

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. 13,514

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

June 30th, 2005

Santa Fe, New Mexico

2005 JUL 11 PM 1 05

50/11/2 JCNM

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday June 30th, 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.

* * *

I N D E X

June 30th, 2005
 Examiner Hearing
 CASE NO. 13,514

	PAGE
REPORTER'S CERTIFICATE	7

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	3	6
Attachment A	3	6
Attachment B	3	6
Attachment C	4	6
Attachment D	4	6
Attachment E	4	6
Attachment F	5	6
Exhibit 2	5	6
Exhibit 3	5	6

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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 8:30 a.m.:

3 EXAMINER JONES: And we'll call Case 13,514,
4 Application of Yates Petroleum Corporation for approval of
5 a unit agreement, Lea County, New Mexico. Call for
6 appearances.

7 MS. MUNDS-DRY: Mr. Hearing Examiner, my name is
8 Ocean Munds-Dry with Holland and Hart. I'm representing
9 Yates Petroleum Corporation this morning.

10 EXAMINER JONES: Any other appearances?

11 No witnesses again, it looks like.

12 MS. MUNDS-DRY: Mr. Examiner, Yates Petroleum
13 Corporation seeks approval of the Wynona State Exploratory
14 Unit. It's comprised of 2633.64 acres of State of New
15 Mexico lands. It's located approximately 12 miles west of
16 Tatum, New Mexico. And Yates seeks approval of this
17 proposed unit by affidavit pursuant to Division policy.

18 If you turn to Yates Exhibit Number 1 you'll see
19 it's an affidavit of John Amiet, who's the petroleum
20 geologist identifying the project.

21 Mr. Hearing Examiner, if you turn to Attachment A
22 to the affidavit you'll see a copy of the unit agreement.
23 You'll note that it conforms with the State Land Office
24 form.

25 Attachment B to the affidavit is a copy of the

1 plat to the unit agreement, and it identifies the unit
2 boundary in red.

3 Yates proposes to test all formations from the
4 surface to the base of the Mississippian formation. The
5 initial test well will be located at a standard location
6 900 feet from the north line and 660 feet from the east
7 line of Section 20, Township 12 South, Range 34 East, and
8 will test all formations to an approximate total depth of
9 12,450 feet.

10 Attachment C to the affidavit is a copy of the
11 ownership breakdown. Yates has a working interest
12 ownership of approximately 75 percent that includes not
13 only the interest they have but the interest that they've
14 had committed from other interest owners in the area, so
15 they have over 75 percent now, I believe, and they're
16 continuing, of course, as they do, to commit the other
17 interests to the unit.

18 Attachment D to the affidavit is a letter from
19 the Commissioner of Public Lands giving preliminary
20 approval to the formation of this unit.

21 Attachment E to the affidavit is a basal Morrow
22 sand isopach map. It shows several tributary sand
23 channels, which -- the primary Morrow sand channel trends
24 from northeast to southwest in the northwest corner.

25 There have been approximately five wells drilled

1 in the proposed unit area. All of them were fairly good
2 wells. Only one was poor; that was in Section 22, and that
3 made only 1096 barrels of oil.

4 Mr. Hearing Examiner, if you turn to Attachment F
5 to the affidavit, that's a cross-section which shows a thin
6 basal Morrow sand on the Lacy J Number 2 log. This was a
7 good well; it had a cumulative production of 600 MCFG and
8 23 MBO in only five months.

9 The Lacy J Number 1 well is also shown on the
10 cross-section. It was drilled in the secondary channel,
11 which you can see more clearly on the isopach map.
12 Technically, they considered this well a failure because it
13 found no Morrow sand, but it had a surprise middle Atoka
14 sand, so it actually made a good well.

15 Mr. Hearing Examiner, if you turn to Yates
16 Exhibit Number 2 you'll see the proposed AFE which has been
17 submitted to all interest owners.

18 And finally Yates Exhibit Number 3 is proof that
19 proper notice was given; it's the affidavit of publication.

20 Mr. Amiet testifies that the development of this
21 unit area is pursuant to the unit plan, is in the best
22 interests of conservation, the prevention of waste and the
23 protection of correlative rights.

24 And Mr. Hearing Examiner, if you have no
25 questions we'd ask that Yates Exhibits Number 1 through 3

1 be admitted into evidence.

2 EXAMINER JONES: Exhibits 1 through 3 will be
3 admitted into evidence in this case.

4 The land department just signed this yesterday,
5 it looks like.

6 MS. MUNDS-DRY: Yes, they did. They like to do
7 these at the last minute.

8 But you will note that the first lease doesn't
9 expire until September of 2005, so --

10 EXAMINER JONES: Okay.

11 MS. MUNDS-DRY: -- we're a little ahead of the
12 game this time.

13 EXAMINER JONES: A couple of months there. But
14 there are some wells within the unit -- it looks like
15 they're all inactive wells --

16 MS. MUNDS-DRY: They're all inactive wells.

17 EXAMINER JONES: Okay. Okay, I have no more
18 questions.

19 MS. MUNDS-DRY: And we'd ask this matter be taken
20 under advisement, Mr. Hearing Examiner.

21 EXAMINER JONES: Okay, let's take Case 13,514
22 under advisement.

23 (Thereupon, these proceedings were concluded at
24 8:36 a.m.) I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____

25 * * * heard by me on _____

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 June 30th, 2005.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006