

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. 13,536

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

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

September 8th, 2005

Santa Fe, New Mexico

2005 SEP 22 AM 10 00

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, September 8th, 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

September 8th, 2005
 Examiner Hearing
 CASE NO. 13,536

PAGE

REPORTER'S CERTIFICATE

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	3	6
Attachment A	4	6
Attachment B	4	6
Attachment C	4	6
Attachment D	4	6
Attachment E	4	6
Attachment F	5	6
Attachment G	5	6
Exhibit 2	5	6
Exhibit 3	5	6
Exhibit 4	6	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 8:23 a.m.:

3 EXAMINER CATANACH: At this time I will call Case
4 13,536, the Application of Yates Petroleum Corporation for
5 approval of a unit agreement, Lea County, New Mexico.

6 Call for appearances.

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

11 EXAMINER CATANACH: Any additional appearances?

12 MS. MUNDS-DRY: Good morning, Mr. Hearing
13 Examiner. This morning Yates seeks approval of what's
14 listed as the Wills State Exploratory Unit. It's been
15 changed to the Van Dyke State Exploratory Unit, simply
16 because the Wills name was too close to some other
17 Exploratory Unit names already.

18 The Van Dyke State Exploratory Unit is comprised
19 of 9880.53 acres of State of New Mexico lands. It's
20 located approximately 15 miles west of Crossroads. Yates
21 seeks approval of the proposed unit pursuant -- by
22 affidavit pursuant to Division policy.

23 If you'll turn to Yates Exhibit Number 1, Mr.
24 Examiner, you'll see it's the affidavit of John Amiet,
25 who's the petroleum geologist identifying the project.

1 Attachment A to the affidavit is the unit
2 agreement. You will note that it conforms with the State
3 Land Office form.

4 Attachment B is a copy of the plat to the unit
5 which identifies the unit boundary. Yates proposes to test
6 all formations from the surface to the base of the
7 Mississippian formation. The initial test well, which is
8 marked for you on Attachment B is at a standard location
9 660 feet from the south line and 1980 feet from the east
10 line of Section 17, Township 10 South, Range 33 East, and
11 it will test all formations from the surface to an
12 approximate total depth of 11,750 feet.

13 Attachment C to the affidavit is a copy of the
14 ownership breakdown. Approximately 92 percent of the
15 working interest is owned by Yates and its affiliated
16 companies and is committed to the unit. You will note that
17 the first lease expires October 1st. In fact, quite a few
18 of the leases expire October 1st

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

22 And Attachment E to the affidavit is a basal
23 Morrow net sand isopach map. Mr. Amiet shows the basal
24 Morrow sand channels on this map in yellow. They've proven
25 to be very good reservoirs east of the proposed unit. In

1 fact, you'll note the Gosden well is marked by a purple
2 circle to the east, and that's proven to be a very good
3 well. Yates is attempting to extend this Morrow trend to
4 the proposed unit.

5 If you'll turn to Attachment F to the affidavit,
6 it's a middle Atoka net sand isopach map. It's showing an
7 interpreted second channel system taken from 3-D seismic.
8 There's a major north-south fault which cuts across the
9 center of the proposed unit, which is shown on the heavy
10 black lines on the map. A well location has been picked on
11 a point bar in the middle of Atoka sand channels. As you
12 can see, it's in a blue-outlined circle there on the map in
13 Section 17.

14 Attachment G is a stratigraphic cross-section,
15 also showing the proposed Van Dyke well and the middle
16 Atoka sand target. There are two Devonian producers in the
17 southeast corner of the proposed section, and that was
18 surrounded by five Devonian dryhole wells. There's only
19 one other deep penetration in Section 14. And there was a
20 gas well in Section 36 of the unit, shown on the cross-
21 section here, and that produced 12 MMCFG from the Atoka.

22 Finally -- not finally, Yates Exhibit Number 2 is
23 the AFE. The completed well cost is \$2,230,300.

24 Yates Exhibit Number 3 are the notice letters
25 given to the other interest owners in the proposed unit,

1 offering -- extending the offer for them to join the unit.
2 At this point in time they do expect all of the other
3 working interest owners to joint the unit, they just
4 haven't obtained all their signatures at this point.

5 And finally, Yates Exhibit Number 4 is the
6 affidavit of publication, showing that proper notice was
7 given in this case.

8 Finally, Mr. Amiet testifies that the development
9 of the unit areas pursuant to unit plan is in the best
10 interest of conservation, the prevention of waste and the
11 protection of correlative rights.

12 And with that, we would ask that Yates Exhibits
13 Number 1 through 4 be admitted into evidence.

14 EXAMINER CATANACH: Yates Exhibits 1 through 4 in
15 this case will be taken into evidence.

16 Anything further, Ms. Munds-Dry?

17 MS. MUNDS-DRY: That's all I have, Mr. Hearing
18 Examiner.

19 EXAMINER CATANACH: All right, there being
20 nothing further in this case, Case 13,536 will be taken
21 under advisement.

22 (Thereupon, these proceedings were concluded at
23 8:29 a.m.)

24 * * *

25 I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 13536.
heard by me on September 8, 2005.

STEVEN T. BRENNER, Examiner
(505) 989-9317 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 September 9th, 2005.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006