

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. 13,122

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

September 4th, 2003

Santa Fe, New Mexico

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Oil Conservation Division

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, September 4th, 2003, 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

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	4	-
Exhibit A	5	-
Exhibit B	5	-
Exhibit C	5	-
Exhibit D	5	-
Exhibit E	6	-
Exhibit F	7	-
Exhibit 2	5	-
Exhibit 3	5	-

* * *

A P P E A R A N C E S

FOR THE DIVISION:

DAVID K. BROOKS, JR.
Assistant General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

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: MICHAEL H. FELDEWERT

* * *

1 WHEREUPON, the following proceedings were had at
2 8:55 a.m.:

3 EXAMINER STOGNER: At this time I'll call Case
4 Number 13,122, which is the Application of Yates Petroleum
5 Corporation for approval of a Unit Agreement, Lea County,
6 New Mexico.

7 At this time I'll call for appearances.

8 MR. FELDEWERT: May it please the Examiner,
9 Michael Feldewert with the Santa Fe office of Holland and
10 Hart, appearing on behalf of Yates Petroleum Corporation
11 today.

12 EXAMINER STOGNER: Any other appearances?

13 Mr. Feldewert, you may continue.

14 MR. FELDEWERT: Mr. Examiner, we are here today
15 seeking approval of the Kris -- K-r-i-s -- State
16 Exploratory Unit, which consists of 3200 acres of state
17 land under which Yates proposes to test from the surface to
18 the top of the lower Mississippian.

19 We are proceeding today and have provided the
20 Division with an affidavit pursuant to the Division's new
21 policy regrading the approval of units.

22 And we have marked as Yates Exhibit Number 1 an
23 affidavit that is signed by Mr. John Amiet, who is a
24 petroleum geologist with Yates Petroleum Corporation. He
25 has attached to his affidavit -- Well, first of all, within

1 his affidavit he discusses what they propose to do in this
2 unit area.

3 And then he has attached to his affidavit as
4 Exhibit A the unit agreement, which is a State Land Office
5 form.

6 Exhibit B to the affidavit is a plat which
7 identifies the unit boundary with the dark line. It
8 basically consists of Sections 27, 28, 29, 33 and 34.

9 Exhibit C to the affidavit, Mr. Examiner, is then
10 an ownership breakdown. You'll see that 100 percent of the
11 working interest is either owned by Yates and its partners
12 or by Murchison Oil and Gas, Inc. All of these entities
13 have committed their interest to the unit.

14 And if you bear with me here, Exhibit Number 2,
15 if you skip to that, which is towards the back of our
16 package, it's a letter from Murchison Oil and Gas, signed
17 by Charlene Crump in which they have committed their
18 interests to the unit agreement.

19 And then what we have done with Exhibit Number 3
20 are the signature pages which were faxed to me last night,
21 under which Murchison signed the unit agreement and, as
22 well, the AFE.

23 Continuing on, then, with the affidavit which is
24 marked as Exhibit Number 1, Exhibit D, as in dog, to that
25 affidavit is the approval letter from the State of New

1 Mexico, giving its preliminary approval. And you should
2 know as well, then, that 100 percent of the royalty in this
3 unit area is State of New Mexico, and that is Exhibit D to
4 this.

5 EXAMINER STOGNER: Okay, I do not have an Exhibit
6 D. I've got Exhibit B, which was the plat --

7 MR. FELDEWERT: Okay.

8 EXAMINER STOGNER: -- Exhibit C, which is two
9 pages, and it lists the different things -- or, I'm sorry,
10 the leases. And then I jump to Exhibit E as in Edward,
11 which is a map --

12 MR. BROOKS: Okay, I've got Exhibit D in my
13 package, so I'll just give my packet to you.

14 EXAMINER STOGNER: Okay, got that straightened
15 out.

16 MR. FELDEWERT: Yeah, and I will check right
17 after this hearing to make sure that the original with the
18 Division also has Exhibit D.

19 All right. And then Exhibit E, which I hope is
20 in your package, is a structure map, Mr. Examiner. It
21 shows the location of the initial proposed well up in the
22 northwest quarter of Section 28 -- it's a circle -- and it
23 identifies the unit boundary again in red. And it's
24 primarily offered to show the -- in blue, the projection of
25 the sand trends in the area.

1 Then moving on to Exhibit F, this is a seismic
2 line which shows the initial well, the Kris State Number 1,
3 the initial proposed well. They are targeting a structural
4 low in the area.

5 This exhibit also depicts the Felmont State
6 Number 1, which was a dry hole, which indicates that it was
7 in a structural high that was encountered by this well.

8 So with that, Mr. Examiner, I've already
9 identified Exhibit 2 which is the Murchison letter, and
10 then Exhibit 3 which is the -- their approval of the unit
11 agreement and the AFE.

12 With that, we ask that the Division take this
13 matter under advisement and issue an order approving the
14 Kris State Exploratory Unit.

15 EXAMINER STOGNER: Now, Mr. Feldewert, we have
16 proceeded with similar units in this fashion before, have
17 we not?

18 MR. FELDEWERT: Yes, we have, Mr. Examiner. I
19 know I personally did one with Mr. Jones.

20 EXAMINER STOGNER: Did that also involve Yates
21 Petroleum?

22 MR. FELDEWERT: Yes, it did.

23 EXAMINER STOGNER: And at this point, at this
24 time, keeping these situated to areas in which it's 100-
25 percent state or where everybody has agreed -- is that

1 correct? I mean, we're limiting these in scope at this
2 time; is that your understanding?

3 MR. FELDEWERT: That is my understanding. And my
4 recollection is that the other one in which I proceeded in
5 this fashion was -- also involved 100-percent state land,
6 and everyone was in agreement.

7 EXAMINER STOGNER: Not that we can't expand that
8 later, but -- Okay. Is there any -- Do you have anything
9 further, Mr. Brooks?

10 MR. BROOKS: No.

11 EXAMINER STOGNER: If there's nothing further in
12 Case 13,122, then this matter will be taken under
13 advisement.

14 MR. FELDEWERT: Thank you, Mr. Examiner.

15 (Thereupon, these proceedings were concluded at
16 9:02 a.m.)

17 * * *

18
19 I do hereby certify that the foregoing is
20 a complete record of the proceedings in
21 the Examiner hearing of Case No. 13122
22 heard by me on 4 September 2003.

23
24
25
Oil Conservation Division Examiner

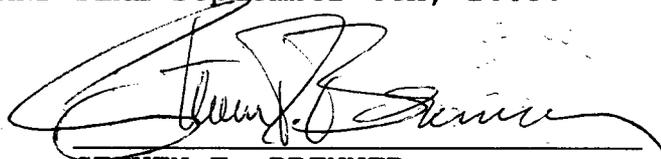
CERTIFICATE OF REPORTER

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 4th, 2003.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006