24 Exhibit ~~Number 5 in Case 14-7-76~~.

25 A. This is a structural cross-section between these two

28
1 wells that shows that they are approximately 28 hundred feet
2 apart. On the left is the Number 2 Horizontal Well that was
3 subsequently drilled horizontal in the B Sand. There are
4 three sands indicated on there, the A Sand, the B Sand, and
5 the C Sand.

6 On the Number 1 Well, the A Sand, during the
7 completion of this well, we had perfed and fracked the C and
8 the B and were moving up and put a bridge plug between these,
9 and that's marked on there at 5,013, and then came up and
10 then perforated the A Sand by itself, and it came in flowing.
11 It was a very prolific zone. So it was produced from 1990 to
12 2007 by itself, only that zone, and subsequently added the B
13 and C intervals in the production stream for that well at the
14 time we were completing these other horizontal wells and
15 doing this other activity out here.

16 So the ~~other wells in the area all~~ have shown that
17 they are ~~in the B Sand~~. The Number ~~2~~, the Number ~~4~~, and the
18 Manzanos Well are all in the B Sand.

19 Q. And did you prepare the cross-section that's marked
20 as Exhibit Number 5?

21 A. I did.

22 Q. And could you next identify Exhibit Number 6 in case
23 14776?

24 A. This is the same cross-section with the addition of
25 the Brushy Canyon Interval spliced on there with a large

1 section missing, and these are the intervals we had tested in
2 our Number 1 Well and tested oil and water, but could not get
3 our cement job to shut off any other water.

4 We did not test the, Basal Brushy Canyon Sand
5 immediately above the Bone Springs, which possibly has a
6 little lower porosity than the one we did test, but we think
7 there would be a good chance to get production out of it.
8 And subsequently those are the kind of intervals of what we
9 need to do is find out the productivity of these different
10 sands so any subsequent development we do out here in the
11 horizontal sense, we are able to target the correct sands and
12 proceed with oil production and development throughout as
13 much as we are able to within this section that is -- that we
14 have here in the Delaware.

15 Q. And do you believe that the two cross-sections
16 marked as Exhibits 5 and 6 support your opinion that the
17 Number 5 Well is prospective in the Delaware Brushy Canyon?

18 A. Yes. It's immediate offset to the well that had
19 good shows in oil and we will be very in close proximity to
20 it.

21 Q. And, in your opinion, will the Belco Number 5 Well
22 efficiently produce reserves in the Delaware Brushy Canyon
23 thereby preventing waste?

24 A. Yes.

25 Q. And, in your opinion, will the granting of Yates'

1 application serve the interest of conservation and protection
2 of correlative rights?

3 A. Yes.

4 MR. LARSON: Mr. Examiner, I move the admission of
5 Yates Exhibits Numbers 2 through 6 in Case 14776, and I have
6 no further questions of Mr. Podany regarding Case Number
7 14776.

8 EXAMINER WARNELL: Thank you. Exhibits 2 through 6
9 are admitted.


10 (Exhibits 2 through 6 admitted.)

11 EXAMINER WARNELL: Mr. Brooks, any questions?

12 EXAMINER BROOKS: No questions.

13 EXAMINER WARNELL: I have a couple of questions. If
14 we could go back to -- well, first of all, is there -- did
15 you say you have approval from BLM? Do you have an API
16 number on this well, or are they holding you hostage on that?

17 THE WITNESS: I'm not sure about that. I don't know
18 if it's on our paperwork, but --

19 EXAMINER WARNELL: Mr. Larson, can you check on
20 that? 

21 ~~MR. LARSON~~: I'm not aware of one, but ~~I will check~~.

22 EXAMINER WARNELL: And then Exhibit 2, on the
23 Manzano Queenie 1H Well --

24 THE WITNESS: Yes.

25 EXAMINER WARNELL: -- I see the surface location. I

1 see the bottom hole location.

2 THE WITNESS: And then there is a ~~little circle~~.

3 EXAMINER WARNELL: Yeah, that little well.

4 THE WITNESS: That is where they entered the
5 Delaware.

6 EXAMINER WARNELL: That's not another well?

7 THE WITNESS: That's --

8 EXAMINER WARNELL: ~~That's just a Delaware entry~~
9 point?

10 THE WITNESS: Right. That's where they entered the
11 Delaware so that they were not drilling it -- they kind of
12 drilled it directional and then horizontal and had quite a
13 bit of ways to go. They went through pretty extreme measures
14 to get out there to get that, and it turned out actually a
15 really good well, so -- in the B Sand, so it's a flowing
16 well, and it's fairly new.

17 EXAMINER WARNELL: Is that a BLM issue, you think,
18 why they chose that surface location?

19 THE WITNESS: That was the surface location we had
20 originally had as a drilling island, and they were given --
21 Manzano was given that from our surface location, so we were
22 a little -- they're not -- they're hard to come by, and so we
23 were a little disturbed, but --

24 EXAMINER WARNELL: I can understand that. And then
25 staying with Exhibit 2 there just for a second, the Wells 1,

1 3 5 and 6 have to be drilled, but all of those wells are on
2 the same pad or same drilling island --

3 THE WITNESS: Yes.

4 EXAMINER WARNELL: -- the surface location. Okay.
5 Exhibit 5, if I'm understanding this properly, you started
6 out with the C and B, set a bridge plug --

7 THE WITNESS: And then went up to perforate the next
8 zone up in our normal completion, and, you know, the -- the
9 idea was to -- it was just far enough away we thought it
10 would probably have to be fracked, and so putting a bridge
11 plug was kind of the normal thing to frac these two that were
12 there together, and then move up to the next one, but when
13 that well came on strong, it -- they never -- you know, it
14 took to 2007 for us to pull that next plug, and we did see an
15 increase of production once we did that.

16 EXAMINER WARNELL: Okay. And that's approximately
17 roughly 5,000 feet?

18 THE WITNESS: Yes.

19 EXAMINER WARNELL: Okay.

20 THE WITNESS: And the Brushy Canyon is down around
21 74 hundred or 73 hundred.

22 EXAMINER WARNELL: And then you down hole commingled
23 A, B, and C, which is what you are presently doing on that
24 well?

25 THE WITNESS: On that well, yes.

1 EXAMINER WARNELL: Okay. That's it. No other
2 questions. Thank you.

3 MR. LARSON: I have one follow-up question.

4 REDIRECT EXAMINATION

5 BY MR. LARSON

6 Q. Does Yates have an interest in that Manzano Queenie
7 Well?

8 A. We do not.

9 MR. LARSON: Mr. Examiner, I have another set of
10 exhibits for Case 14777. I will try to eliminate any
11 redundancy, ~~but there are a difference between the two cases,~~

12 EXAMINER WARNELL: No problem. I apologize for
13 forcing you into hearing them at the same time. We should
14 have done what Florene laid out there for us.

15 MR. LARSON: Mr. Examiner, the Exhibit Number 1 in
16 Case 14777 is another affidavit by Mr. Klein. In his
17 affidavit Mr. Klein states that Yates similarly seeks
18 approval of an ~~80-acre-oil-spacing-and-proration-unit~~, this
19 one to be ~~dedicated to the Belco AIA Federal Number 6 Well~~,
20 which also is a ~~directional well~~,

21 Attached to Mr. Klein's affidavit is another Exhibit
22 A, which is a C-102 plat identifying the surface and bottom
23 hole location of the well. On Page 2 of his affidavit,
24 Mr. Klein identifies the entities that own the working
25 interest in the proposed unit, the percentages of their

1 interest. They are identical to the interests in Case 14776,
2 so all of the interests identified in this affidavit also
3 have joined in the well through a joint operating agreement,
4 and Yates, also, will be the operator of this well.

5 And finally with regard to the affidavit, Mr. Klein
6 states that he determined that ~~there are no operators or~~
7 ~~interest owners in the 40-acre units offsetting the proposed~~
8 ~~80-acre unit that would be entitled to receive notice.~~ And
9 so I would move the admission of Exhibit Number 1 in Case
10 14777, which is Mr. Klein's affidavit.

11 EXAMINER WARNELL: Exhibit Number 1 is admitted.

12 (Exhibit 1 Case 14777 admitted.)

13 EXAMINER WARNELL: That includes Exhibit -- you've
14 got them labeled Exhibit 1 and Exhibit A?

15 MR. LARSON: Yes. Exhibit A is an exhibit to the
16 affidavit.

17 EXAMINER WARNELL: Okay. All right.

18 RAYMOND PODANY

19 (Previously sworn, testified as follows:)

20 DIRECT EXAMINATION CASE 14777

21 BY MR. LARSON:

22 Q. Mr. Podany, can you identify what has been marked as
23 Exhibit 2 in Case 14777?

24 A. Exhibit 2 is the well location plat showing the
25 proposed well locations, bottom hole locations, and the --

1 the drilling island from which they will be drilled from,
2 nearby the 1 and 3 Well locations, and they will be
3 directionally drilled to bottom hole locations, the Number 5
4 to the east and Number 6 to the west.

5 Q. And is this identical to the map that was admitted
6 in Case 14776?

7 A. This is identical to the previous-submitted map from
8 the previous case. The measured depth of the well is shown
9 on the laterals, and the TBDs that were -- where those
10 laterals ended up is also shown on the end of the horizontal
11 wells.

12 Q. Okay. And is Yates also submitting an APD to the
13 BLM for what we will refer to as the Belco Number 6 Well?

14 A. Yes, we have.

15 Q. Has that APD also been approved?

16 A. Yes, it has.

17 Q. And do you know if an API number has been assigned
18 to that well?

19 A. I do not know that.

20 Q. Did Yates also submit a sundry notice to the BLM
21 addressing the 80-acre spacing unit that's requested in the
22 application in this case?

23 A. Yes, we have.

24 Q. Has the BLM acted on that sundry notice?

25 A. Yes, they have.

1 Q. I next direct your attention to what's been marked
2 as Exhibit Number 3 in Case 14777. Do you have that
3 exhibit?

4 A. Yes.

5 Q. Could you identify that, please?

6 A. This is a directional drilling plan for the Belco
7 Number 6 Well and the interval where we intend to start
8 directionally drilling and going over to our spacing unit and
9 drilling the lateral part of the zone to the Brushy Canyon
10 Interval at approximately 74 hundred feet.

11 Q. Who prepared this document?

12 A. This was prepared by the directional drilling
13 company for our drilling department for our application to
14 drill.

15 Q. And was the document included in the APD package
16 that Yates submitted to the BLM?

17 A. It is, along with the directional plan.

18 Q. And will the Number 6 Well be producing only in the
19 quarter-quarter section of the bottom hole location where the
20 well will be located?

21 A. Yes.

22 Q. And what is the target in the Number 6 Well?

23 A. It is the Brushy Canyon Sands in the Delaware.

24 Q. And in your opinion, is the Number 6 Well
25 prospective in the Delaware Brushy Canyon?

1 A. Yes, we believe it will be.

2 Q. And if you next scan through Exhibits Number 4,
3 Number 5, and Number 6, in Case Number 14777, are these
4 identical to --

5 A. These are identical exhibits in the previous case.

6 Q. And recalling your testimony regarding the Number 5
7 Well, is there anything that you consider different or you
8 would like to add for purposes of the Number 6 Well?

9 A. We -- we think this one is -- will be very similar
10 to the other one. This will be located on the -- we believe
11 the drilling pad will be directly on the nose, will be just
12 off that nose, which we believe will be prospective in the
13 zone that we are intending to test.

14 Q. Okay. And as the exhibits in the other case, you
15 prepared what have been marked as Exhibits 4, 5 and 6 in Case
16 14777?

17 A. I have.

18 Q. In your opinion, will the Number 6 Well efficiently
19 produce reserves in the Delaware Brushy Canyon thereby
20 preventing waste?

21 A. Yes.

22 Q. And in your opinion, will the granting of Yates'
23 application serve the interest of conservation and protection
24 of correlative rights?

25 A. Yes.

1 MR. LARSON: Mr. Examiner, I move the admission of
2 Yates Exhibits marked Numbers 2 through 6 in Case 14777.

3 EXAMINER WARNELL: Exhibits 2 through 6 are
4 admitted.

5 (Exhibits 2 through 6 admitted.)

6 MR. LARSON: I have no further questions.

7 EXAMINER WARNELL: Thank you. Mr. Brooks,
8 questions?

9 EXAMINER BROOKS: No questions.

10 EXAMINER WARNELL: I don't believe I have any
11 questions, either. So with that, we'll take Case Number
12 14776 and Case Number 14777 under advisement.

13 MR. LARSON: Thank you, Mr. Examiner. I have one
14 quick question, we'll check on whether either of those wells
15 or both have API numbers. Can I just send you an e-mail on
16 that?

17 EXAMINER WARNELL: That would be fine. I appreciate
18 that. So that concludes our docket for today. Everything we
19 have will be taken under advisement, and if there is nothing
20 further, Docket Number 5-12 stands adjourned. Thank you.

21 * * * * *

22

23

24

25

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 _____.

_____, Examiner
Oil Conservation Division

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. 14776
14777

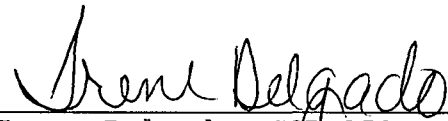
APPLICATION OF YATES PETROLEUM CORPORATION FOR APPROVAL OF A
NON-STANDARD SPACING AND PRORATION UNIT, LEA COUNTY, NEW
MEXICO.

REPORTER'S CERTIFICATE

I, IRENE DELGADO, New Mexico CCR 253, DO HEREBY
CERTIFY THAT ON February 16, 2012, proceedings in the
above-captioned case were taken before me and that I did
report in stenographic shorthand the proceedings set forth
herein, and the foregoing pages are a true and correct
transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by nor
related to nor contracted with any of the parties or
attorneys in this case and that I have no interest whatsoever
in the final disposition of this case in any court.

WITNESS MY HAND this _____ day of February
2012.


Irene Delgado, CCR 253
Expires: 12-31-2012