

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. 13,550

APPLICATION OF YATES PETROLEUM)
CORPORATION FOR APPROVAL OF A UNIT)
AGREEMENT, CHAVES 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 03

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.

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I N D E X

September 8th, 2005
Examiner Hearing
CASE NO. 13,550

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REPORTER'S CERTIFICATE

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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 CATANACH: All right, I'll call Case
4 13,550, the Application of Yates Petroleum Corporation for
5 approval of a unit agreement, Chaves 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 here representing Yates Petroleum
10 Corporation this morning.

11 EXAMINER CATANACH: Call for additional
12 appearances? Okay, you may proceed, Ms. Munds-Dry.

13 MS. MUNDS-DRY: Thank you, Mr. Hearing Examiner.
14 Yates seeks approval of the Lacrosse State Exploratory
15 Unit, this morning, which is comprised of 3840 acres of
16 State of New Mexico lands and is located approximately 16
17 miles southeast of Roswell. Yates seeks approval of this
18 proposed unit by affidavit pursuant to Division policy.

19 Mr. Catanach, if you'll turn to Yates Exhibit
20 Number 1 it's an affidavit from Tim Miller, who's the
21 petroleum geologist identifying the project.

22 And Attachment A to the affidavit is a copy of
23 the unit agreement. You will note that the unit agreement
24 on paragraph 8 states that they will be drilling to a depth
25 sufficient to attain the top of the Silurian-Devonian

1 formation. We had originally intended to go to the top of
2 the Precambrian. Late in the afternoon yesterday Yates
3 Petroleum Corporation negotiated with the State Land Office
4 to go 600 feet up to the Silurian-Devonian, and they did
5 agree to that change. So that change was made in this unit
6 agreement. All the geology remains the same, since there
7 was only a 600-foot difference, but I just did want to note
8 that to you --

9 EXAMINER CATANACH: Okay.

10 MS. MUNDS-DRY: -- for your reference.

11 Mr. Hearing Examiner, Attachment B is a copy of
12 the plat to the unit agreement which identifies the unit
13 boundary.

14 Attachment C is a copy of the unit agreement -- a
15 copy of the ownership breakdown, excuse me. At this point
16 in time Yates Petroleum Corporation has a 90-percent
17 working interest in the unit, and they have obtained 100
18 percent of the working interest to be committed to the
19 unit.

20 Yates proposes, as I noted before, to test all
21 formations from the surface to the top of the Silurian-
22 Devonian. The initial test well is to be located at a
23 standard location 660 feet from the north line and 660 feet
24 from the west line of Section 32, Township 11 South, Range
25 27 East. And they will test all formations from the

1 surface to an approximate total depth -- Mr. Miller notes
2 it as 6700 feet, however they'll be going to 6075 feet.

3 Mr. Catanach, if you'll turn to Attachment D
4 you'll also note this is a letter from Commissioner of
5 Public Lands giving preliminary approval to the formation
6 of this unit. And as I mentioned to you, they did approve
7 the small change in the depth yesterday afternoon.

8 If you'll turn to Attachment E, "Siluro-Devonian
9 Time Map", this is seismic structure map on top of the
10 Siluro-Devonian. It shows the proposed well location being
11 structurally higher than the other six deep tests in the
12 area.

13 Mr. Miller has provided you with two cross-
14 section maps as Attachment F and Attachment G to the
15 affidavit. Both of the cross-sections have possible
16 Siluro-Devonian dolomite-productive intervals, and he's
17 highlighted them for you both in the light blue. And he
18 discusses the wells on those maps further in his affidavit.

19 The formation has hydrocarbon production. It's
20 usually in the top 120 feet of the formation, and that is
21 where they intend to drill to.

22 And finally Yates Exhibit Number 2 is an
23 affidavit of publication, showing that proper notice was
24 given in this case.

25 Mr. Miller testifies that the development of the

1 unit area is pursuant to a unit plan and is in the best
2 interest of conservation, the prevention of waste and the
3 protection of correlative rights.

4 And with that, we would ask that Yates Exhibits
5 Number 1 and 2 and their attachments be admitted into
6 evidence.

7 EXAMINER CATANACH: Exhibits 1 and 2 will be
8 admitted.

9 Anything further?

10 MS. MUNDS-DRY: Nothing further.

11 EXAMINER CATANACH: All right, there being
12 nothing further, this case, 13,550, will be taken under
13 advisement.

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

15 (Thereupon, these proceedings were concluded at
16 8:36 a.m.)

17 * * *

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19
20 I do hereby certify that the foregoing is
21 a complete record of the proceedings in
the Examiner hearing of Case No. 13550,
heard by me on September 8, 2005.
22 David R. Catnach, Examiner
23 Oil Conservation Division
24
25

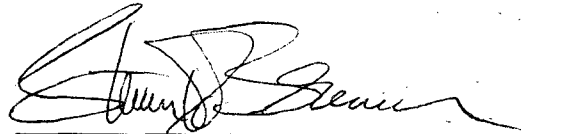
CERTIFICATE OF REPORTER

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