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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:

**ORIGINAL**

CASE NO. 14113

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

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REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Jr., Legal Examiner  
TERRY WARNELL, Technical Examiner

April 17, 2008

Santa Fe, New Mexico

This matter came for hearing before the New Mexico Oil  
Conservation Division, DAVID K. BROOKS, Jr., Legal Examiner,  
and TERRY WARNELL, Technical Examiner, on April 17, 2008, at  
the New Mexico Energy, Minerals and Natural Resources  
Department, 1220 South St. Francis Drive, Room 102, Santa Fe,  
New Mexico.

REPORTED BY: JOYCE D. CALVERT, P-03  
Paul Baca Court Reporters  
500 Fourth Street, NW, Suite 105  
Albuquerque, New Mexico 87102

A P P E A R A N C E S

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FOR THE APPLICANT:

Ocean Munds-Dry, Esq.  
HOLLAND & HART, LLP  
110 North Guadalupe, Suite 1  
Santa Fe, New Mexico 87501

PAGE

EXHIBITS 1 - 2 ADMITTED

5

REPORTER'S CERTIFICATE

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1 MR. BROOKS: Let's call Case No. 14113, Application  
2 of Yates Petroleum Corporation for approval of a Unit  
3 Agreement, Chaves County, New Mexico.

4 Call for appearances.

5 MS. MUNDS-DRY: Good morning, Mr. Examiner. Ocean  
6 Munds-Dry with the law firm of Holland & Hart here,  
7 representing Yates Petroleum this morning. I'm presenting this  
8 case by affidavit.

9 Mr. Examiner, Yates seeks approval of the Boomerang  
10 State Exploratory Unit this morning. It's comprised of  
11 1920 acres of State of New Mexico and some fee lands located  
12 approximately 12 miles west-northwest of Crossroads.

13 Yates Exhibit No. 1 is the affidavit of Tim Miller,  
14 who is the petroleum geologist on this project. Attachment A  
15 to the affidavit is a copy of the unit agreement.

16 Attachment B to the affidavit is a copy of the plat,  
17 which I think is actually part of -- stapled as part of  
18 Attachment A. Sorry for that confusion. But it identifies the  
19 unit boundaries and also indicates the Yates acreage in yellow.

20 Attachment C, which is behind Attachment B, is  
21 Exhibit B to the unit agreement which identifies the interest  
22 ownership. It indicates that 1,840 acres of the State of New  
23 Mexico lands leased to Yates and affiliated companies, and 80  
24 acres is fee minerals, which has also been leased to Yates.

25 Yates proposes to test all formations from the

1 surface to the base of the Canyon Formation. And that initial  
2 test well is supposed to be located at a standard location 1650  
3 from the south line and 990 feet from the east line of  
4 Section 26, Township 18 South, Range 33 East to an approximate  
5 total depth of 9,750 feet.

6 Attachment D to the affidavit is a letter from the  
7 commissioner of public lands indicating they've given  
8 preliminary approval of the formation of this unit.

9 Attachment E to the affidavit is a Net Porosity  
10 Isopatch map and shows that there was good production from the  
11 Bough C formation, which is what they are targeting here.

12 MR. BROOKS: From what formation?

13 MS. MUNDS-DRY: The Bough C, B-o-u-g-h, C Formation.

14 This shows the net porosity should be five feet or  
15 higher for good production. The well that the Yates has  
16 proposed, which is indicated on the map here, the Boomerang  
17 State Unit No. 1, should have approximately eight feet or more  
18 of net porosity.

19 MR. BROOKS: That's one formation I've never heard  
20 of.

21 MS. MUNDS-DRY: Attachment F to the affidavit is a  
22 top bough structure map. Again, it shows the location of the  
23 initial unit well, and that should be structurally higher than  
24 other Bough C producers in the area.

25 And Attachment G and Attachment H are two structural

1 cross-sections showing other Bough C producers in the area,  
2 structural cross-section A, A-prime, and B, B-prime.

3 Finally, Yates Exhibit No. 2 is a copy of the  
4 affidavit of publication showing notice was given of this  
5 application pursuant to Division rules.

6 And finally, Mr. Miller testifies in his affidavit  
7 that the development of the unit areas pursuant to unit plan is  
8 in the best interest of conservation, the prevention of waste,  
9 and the protection of relative rights.

10 And with that, I would ask that Yates Exhibit 1 with  
11 its attachments and Exhibit No. 2 be admitted into evidence.

12 MR. BROOKS: Exhibits 1 and 2 are admitted.

13 Ms. Munds-Dry, the -- you've got an 80-acre fee tract  
14 in here.

15 MS. MUNDS-DRY: Yes, sir, Mr. Examiner.

16 MR. BROOKS: Now, is -- the fee tract is committed to  
17 the unit?

18 MS. MUNDS-DRY: It is committed to the unit.

19 MR. BROOKS: The owners of the royalty interest have  
20 consented?

21 MS. MUNDS-DRY: That is correct. 100 percent of the  
22 royalty and working interest is committed to the unit.

23 MR. BROOKS: Okay. Now, is Yates the sole working  
24 interest owner in the unit?

25 MS. MUNDS-DRY: Yates and it's affiliated companies.

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1 MR. BROOKS: All the usual Yates.

2 MS. MUNDS-DRY: All the usual Yates group.

3 MR. BROOKS: Okay. Very good. If there's nothing  
4 further, Case No. 14113 will be taken under advisement.

5 [Hearing concluded.]

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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 \_\_\_\_\_

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\_\_\_\_\_, Examiner  
Oil Conservation Division

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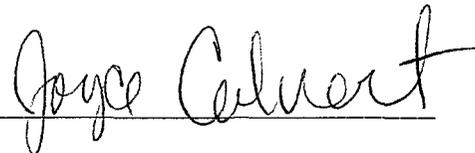
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REPORTER'S CERTIFICATE

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I, JOYCE D. CALVERT, Provisional Court Reporter for the State of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this proceeding.



JOYCE D. CALVERT  
New Mexico P-03  
License Expires: 7/31/08

1 STATE OF NEW MEXICO )  
2 COUNTY OF BERNALILLO )

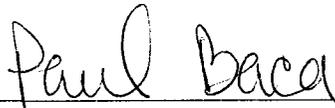
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I, JOYCE D. CALVERT, a New Mexico Provisional Reporter, working under the direction and direct supervision of Paul Baca, New Mexico CCR License Number 112, hereby certify that I reported the attached proceedings; that pages numbered 1-6 inclusive, are a true and correct transcript of my stenographic notes. On the date I reported these proceedings, I was the holder of Provisional License Number P-03.

Dated at Albuquerque, New Mexico, 17th day of April, 2008.



Joyce D. Calvert  
Provisional License #P-03  
License Expires: 7/31/08



Paul Baca, RPR  
Certified Court Reporter #112  
License Expires: 12/31/08