

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 COMPULSORY POOLING,)
CHAVES COUNTY, NEW MEXICO)

CASE NO. 14,060

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, Jr., Technical Examiner
DAVID K. BROOKS, Jr., Legal Examiner

January 10th, 2008

Santa Fe, New Mexico

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This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, Jr., Technical Examiner, DAVID K. BROOKS, Jr., Legal Examiner, on Thursday, January 10th, 2008, 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

January 10th, 2008
Examiner Hearing
CASE NO. 14,060

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<u>WILMER BRIGGS</u> (Landman)	
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E X H I B I T S

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WVJ 4/8/08

A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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Santa Fe, New Mexico 87504-2208
By: OCEAN MUNDS-DRY

* * *

1 WHEREUPON, the following proceedings were had at
2 8:46 a.m.:

3 EXAMINER JONES: And let's call Case 14,060,
4 Application of Yates Petroleum Corporation for compulsory
5 pooling, Chaves County, New Mexico.

6 Call for appearances.

7 MS. MUNDS-DRY: Ocean Munds-Dry with the law firm
8 of Holland and Hart, here representing Yates Petroleum
9 Corporation this morning, and I have one witness.

10 EXAMINER JONES: Any other appearances?

11 Let the record reflect the witness has been
12 sworn.

13 WILMER BRIGGS,
14 the witness herein, having been previously duly sworn upon
15 his oath, was examined and testified as follows:

16 DIRECT EXAMINATION

17 BY MS. MUNDS-DRY:

18 Q. Okay, would you please state your name for the
19 record?

20 A. My name is Wilmer Briggs. Go by Lucky.

21 Q. And where do you reside?

22 A. Reside at 209 Grapevine Court in Carlsbad, New
23 Mexico.

24 Q. And by whom are you employed and what is your
25 position?

1 A. With Yates Petroleum Corporation, and I'm a
2 landman.

3 Q. And have you previously testified at the
4 Division?

5 A. Yes, I have.

6 Q. And were your credentials as a petroleum landman
7 accepted and made a matter of record before the Division?

8 A. Yes, they were.

9 Q. Are you familiar with the Application that's been
10 filed in this case?

11 A. Yes, ma'am.

12 Q. And are you familiar with the status of the lands
13 that are the subject of this Application?

14 A. Yes, I am.

15 MS. MUNDS-DRY: We would tender Mr. Briggs as an
16 expert witness in petroleum land matters.

17 EXAMINER JONES: Mr. Briggs is qualified, so
18 qualified.

19 Q. (By Ms. Munds-Dry) Mr. Briggs, would you please
20 state what Yates seeks with this Application?

21 A. We are pooling the interest in the surface to the
22 Siluro-Devonian at 5760-foot range in the east half of
23 Section 2, Township 8 South and Range 26 East. This is in
24 Chavez County, New Mexico.

25 Q. And what is the name of the well that's to be

1 dedicated to this spacing unit?

2 A. This is the Value BCV State Com Well Number 2.

3 Q. And where will this well be located?

4 A. It's 660 from the north line, 1980 from the east
5 line of Section 2.

6 Q. Would please identify Mr. Jones what's been
7 marked as Exhibit Number 1?

8 And Mr. Brooks, I see we've covered up the
9 interest owners on this one as well.

10 EXAMINER BROOKS: Okay, yeah.

11 THE WITNESS: Yeah, that one is a little more
12 significant there.

13 This is the second map of that section, with
14 Section 2 being right in the center. The highlighted area
15 is the east half of Section 2, and the arrow points up to
16 the well location there at -- 2 BCV.

17 Q. (By Ms. Munds-Dry) And I know it's hard to read,
18 Mr. Briggs. We show the interest allocation here on the
19 bottom corner --

20 A. I can --

21 Q. -- of Exhibit --

22 A. -- go ahead and name them, those spots off, if we
23 need to. But yes, there is a breakdown there of our -- the
24 different interests we have and the owners in there.

25 Everybody of these people that are listed,

1 everybody is in and participating on this well except for
2 -- and I think it actually works out, it's the bottom
3 three, which are -- Let's see.

4 Q. It looks like maybe the bottom two?

5 A. Bottom -- Well, one of those is the estate of --
6 Well, no, it is the bottom two, you're right, that's true.
7 Thank you. We included the -- actually John Cadigan, and
8 the estate of his deceased wife was in one line there.

9 And then right below that was Greg Vujovich,
10 which is another person we're having to force pool.

11 Q. Thank you. What is the primary objective for
12 this proposed well?

13 A. We -- we're going down to the Siluro-Devonian.

14 Q. Please turn to what has been marked as Exhibit
15 Number 2 and review Yates' efforts to gain voluntary
16 participation in this well.

17 A. Exhibit Number 2. Okay, the way this one started
18 out was, we had -- this well -- we were trying to really
19 get this well going quickly. We were asked to -- I was
20 asked to go ahead and make contact with each one of our
21 owners and let them know what we were planning to do, and
22 to go ahead and fax out the AFEs to them to see if they
23 could go ahead and get some signatures going and seeing how
24 everybody's feeling about it.

25 So this was my initial contact that I made, which

1 was back in June 19th of '07 where I did -- and I actually
2 did make contact, phone contact, with these people at the
3 time and got their fax number from them and sent it out to
4 them.

5 So the first portion of that is where I faxed out
6 the -- let's see. Okay -- let's see. Okay, actually
7 what's -- okay, there was discussion first, and I faxed
8 out.

9 This particular exhibit right here is some
10 specific faxing that I had go back to John Cadigan because
11 at one point the discussion came up that he was considering
12 selling his interest to Yates.

13 And Yates had offered to buy, just to not have to
14 deal with this. But we were going back and forth, and I
15 actually did put together a deed and sent it out to him and
16 everything else.

17 So that never did come to closure, and he never
18 did sign up to sell it over and actually just quit
19 contacting us at that point, didn't respond to any AFE or
20 anything else that was sent out.

21 Q. And what was your next contact after -- and I
22 understand there was some difference with Mr. Cadigan, but
23 with both the parties did you have follow-up contact with
24 them?

25 A. The -- okay, the initial AFEs went out on the --

1 June 18th. We faxed them out between the -- over the two-
2 day period of June 18th and the 19th.

3 June 22nd was when John Cadigan was going back
4 and forth to us with considering selling.

5 We had a revised AFE that the engineering came
6 out with, and that went out June 26th to all the parties.

7 And July the 10th was when it actually had a
8 quitclaim deed and had come -- tried to come to closure
9 with John Cadigan about selling his interest, and that's
10 the date I mailed that out to him. That one did not ever
11 develop.

12 Greg -- I had every -- at -- in -- by -- in July
13 I had signatures on everybody on the well, by the end of
14 July.

15 August the 27th, I again contacted both Cadigan
16 and Greg V. with an AFE, and actually followed the next day
17 because I should have sent out the limited joiner and an
18 operating agreement to them to get them to sign that up.
19 They had never signed onto the operating agreement either.

20 And so November 27th, then, is when we contacted
21 you to go ahead and start the force pooling.

22 Q. And have you heard anything from either --

23 A. Neither of them.

24 Q. -- of these parties?

25 A. No.

1 Q. And in your opinion have you made a good faith
2 effort to obtain their voluntary participation in this
3 well?

4 A. Yes, we have.

5 Q. All right, if you'd please turn to Exhibit Number
6 3 and identify that for Mr. Jones.

7 A. Trying to figure out which exhibit you're talking
8 about.

9 Q. It's the authority for expenditure. I hope you
10 have it in there.

11 A. Is it the AFE? Oh, the AFE, okay, I'm sorry.

12 Okay, that's the AFE for that -- proposed well,
13 the Value BCV State Com Number 2, showing the Siluro-
14 Devonian at 5760. And we have -- and identified on this
15 AFE that we have a dryhole cost of \$840,200 and that the
16 completed well will be estimated at \$1,449,700.

17 Q. Thank you. And are these costs in line with what
18 Yates and other operators in the area have been charging
19 for similar wells?

20 A. Yes, they are.

21 Q. And have you made an estimate of overhead and
22 administrative charges while drilling the well and while
23 producing the well if successful?

24 A. Yes, we have.

25 Q. What are the drilling and producing rates that

1 you propose?

2 A. The drilling rate is at \$4000 per month, and the
3 producing rate is \$400 per month.

4 Q. And do you recommend that these figures be
5 incorporated into any order that results from this hearing?

6 A. Yes, I do.

7 Q. And does Yates request it be designated as
8 operator of the proposed well?

9 A. Yes.

10 Q. And does Yates request that the maximum charge of
11 200 percent be imposed on the working interest owners that
12 do not voluntarily commit their interests?

13 A. Yes, we do.

14 Q. And is the granting of this Application, in your
15 opinion, in the best interest of conservation, the
16 prevention of waste, and the protection of correlative
17 rights?

18 A. Yes, it is.

19 Q. And is Exhibit Number 4 an affidavit with the
20 Exhibit A to the Application, affidavit of publication, the
21 notice letter that went to those parties, along with a copy
22 of the certified receipts and green cards?

23 A. Yes, it is.

24 Q. And were Exhibits 1 through 4 either prepared by
25 you or compiled under your direct supervision?

1 A. Yes.

2 MS. MUNDS-DRY: Mr. Jones, we would move the
3 admission of Exhibits 1 through 4 into evidence.

4 EXAMINER JONES: Exhibits 1 through 4 will be
5 admitted.

6 (Off the record)

7 EXAMINER JONES: Now let's go back to the case
8 we're talking about --

9 THE WITNESS: Okay.

10 EXAMINER JONES: -- 14,060.

11 EXAMINATION

12 BY EXAMINER JONES:

13 Q. The Application that I saw in our file said base
14 of the Wolfcamp, and then the docket says base of the
15 Mississippian, and now you're saying base of Siluro-
16 Devonian.

17 So -- but AFE -- I mean, did -- I mean, you said
18 you sent out a revised AFE. Was that changing from the
19 Wolfcamp to the --

20 A. It was revising the numbers.

21 Q. Oh, just --

22 A. I think the formation stayed the same. It was
23 the Siluro-Devonian, there weren't --

24 Q. It's always been --

25 A. Yes, sir.

1 Q. -- Siluro-Devonian?

2 A. Yes, sir.

3 Q. The notice that went out to the people you're
4 trying to pool, did that say Siluro-Devonian? To the base
5 of the Siluro-Devonian?

6 A. Let's see, I think we have -- those that -- when
7 we -- we did the AFE, the AFE went out to everybody, and so
8 it had the Siluro-Devonian on it.

9 MS. MUNDS-DRY: No, Mr. Examiner, we said to the
10 base of the Wolfcamp. We can certainly --

11 THE WITNESS: We had to --

12 MS. MUNDS-DRY: -- renotify them to --

13 THE WITNESS: Okay.

14 MS. MUNDS-DRY: -- get the -- This is our notice.

15 Q. (By Examiner Jones) Here's two people, right,
16 that you have not signed on?

17 A. Yes, sir --

18 Q. The other people --

19 A. -- Cadigan and --

20 Q. Okay.

21 MS. MUNDS-DRY: Mr. Examiner, we'll do this right
22 the next time.

23 EXAMINER JONES: Okay.

24 MS. MUNDS-DRY: We'll get the right formation in
25 there.

1 EXAMINER JONES: Okay, maybe you can make one
2 more notice to everybody, even though your AFE did say
3 Siluro-Devonian, and I'll prepare it as Siluro-Devonian and
4 wait till the next -- I guess a month from now, right?

5 MS. MUNDS-DRY: We can continue it for a month if
6 that would be okay --

7 EXAMINER JONES: Do a month --

8 MS. MUNDS-DRY: -- and then we'll renotify --

9 THE WITNESS: Renotify and make sure they realize
10 it's the Siluro-Devonian.

11 EXAMINER JONES: Is that all right, Mr. Brooks?

12 EXAMINER BROOKS: Sounds like appropriate
13 procedure. I guess that would be the February 7th.

14 MS. MUNDS-DRY: I believe that's correct.

15 EXAMINER BROOKS: There's required 20 days'
16 notice, and that will be 28 days, so it will give her time
17 to get them notice.

18 EXAMINER JONES: Okay.

19 MS. MUNDS-DRY: We'll go ahead and take care of
20 that, Mr. Examiner.

21 EXAMINER JONES: Okay. Do you have anything
22 else?

23 EXAMINER BROOKS: No, I believe not, thank you.

24 EXAMINER JONES: Okay, we have heard this case.
25 Thanks, Mr. Briggs and Ms. Munds-Dry.

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We've heard Case 14,060, but we're going to continue it until February the 7th for -- supplement the notice record.

(Thereupon, these proceedings were concluded at 8:58 a.m.)

* * *

*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*

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 March 11th, 2008.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2010