

STATE OF NEW MEXICO
 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
 OIL CONSERVATION DIVISION

RECEIVED

OCT 2 2003

IN THE MATTER OF THE HEARING CALLED BY)
 THE OIL CONSERVATION DIVISION FOR THE)
 PURPOSE OF CONSIDERING:)

Oil Conservation Division

CASE NO. 13,145

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

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, JR., Hearing Examiner

September 18th, 2003

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, September 18th, 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

September 18th, 2003
 Examiner Hearing
 CASE NO. 13,145

PAGE

REPORTER'S CERTIFICATE

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E X H I B I T

Applicant's

Identified

Admitted

Exhibit 1

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
 Deputy 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 9:20 a.m.:

3 EXAMINER JONES: We'll call the first case, which
4 is Case 13,145, Application of Yates Petroleum Corporation
5 for approval of a unit agreement, Lea County, New Mexico.

6 Call for appearances.

7 MR. FELDEWERT: May it please the Examiner, my
8 name is Michael Feldewert with the Santa Fe office of
9 Holland and Hart, and I'm appearing on behalf of the
10 Applicant, Yates Petroleum Corporation.

11 EXAMINER JONES: Any other appearances?

12 Do you have any witnesses?

13 MR. FELDEWERT: No, I do not.

14 EXAMINER JONES: Okay.

15 MR. FELDEWERT: Mr. Examiner, Yates seeks
16 approval of the Mandrell State Exploratory Unit, which is
17 comprised of 1920 acres of state land and located
18 approximately 10 miles north of Lovington. 100 percent of
19 the working interest in these lands is owned by Yates and
20 its affiliated companies, and they propose to test all
21 formations from the surface to the top of the lower
22 Mississippian.

23 And pursuant to this Division's policy, Yates is
24 seeking approval of this unit by affidavit, which I have
25 marked as Exhibit Number 1. It is an affidavit from John

1 Amiet. He's a petroleum geologist with Yates, and in that
2 affidavit he identifies the project.

3 Tab A to the affidavit is a fully executed copy
4 of the unit agreement. It conforms to the State of New
5 Mexico form.

6 Tab B to the affidavit is a plat that is attached
7 in part of the unit agreement that lays out the boundaries
8 of the proposed unit area. And the initial test well, Mr.
9 Examiner, for this unit area is to be located at a standard
10 gas-well location 990 feet from the north line and 990 feet
11 from the west line in Section 19, which is the middle
12 section.

13 Tab C to this affidavit, then, is the Schedule B
14 to the unit agreement which shows the ownership breakdown
15 and indicates that 100 percent of the working interest is
16 owned by Yates and its affiliated companies.

17 Tab D to the affidavit is a letter from the
18 Commissioner of Public Lands giving preliminary approval to
19 the formation of this unit.

20 And then Tab E is a net sand isopach map for the
21 Morrow sands, which illustrates that Yates' projection of
22 the sand trends in this area, the primary target of this
23 initial test well are the Morrow sands, that's the main
24 producing objective. You'll see that under the net sand
25 isopach map Yates projects that the trends for the fluvial

1 deposits are generally north northeast to south southwest.

2 And then Tab F to the affidavit is a structural
3 cross-section of the Morrow sands in the proposed unit
4 area. It has a legend in the bottom -- I believe it's in
5 the bottom right-hand corner, A-A', indicating that they
6 have a good chance of producing a commercial well at their
7 proposed initial location.

8 Mr. Amiet testifies in his affidavit that in his
9 opinion development of this unit area pursuant to a unit
10 plan is in the best interests of conservation, the
11 prevention of waste and the protection of correlative
12 rights.

13 We ask that Yates Exhibit Number 1 be admitted
14 into evidence.

15 EXAMINER JONES: Yates Exhibit Number 1 will be
16 admitted.

17 MR. FELDEWERT: Secondly, we've been informed
18 that one of the state leases is due to expire on October
19 1st, so we ask that the Division take this matter under
20 advisement and respectfully ask that the Division expedite
21 the entry of an order in this matter prior to that lease
22 expiration date.

23 And that concludes our presentation.

24 EXAMINER JONES: Okay, thank you, Mr. Feldewert.
25 So 100 percent of the working interest is signed up --

1 MR. FELDEWERT: Correct.

2 EXAMINER JONES: -- for this, so the only non-
3 signed parties are -- are who?

4 MR. FELDEWERT: No one, they're all signed off.

5 EXAMINER JONES: Okay, this is a unit, this is --

6 MR. FELDEWERT: This is a unit, all of the
7 working interests have been signed off and we have a
8 preliminary approval from the State of New Mexico --

9 EXAMINER JONES: Yes --

10 MR. FELDEWERT: -- Land Office.

11 EXAMINER JONES: -- okay, I think this is very
12 thorough.

13 And one thing on this October 1st, for everyone
14 here, be sure and -- if it's legal to do so, give me a
15 call, if -- before -- you know, if -- you mentioned
16 something in the hearing about October 1st being the -- or
17 any other date, you need something out like in a hurry, the
18 lease is going to expire or something, be sure and give me
19 a call, because the work load has been changing a lot
20 around here, so --

21 MR. FELDEWERT: I understand.

22 EXAMINER JONES: And I think with that I have no
23 more questions.

24 Gail, do you have any?

25 MS. MacQUESTEN: No.

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

2 EXAMINER JONES: Thank you, Mr. Feldewert. With
3 that, we'll take Case 13,145 under advisement.

4 (Thereupon, these proceedings were concluded at
5 8:26 a.m.)

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9
10 I do hereby certify that the foregoing is
11 a complete record of the proceedings in
12 the Examiner hearing of Case No. 13145
13 heard by me on 9/15 US
14 Will Jones, Examiner
15 Oil Conservation Division
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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 19th, 2003.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006