

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

RECEIVED

JAN 8 2004

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)
AND APPROVAL OF AN UNORTHODOX GAS WELL)
LOCATION, LEA COUNTY, NEW MEXICO)

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505
CASE NO. 13,197

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

December 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, December 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.

* * *

I N D E X

December 18th, 2003
 Examiner Hearing
 CASE NO. 13,197

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* * *

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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By: MICHAEL H. FELDEWERT

FOR THE HARMON TRUST:

CAVIN & INGRAM, P.A.
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P.O. Box 1216
Albuquerque, New Mexico 87103
By: SEALY H. CAVIN, JR.

* * *

1 WHEREUPON, the following proceedings were had at
2 8:54 a.m.:

3 EXAMINER JONES: And at this time let's call Case
4 13,197, Application of Yates Petroleum Corporation for
5 compulsory pooling and approval of an unorthodox gas well
6 location, Lea County, New Mexico.

7 Call for appearances.

8 MR. FELDEWERT: May it please the Examiner,
9 Michael Feldewert with the Santa Fe office of the law firm
10 of Holland and Hart, appearing on behalf of the Applicant,
11 Yates Petroleum Corporation, and I have two witnesses here
12 today.

13 EXAMINER JONES: Two witnesses.

14 Any other appearances?

15 MR. CAVIN: Mr. Examiner, Sealy Cavin, law firm
16 of Cavin and Ingram in Albuquerque. I represent the Harmon
17 Trust. And no exhibits --

18 EXAMINER JONES: No exhibits.

19 MR. CAVIN: -- no witnesses.

20 EXAMINER JONES: No witnesses.

21 Will the two witnesses for Yates please stand to
22 be sworn?

23 (Thereupon, the witnesses were sworn.)

24 MR. CAVIN: I was going to see if I could get a
25 copy of the exhibits.

1 MR. FELDEWERT: Yeah, here you go.

2 MR. CAVIN: Thanks, Mike.

3 ROBERT BULLOCK,

4 the witness herein, after having been first duly sworn upon
5 his oath, was examined and testified as follows:

6 DIRECT EXAMINATION

7 BY MR. FELDEWERT:

8 Q. Would you please state your full name and where
9 you reside for the record?

10 A. My name is Robert Bullock, and I reside in Hope,
11 New Mexico.

12 Q. And by whom are you employed and in what
13 capacity?

14 A. Yates Petroleum Corporation as a landman.

15 Q. And have you previously testified before this
16 Division?

17 A. Yes, sir.

18 Q. At the time of that testimony, were your
19 credentials as a petroleum landman accepted and made a
20 matter of record?

21 A. Yes.

22 Q. Are you familiar with the Application that's been
23 filed by Yates in this case?

24 A. Yes.

25 Q. And are you familiar with the status of the lands

1 in the subject area?

2 A. Yes, sir.

3 MR. FELDEWERT: Mr. Examiner, are the witness's
4 qualifications acceptable?

5 EXAMINER JONES: Mr. Bullock's witnesses [sic]
6 are acceptable.

7 You live in Hope?

8 THE WITNESS: Hope, New Mexico.

9 EXAMINER JONES: With the Cauhapas and the
10 Runyons?

11 THE WITNESS: Uh-huh, that's right.

12 Q. (By Mr. Feldewert) All right, would you briefly
13 outline for the Examiner what Yates seeks with this
14 Application?

15 A. We're seeking an order pooling all the mineral
16 interests in all formations from the surface to the base of
17 the Mississippian in the west half of Section 12, 15 South,
18 34 East, Lea County; the west half for all formations and
19 pools developed on 320-acre spacing, which includes but is
20 not necessarily limited to the North Eidson Morrow Pool;
21 the southwest quarter for all formations and pools
22 developed on 160-acre spacing; the north half of the
23 southwest for all formations and pools developed on 80-acre
24 spacing; and the northeast southwest for all formations and
25 pools developed on 40-acre spacing.

1 And we're also seeking approval for an unorthodox
2 gas well location for the drilling of the Reed AXV Com
3 Number 1 well. This location is 1870 from the south and
4 2080 from the east -- excuse me, from the west line.
5 That's in Unit J of Section 12. This is orthodox for oil
6 but unorthodox for gas.

7 Q. Is this -- The Reed AXV Com Well Number 1, is
8 that an old oil well that's existing there?

9 A. Yes, it's an existing wellbore that was drilled
10 in 1985 by Union Oil Company of California.

11 Q. And what was that completed in? Do you recall?

12 A. The Wolfcamp.

13 Q. The Wolfcamp?

14 A. Wolfcamp oil.

15 Q. And that location is orthodox for oil but it's
16 unorthodox for gas?

17 A. That's correct.

18 Q. Okay, and that's the reason for the Application
19 seeking approval of the unorthodox well location?

20 A. That's correct, uh-huh.

21 Q. What's Yates's plan for this existing old oil
22 well?

23 A. We want to re-enter and deepen this existing
24 wellbore to a depth of 13,400 to test the Austin, Morrow
25 and Atoka formations.

1 Q. Okay. Now, is Yates Exhibit Number 1, is that a
2 land map of the area?

3 A. Yes, sir.

4 Q. And does it show your west-half spacing unit?

5 A. Correct, and that little red dot is the location
6 of the well.

7 Q. Okay, that's the existing wellbore that's out
8 there?

9 A. Correct.

10 Q. All right. Now would you identify for the
11 Examiner Yates Exhibit Number 2?

12 A. That would be the APD of Union Oil Company of
13 California to drill the initial well in 1985. It showed
14 the -- It named them. It was called the Reed Number 2, and
15 then the C-102 shows the location of the well, 1870 from
16 the south, 2080 from the west, and it looks like it
17 dedicated the southwest quarter to that Wolfcamp Morton
18 Pool.

19 Q. Okay, so this is basically the filing for the
20 existing wellbore that's out there?

21 A. That's correct.

22 Q. Okay. And that's the same location -- that's the
23 wellbore you want to use --

24 A. That's --

25 Q. -- to test the deeper gas formation?

1 A. -- the same wellbore.

2 Q. All right. What is the present status of this
3 existing wellbore?

4 A. It's P-and-A'd.

5 Q. Okay. And is this acreage in the west half of
6 Section 12, is this all fee land?

7 A. It's all fee.

8 Q. All right. Now, is Yates Exhibit Number 3 an
9 affidavit with attached letters giving notice of this
10 hearing?

11 A. Yes, it is.

12 Q. And attached to that is a list of the parties --
13 number of parties that were notified of this hearing,
14 correct?

15 A. That is correct.

16 Q. Now, we have it split out with respect to parties
17 that were notified for purposes of pooling; is that
18 correct?

19 A. Right.

20 Q. And there were a number for that purpose. And
21 then there's also, on the second -- I guess the third page
22 of this exhibit, the parties that were notified for the
23 proposed unorthodox well location?

24 A. That is correct.

25 Q. Okay. Now, you notified both Chevron and Union

1 Oil Company of California at the time that this Application
2 was filed; is that correct?

3 A. Yes.

4 Q. All right. Have you subsequently learned the
5 status of Union Oil Company's -- Well, have you
6 subsequently learned Union Oil Company's acreage status in
7 the east half of Section 12, which is the spacing unit on
8 which this well encroaches?

9 A. Yes, Union Oil Company has conveyed all of their
10 rights in this east-half acreage to Chevron USA, Inc., and
11 that is -- the county records verify that that has been
12 done.

13 Q. Okay, so is Chevron --

14 A. And that is on the rights below 10,800 feet.

15 Q. Okay, so is Chevron the Division-designated
16 operator for the east half of Section 12 --

17 A. Yes --

18 Q. -- for this deep formation?

19 A. -- yes, they are.

20 Q. Okay. And Chevron was provided notice of this
21 hearing?

22 A. Right.

23 Q. All right. Now, then let's turn to the notice
24 for the pooling Application, which involved a number of
25 parties. They're all listed on Exhibit Number 3, correct?

1 A. Yes, and then some of those parties have actually
2 leased. To date we have -- quite a few of those parties
3 have leased since we submitted this notification of
4 mailing.

5 Q. Okay. Now, as I flip through the cards here, I
6 notice that there's three individuals that did not -- whose
7 addresses were not sufficient when we sent out the
8 certifications, one of which was Maralee J. Lowe. Can you
9 tell the Examiner your efforts to locate this individual
10 and what you know at this point?

11 A. This woman has conveyed her mineral interest in
12 the last week and a half -- and I've got the assignment in
13 house -- she has conveyed her interest to a party that we
14 have under lease. So her interest will be subject to the
15 existing oil and gas lease that we have in place now.

16 Q. Okay. So the interest associated with Maralee
17 Lowe has now been leased by Yates?

18 A. Yes.

19 Q. Okay. Now, there's also -- a receipt was not
20 returned for a Glenda Miller. What was your effort to
21 locate Ms. Miller?

22 A. I located Mrs. Miller.

23 Q. Okay.

24 A. My mailing was returned, the green card was
25 returned showing that it was signed by her husband, Victor

1 Miller --

2 Q. Okay, so --

3 A. -- at that address. However, your card
4 apparently was returned, so I think that she did -- She did
5 get my mailing.

6 Q. Okay, were you able to contact her at that
7 address, 1227 South 131st East Avenue?

8 A. Yes.

9 Q. All right. Now, have you been in touch with any
10 of her relatives?

11 A. I've talked to a number of her relatives. I've
12 talked to her sister and I've talked to an uncle of hers
13 and the attorney that represents that family.

14 Q. Okay. And what does -- What is her acreage
15 position in this west-half unit?

16 A. She has a small interest. It's roughly nine-
17 tenths of one acre.

18 Q. Okay, all right. Now, the other individual whose
19 receipt did not get returned is a Mr. Vaught, V-a-u-g-h-t.

20 A. Okay, but he has leased to us. His interest is
21 under lease.

22 Q. Okay, so he's no longer subject to the pooling
23 Application?

24 A. That's correct.

25 Q. All right. Now, with respect to the remaining

1 interest owners in the west half, what percentage of the
2 working interest is -- today is voluntarily committed to
3 this well?

4 A. We have 86 percent committed, and that represents
5 85 mineral owners.

6 Q. Okay. Now, with respect to the interest owners
7 that comprise the remaining 14 percent of the ownership in
8 this west half did you send -- you sent out a well-proposal
9 letter?

10 A. Well proposal with an AFE attached to it and an
11 oil and gas lease giving them the opportunity to either
12 lease to us or participate in the well.

13 Q. And is Yates Exhibit Number 4, is that an example
14 of the well-proposal letter that was sent out to these
15 interest owners?

16 A. Yes.

17 Q. And it included an AFE for the project?

18 A. Yes, it did.

19 Q. Okay, and it proposed the re-entry of the
20 existing well at the unorthodox gas well location?

21 A. Yes, it did.

22 Q. Okay. With respect to these interest owners that
23 remained unsigned today, are you still in the process and
24 have you had discussions with these interest owners?

25 A. I have talked with quite a few of the interest --

1 I think that -- We're continuing to get leases come in. I
2 think that a number of these people will lease to us --

3 Q. Okay.

4 A. -- and the discussions are still ongoing. I
5 think I'll get some additional leases to come in.

6 Q. All right. Now, have you had -- Now, I know the
7 Harmon Trust is here today. Have you had both telephone
8 conversations and correspondence with the Harmon Trust, or
9 representatives of the Harmon Trust?

10 A. Yes, sir.

11 Q. All right. But as of today you've been unable to
12 reach an agreement?

13 A. That's correct.

14 Q. In your opinion, have you made a good-faith
15 effort to locate and obtain voluntary joinder of the
16 remaining interest owners in the west half of Section 12?

17 A. Yes, sir.

18 Q. All right. Now, with respect to Exhibit Number
19 4, there's an AFE attached to that; is that correct?

20 A. That's correct.

21 Q. Would you review for the Examiner the dryhole
22 and, I guess, the recompletion costs?

23 A. The dryhole cost on this deepening and
24 recompletion are \$472,700. The completed well costs are
25 \$875,100.

1 Q. Mr. Bullock, are these costs in line with what
2 Yates has experienced in the area for similar recompletion
3 efforts?

4 A. Yes, sir.

5 Q. Has Yates made an estimate of the overhead and
6 administrative costs while drilling this well and also
7 while producing, if you are successful with this
8 recompletion?

9 A. We would like the overhead rates to be \$5400 for
10 the drilling of the well and \$540 for the ongoing cost,
11 operating cost.

12 Q. Are these overhead and administrative costs in
13 line with what operators have been charging in the area --

14 A. Yes, sir.

15 Q. -- for similar wells?

16 A. Yes, sir.

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

19 A. Yes, sir.

20 Q. Does Yates ask that these overhead rates be
21 subject to adjustment in accordance with the applicable
22 COPAS guidelines?

23 A. Yes, sir.

24 Q. Now in terms of the operator, is it Yates
25 Petroleum Corporation that seeks to be designated operator

1 of this well?

2 A. That's correct.

3 Q. All right. And does Yates request that the 200-
4 percent risk penalty authorized by statute and by Division
5 Rule 35 be imposed against those interest owners that do
6 not voluntarily participate in this well?

7 A. Yes, sir.

8 Q. Were Yates Exhibits 1 through 4 prepared by you
9 or compiled under your direction and supervision?

10 A. Yes, they were.

11 MR. FELDEWERT: Mr. Examiner, at this time I
12 would move the admission into evidence of Yates Exhibits 1
13 through 4?

14 EXAMINER JONES: Any objections, Mr. Cavin?

15 MR. CAVIN: No, Mr. Examiner.

16 EXAMINER JONES: So we'll admit into evidence
17 Exhibits 1 through 4.

18 MR. FELDEWERT: And that completes my examination
19 of this witness at this time.

20 EXAMINER JONES: Mr. Cavin?

21 MR. CAVIN: Thank you, Mr. Examiner.

22 EXAMINATION

23 BY MR. CAVIN:

24 Q. Mr. Bullock, looking at your Exhibit Number 1,
25 I've been advised that this is an eastern stepout of

1 another well in Section 11. Can you tell me where that
2 well is located on the plat?

3 A. That well would be the -- would be in Unit --
4 let's see, Unit J. It would be the northwest of the
5 southeast.

6 Q. Okay.

7 A. Uh-huh. That was a re-entry also. I think it
8 shows that. I'm not sure which one of those wells.

9 MR. AMIET: It's the Adobe Scott well.

10 THE WITNESS: Yeah, I know it's the Adobe Scott,
11 but there's two. It looks like it's the one on the right
12 there. There's two symbols. It would be the symbol on the
13 right, I guess, would be the workover well that we just
14 recompleted.

15 Q. (By Mr. Cavin) Okay, and that is a well that
16 Yates operates?

17 A. Yes, sir.

18 Q. Okay. And how long ago was that recompleted?

19 A. It's been real recent, within the last 90 days.
20 Sixty days, 90 days.

21 Q. Okay. Looking at your Exhibit Number 4, I notice
22 that there's reference to an operating -- it says you will
23 forward an operating agreement. Are you today proposing
24 any operating agreement for the parties that you want to
25 pool, force pool?

1 A. Yes, we have an operating agreement.

2 Q. Okay, and do you have that today? Are you going
3 to --

4 A. I have a form operating agreement. It sets out
5 basically just what we generally put in an operating
6 agreement, but it does not set out the interest of the
7 parties because at this point in time we're not sure what
8 the parties are going to do.

9 Q. Okay.

10 A. But a form operating agreement, yes, it sets out
11 our rates, the location of the well and all those type of
12 things.

13 Q. And what form of operating agreement is it?
14 Which AAPL form are you referring to?

15 A. We're still using the 1977 form.

16 Q. And to what extent do you modify that? I mean,
17 I'm talking about the body of the agreement now and the
18 balancing agreement, things like that.

19 A. We have our gas-balancing agreement. I think
20 it's on the operating agreement itself.

21 Q. Is that something we could admit today so that
22 we'll know what terms you want to govern, as far as
23 operations are concerned?

24 A. It would be fine with me, because that will be
25 the JOA that we intend to use with all the provisions that

1 we intend to use. So yes.

2 Q. Okay, all right. And would that be the same ✓
3 agreement that you transmitted to the Harmon Trust back in
4 November?

5 A. I believe it would be identical.

6 Q. Okay, all right. Now, has Yates done a title
7 opinion in connection with this project?

8 A. Yes, sir.

9 Q. Okay. Is that something that the Harmon Trust
10 could get a copy of?

11 A. Yes.

12 Q. Okay. You will provide that to us?

13 A. I don't see why we couldn't provide it to you,
14 because -- ✓

15 Q. Okay.

16 A. I would like to check with my management to see
17 if that's okay with them, but I think it would probably --
18 they would probably agree to that.

19 Q. Okay, because assuming you force pool them or
20 they join in the operation, I mean, that's a cost that you
21 would propose to pass on to them, right?

22 A. Oh, certainly, yes. If they want to join the
23 well we would certainly do that, absolutely, if -- surely,
24 as a working interest owner, yes.

25 Q. But even if they're force pooled, you would --

1 A. I have no reason, see why we wouldn't.

2 Q. Okay, all right. Now, the AFE, can you tell me
3 what are included in the completion costs? I noticed --
4 Again, this is correspondence with Mr. Feldewert indicating
5 there were three primary zones you all were looking --
6 Yates was looking at, the Austin cycle, the Morrow and the
7 Atoka. Do your completion costs include completing those
8 three intervals, or is it -- Well, I'll let you answer.

9 A. Oh, I'm not sure I can answer that question,
10 whether that AFE sets out --

11 MR. FELDEWERT: We'll have another witness that
12 can answer that.

13 MR. CAVIN: Okay.

14 MR. FELDEWERT: Yeah.

15 MR. CAVIN: Thanks.

16 Q. (By Mr. Cavin) Mr. Bullock, you indicated that
17 you believe a 200-percent penalty should be imposed.
18 What's your basis for that?

19 A. I'll let Mr. Amiet speak to that, if that would
20 be all right. He's our geologist and able to speak to why
21 he thinks that would be a risk penalty we feel comfortable
22 with.

23 Q. Okay, so you don't have any basis for that, we'll
24 get that from Mr. Amiet?

25 A. Yeah, it'll be coming from him.

1 MR. CAVIN: Okay. I don't have any further
2 questions, Mr. Examiner.

3 EXAMINER JONES: Thank you, Mr. Cavin.

4 EXAMINATION

5 BY EXAMINER JONES:

6 Q. Mr. Bullock, the logistics on when you would send
7 this operating agreement -- and what was the other thing,
8 Mr. Cavin, that you were asking for?

9 MR. CAVIN: The -- well, the title opinion.

10 EXAMINER JONES: Title opinion.

11 MR. CAVIN: Yes, sir.

12 Q. (By Examiner Jones) -- and operating agreement,
13 could we get copied on when you send this to them?

14 A. Sure.

15 Q. In other words, at the same time they receive it,
16 you give us evidence that you've supplied it to them?

17 A. Okay, now he has been supplied with a JOA, and
18 I'd be happy to tell you when I submit the title opinion to
19 him.

20 Q. Sure. Now, I also have got questions on this new
21 recompletion. I'll just try to limit it to land questions
22 here, but I started looking in the northwest of the
23 southwest, and there wasn't -- Fasken, in the past, had a
24 well, producing well, called the Stoltz Federal Number 1.
25 It was an 80-acre oil well but it was mostly water, it was

1 making mostly water. Now, are you guys talking about that
2 one, just recently got recompleted by Yates --

3 A. Over in Section --

4 Q. -- in the northwest of the southwest of this
5 Section 12? Is that what you're talking -- were talking
6 about?

7 A. No, we were talking about the Section 11 to the
8 west of this.

9 Q. Okay.

10 A. That's were Yates has recently completed a well.
11 That's what Mr. Cavin was asking me about.

12 Q. Okay.

13 A. And I was trying to point out to him that that
14 well is in the northwest of the southeast of 11.

15 Q. Okay, it's in the northwest northeast -- or
16 southeast.

17 A. Right.

18 Q. Okay, the -- I guess one thing I want to try to
19 make sure that we've gotten done here is the proper notice
20 to the people in the east half of Section 12.

21 A. Right.

22 Q. Our Rules say you have to notify all operators of
23 record in all zones that are encroaching. Now, the zones
24 that are encroaching would be the deep gas --

25 A. Correct.

1 Q. -- which would be the -- Is the 160 encroaching?
2 160 oil or gas? Is that an unorthodox location?

3 A. Not for oil.

4 Q. But for gas it would be?

5 A. For gas I think it probably would be, possibly.

6 Q. Okay.

7 A. Now, I'm not sure of that. I'm not sure what 160
8 gas zones we have out here.

9 Q. Okay, I've got record that Kevin Butler --

10 A. Right.

11 Q. -- and J.M. Huber had -- in the past they've been
12 operators of record in that area; is that --

13 A. From surface to 10,800.

14 Q. Oh, okay.

15 A. From surface to 10,800, and that would not have
16 the -- that would not be the deeper gas zone. That is the
17 oil.

18 Q. So 10,800 is the bottom of the Wolfcamp?

19 A. I believe that's right. That's where all the
20 severances have been made up to this point in time, in the
21 County records and the BLM records.

22 Q. And so you're saying below 10,800 is deep gas,
23 and it's -- the operator of record is now ChevronTexaco?

24 A. That's correct.

25 Q. And you've notified them?

1 A. That's correct, uh-huh.

2 Q. And they have not shown up here to protest,
3 obviously.

4 Okay, it doesn't say -- it says proposed well in
5 the Application. It doesn't say it's being re-entered and
6 deepened. And your -- I guess that would just be a case
7 for looking at the AFE, but I notice -- Do you want to talk
8 about the AFE or do you want to wait and talk to Mr. Amiet
9 about that?

10 A. Yeah, let's Amiet talk about that.

11 EXAMINER JONES: Okay. Gail, do you have
12 questions?

13 MS. MacQUESTEN: No, thank you.

14 EXAMINER JONES: Okay, that's all my questions,
15 Mr. Bullock. Thank you, Mr. Bullock.

16 THE WITNESS: Thank you.

17 JOHN AMIET,

18 the witness herein, after having been first duly sworn upon
19 his oath, was examined and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. FELDEWERT:

22 Q. Would you please state your full name and where
23 you reside for the record?

24 A. John Amiet. I live in Artesia, New Mexico.

25 Q. And by whom are you employed and in what

1 capacity?

2 A. I'm employed by Yates Petroleum as a geologist.

3 Q. And have your credentials as an expert in
4 petroleum geology been accepted and made a matter of record
5 here with the Division?

6 A. Yes, they have.

7 Q. Are you familiar with the Application that's been
8 filed by Yates in this case?

9 A. Yes, I am.

10 Q. And have you conducted a study of the area that
11 is the subject of this Application?

12 A. Yes, I have.

13 MR. FELDEWERT: Mr. Examiner, are the witness's
14 qualifications acceptable?

15 EXAMINER JONES: Mr. Cavin?

16 MR. CAVIN: Yes.

17 EXAMINER JONES: Okay, Mr. Amiet's qualifications
18 are so qualified.

19 Q. (By Mr. Feldewert) For purposes of the record,
20 why don't you just briefly outline for the Examiner Yates's
21 strategy with respect to your -- the proposed re-entry and
22 recompletion in the existing Reed AXV Com Well Number 1?

23 A. Yates plans to re-enter this old Unocal well.
24 This is an old P-and-A'd well that was drilled in 1985. It
25 led very limited production for three or four years. It

1 was finally P-and-A'd in 1989.

2 Initially Yates plans to use a pulling unit. The
3 casing was cut on this old wellbore at 2292 and pulled, so
4 we have to run new 5-1/2-inch casing and try to tie into
5 this old casing with a slip joint at 2292. At that point
6 we'll drill out the remainder of the plugs. There are a
7 total of six plugs in this wellbore. We'll squeeze the
8 perfs, and at that point we'll move our regular drill rig
9 in and deepen to 13,400 to test the Mississippian, Morrow
10 and Atoka formations.

11 Q. Now there was a question about the costs on the
12 AFE --

13 A. Yes.

14 Q. -- for this project. Can you explain to the
15 Examiner the nature of those -- and the basis for those
16 costs?

17 A. Yes, there are several breaking points here.
18 First, if we re-enter this wellbore and we can't tie into
19 the old casing, the completed well cost won't be near this.
20 We'll just have to abandon at that point. So the dryhole
21 cost would probably be a lot less than the \$472,700.

22 If we tie into the old casing and deepen the well
23 and see some good zones, we will then recomplete the zone.

24 And in answer to your question, sir, that
25 includes completion costs for several zones, but again we

1 don't know what we're going to find until we drill the
2 well. But the completion costs for several zones are
3 included in the AFE.

4 Q. Now, what's your geologic study tell you about
5 the prospect of using this P-and-A'd wellbore to test the
6 deeper gas formations in this area?

7 A. Well, in terms of risk it's going to greatly
8 reduce the risk. This AFE has \$875,100 completed well
9 cost. We will save approximately \$600,000 by using this
10 old wellbore, if we can do this. So this greatly reduces
11 the risk. And this is a high-risk prospect.

12 Q. Do you have -- Does your geologic study tell you
13 that there's a chance that you can recomplete this well in
14 a deeper formation?

15 A. Yes, and we'll get to that in our maps --

16 Q. Okay.

17 A. -- coming up.

18 Q. Why don't you turn to Yates Exhibit Number 5,
19 identify that and review that for the Examiner, please?

20 A. This is a structure map at the top of the Morrow,
21 and it shows two well-defined channels shown by the blue
22 lines. You'll notice the proposed well, or the proposed
23 re-entry in Section 12, is on one of these blue channel
24 lines. This map was generated from both 3-D seismic and
25 well control. And like I said, there is risk on this, and

1 I'll get into that to some extent on the next map.

2 The pink or purple circles are producing -- or
3 wells that have produced from the Morrow formation. And
4 again, I'll identify some of those and give some of those
5 numbers on the next map.

6 Q. Does this map indicate that your proposed re-
7 entry would be at a structural low?

8 A. That's correct.

9 Q. Okay. All right, then why don't you turn to
10 Yates Exhibit -- I guess leave Yates Exhibit Number 5 out,
11 and we can turn to Yates Exhibit Number 6. First identify
12 Yates Exhibit Number 6 for the Examiner, and then review
13 it, please.

14 A. This is a net isopach map of the Morrow sands.
15 Again, it shows the same north-south trend of two major
16 channels or depositional systems. The red values are the
17 net feet of sand that we've found in these wells.

18 Talking about the risk, I might mention this
19 Chevy well that's immediately south in Section 13 of the
20 proposed re-entry. It shows 26 feet of sand. This well
21 has an estimated ultimate recovery of approximately 700
22 million cubic feet of gas. This will not be an economic
23 well to pay for the total well costs.

24 I might also mention that Mamalotes well that was
25 drilled within the last year. It shows eight feet of net

1 sand --

2 Q. Okay, now just to orient you, you're up there in
3 Section 36?

4 A. That's correct, I'm sorry, this is about two
5 miles north of the re-entry. It shows eight feet of sand,
6 it's in the same channel trend. This was very
7 disappointing well. To date it's making just over 100 MCF
8 a day. Again, it won't be close to being an economic well.

9 I might mention that the cost on this wellbore
10 was \$2.8 million. We had some problems, the casing
11 collapsed. So these can be very high-risk projects. This
12 is one reason that we're trying to use the re-entry,
13 because the re-entry seems to fall in a good place, and we
14 have to get these well costs down.

15 Chevy had 26 feet of sand, which normally is a
16 good -- again, I'm talking about this well one mile to the
17 south of the re-entry. Should have been a good well. For
18 some reason we didn't get the porosity and perm in these
19 sands that we encountered. So again, this is -- it's going
20 to make 700 million cubic feet of gas, but it's still not
21 an economic well.

22 And to summarize, these are high-risk projects,
23 and due to the two disappointing wells that we've drilled
24 along this trend, we're trying to keep these well costs
25 down and make this an economic project.

1 Q. Okay, now your existing -- or the well that's
2 existing in Section 12 that you want to re-enter, that's --
3 your mapping indicates you're going to have about -- what,
4 a 15- to 20-foot range of porosity?

5 A. That's correct, we think there's going to be
6 approximately 20 feet of sand in this location.

7 Q. Have you had some luck in the past when you got
8 that kind of sand?

9 A. Generally, if you have over 15 feet, you'll have
10 a good well.

11 I might mention this well in Section 18 on the
12 east side of the map, the Arrington Oil and Gas, Bill's
13 Hopper Number 1. It's showing 10 feet of sand. It cum'd 1
14 MBO and 84 million before the Morrow was abandoned and it
15 came uphole, and that well is currently producing from the
16 Atoka.

17 This well to the west in Section 12, the Southern
18 Union, kind of southwest of the re-entry -- it would be
19 Section 14, showing 12 feet of sand, it made 18 MBO and 566
20 million cubic feet of gas. So neither of those two wells
21 that I've mentioned are currently economic.

22 Q. Now, are those in different channels?

23 A. Yes. Well, you could hook those two channels up,
24 but there's a main -- the main channel is kind of that
25 north-south channel, and that might be a small offshoot of

1 the same channel.

2 Q. Now, with respect to the Chevy well down there,
3 it's in the same channel that had 26 feet of sand. That
4 wasn't -- that didn't work out, did it?

5 A. Again, we just didn't have the porosity and perm
6 that we thought we would have. We hit the channel, we hit
7 the sand, but again this is showing why some -- why these
8 are high-risk wells.

9 Q. Okay.

10 A. Even if you get the channel and get the sand, you
11 don't always get a good well.

12 Q. So does Yates hope to use this P-and-A'd well in
13 order to cut down on its well costs and at the same time be
14 able to explore the possibility of deep gas production in
15 Section 12?

16 A. That's correct.

17 Q. In your opinion, does this existing depleted oil
18 well provide an economic opportunity to test these deeper
19 gas formations?

20 A. Yes, it does.

21 Q. In your opinion, will approval of this unorthodox
22 gas well location allow Yates to economically test a deep
23 gas formation and recover reserves that may otherwise not
24 be recovered?

25 A. That's correct.

1 Q. In your opinion, is the approval of this
2 unorthodox gas well location in the best interests of
3 conservation, the prevention of waste and the protection of
4 correlative rights?

5 A. Yes.

6 Q. Were Yates Exhibits 5 through 6 prepared by you
7 or compiled under your direction and supervision?

8 A. Yes, they were.

9 MR. FELDEWERT: At this time, Mr. Examiner, I'd
10 move the admission into evidence of Yates Exhibits 5 and 6.

11 EXAMINER JONES: Mr. Cavin?

12 MR. CAVIN: No objection.

13 EXAMINER JONES: Okay, Exhibits 5 and 6 are
14 admitted into evidence.

15 Mr. Cavin?

16 MR. FELDEWERT: That concludes my direct
17 examination of this witness.

18 EXAMINER JONES: Okay, thank you.

19 Yes?

20 EXAMINATION

21 BY MR. CAVIN:

22 Q. I hope I'm saying your name correctly. Is it
23 Amiet?

24 A. Amiet, very close.

25 Q. Amiet, okay, I apologize to the extent I don't

1 say it correctly.

2 Mr. Amiet, I'm looking at the AFE and I could not
3 quite follow you, so I'd just appreciate it if you'd kind
4 of walk me through your proposed operation, and -- because
5 it seemed to me that you were suggesting that these dryhole
6 costs may be high if the operations go as anticipated or as
7 you would like. Am I correct in that?

8 A. Well, if we can't get the casing tied back in at
9 2292, we will stop the well at that point. Right now
10 there's open hole from 406 to 2292.

11 Q. Okay.

12 A. If we can't get that casing hooked up, if we
13 can't re-enter the wellbore at that point, we will not
14 deepen the well. So the dryhole cost of \$472,700 is if we
15 drill to 13,400 and don't find any good zones and walk away
16 from the well at that point. So there's several points at
17 which we might stop the well.

18 Q. Okay. And I guess the first one is getting
19 inside the casing at a little over 2000 feet?

20 A. That's the first real risk. If we can't tie that
21 casing in, then we can't re-enter the well.

22 Q. And in your experience, have you been successful
23 in getting in these -- casing like this?

24 A. Generally on a newer well like this -- This was
25 drilled in 1985. Generally we can, but again that's a risk

1 right off the bat.

2 Q. Okay. And then are there other risks -- I mean
3 drilling risks, as far as the re-entry portion of this?

4 A. Yes, there are. In fact, one well we've recently
5 tried to re-enter, an old well about five miles southeast
6 of here, we didn't even get down to the old TD, and there
7 was a deviated wellbore. The drillbit went outside the
8 casing, so we ended up drilling a lot of the old wellbore
9 over.

10 So again, there's risk there too. Once you get
11 that casing tied in, there's no guarantee you're going to
12 get down to the old TD of 10,450 feet. Generally we can
13 again, but again that's another risk.

14 Q. Okay. How many of these deep wells like this has
15 Yates re-entered in this area?

16 A. Re-entered? I know of, I would say, none on this
17 map, but there's several off the map within like a five-
18 mile radius.

19 Q. Okay.

20 A. So it's something we have done before.

21 Q. But I guess that -- if I'm correct in this, this
22 is just your best estimate of the dryhole cost, assuming
23 the re-entry goes as planned?

24 A. That's correct.

25 Q. Okay.

1 A. And the dryhole cost would be going to 13,400
2 feet --

3 Q. Okay.

4 A. -- and not finding any productive zones.

5 Q. Okay. And then the completed well cost, again I
6 didn't quite follow you on that. I mean, these completed
7 costs assume again that the re-entry goes as planned?

8 A. That's correct, and then you'll add a Christmas
9 tree, and a wellhead is an extra \$25,000, you have to run
10 casing, is \$61,000, so -- and then you've got trucking,
11 storage facilities, we'll run logs at that -- well, we'd
12 run logs covered in the dryhole cost also, but there's --
13 stimulation for completion is an extra \$90,000. You're
14 asking about completion costs. Additional completion costs
15 are \$3000.

16 So there's extra cost to complete the well if the
17 logs show us there are productive zones in the well, and
18 that's the extra approximately \$400,000 --

19 Q. Okay.

20 A. -- would be to complete the well.

21 Q. All right. Now, let me ask you, what is the
22 Austin cycle? Is that the same as -- you referred to as
23 the Mississippian?

24 A. That's the same as the upper Mississippian.

25 Q. Okay, and that's going to be the deepest

1 prospective interval here?

2 A. Probably so. We've just completed a well north
3 of there that we went a little deeper than that and found a
4 potential zone, although it's not been tested yet. But
5 right now, our -- when we wrote up this AFE, \$13,400 seemed
6 like the best alternative.

7 Also, this will be a slimhole deepening, since
8 this is 5-1/2 casing. We can't use a normal 7-7/8-inch
9 bit. So there's a little more risk going deeper. Right
10 now I'd probably say we stay with the 13,400-foot TD.

11 Q. Okay. And does this Mississippian formation
12 produce in the area -- you said one of your wells --

13 A. Yes, it does. In fact, the Austin or upper
14 Mississippian, and it's -- the New Grass well, clear in the
15 southwest corner of this map, is an excellent well from the
16 Austin zone or upper Mississippian.

17 Q. And when you "excellent well", what would you
18 estimate the cumulative production will be?

19 A. Right now, off the top of my head, 2 BCF.

20 Q. Okay. And these are -- You're looking for gas in
21 this interval?

22 A. Generally it's gas, yes. Atoka, Morrow and
23 Mississippian or Austin is all -- primarily gas, with some
24 condensate.

25 Q. Okay. Now, the Morrow formation is part of --

1 and I'm sure I'm not saying this -- is it the Eidson --

2 A. Eidson field, Pool.

3 Q. Okay, and you went over several of the wells
4 here. What would you say the average production is from
5 one of these wells in the Eidson Pool?

6 A. It's very erratic. The Pardner, down in the
7 southeast corner of the map in Section 19, is probably
8 going to be a 4 BCF well, and that was drilled probably
9 three years ago, two to three years ago, and really got us
10 excited about this area.

11 Since then, we've drilled the Townstar in Section
12 18. It's a very disappointing well. It's currently making
13 30 barrels of oil a day, essentially a noneconomic well.
14 We've drilled the Chevy well that's not an economic well,
15 that we talked about. And the Mamalotes is a noneconomic
16 well.

17 So we have one good well at 4 to 5 BCF, and we
18 have three or four noneconomic wells that make some oil and
19 gas.

20 Q. And how many wells are in this Eidson Pool, just
21 roughly?

22 A. I think that's coming off of the -- probably the
23 Southern Union and the Yates Chevy well.

24 Q. Okay, so --

25 A. I'm not sure if the Pardner is in that pool also

1 or not.

2 Q. Okay, so how many -- I'm sorry, how many wells?

3 A. I'd probably estimate two or three?

4 Q. In the Eidson Pool?

5 A. Yes.

6 Q. Okay.

7 A. And that's an estimate, I'm not positive on that
8 number.

9 Q. Okay. But in this area would it -- I'm trying to
10 get a ratio of these good wells to the marginal ones. In
11 your experience is it like one to four?

12 A. One to three maybe, one to four, yes.

13 Q. Okay. The 4-BCF well, I take it, is exceptional
14 in this area?

15 A. That's correct.

16 Q. Okay.

17 A. That's the best well in this area.

18 Q. Okay. Now, the Atoka, does Yates have any
19 experience in the Atoka in this area?

20 A. Yes, we do. In fact, the Arrington well that I
21 mentioned in Section 18 is currently making about a million
22 -- or about 800 MCF a day from the Atoka. I don't have a
23 track record on this, but I'm not sure that will be an
24 economic well. It will probably be close.

25 And we have several Atoka wells up -- just be off

1 the northeast corner of this map, that have made about a
2 half a BCF. And then there's several excellent Atoka
3 wells, oh, about five miles south of here.

4 In this immediate area the only Atoka well, I
5 believe, is this Arrington Bill's Hopper Number 1.

6 Q. Is that because these other wells haven't been
7 plugged back to the Atoka or --

8 A. Well, yes and no. I mean, that zone is present
9 in our Pardner well that we've talked about, but it's not
10 present in most of these other wells. So again, that's a
11 little bit of an anomaly in this area.

12 Q. Okay. And what would you -- I guess it's the
13 Arrington well, it looks like, to be the best Atoka
14 producer in this area, or has the potential?

15 A. On this map, yes.

16 Q. And what would you estimate the Atoka reserves?

17 A. Oh, I'd estimate -- Right now it's made about 323
18 million cubic feet of gas, and it's still making 882 MCF a
19 day. So anywhere from half a BCF to a BCF. Again, I'd
20 have to have an engineer do a decline on that.

21 Q. Okay.

22 A. It's a rough estimate.

23 Q. Does Yates -- have they done any economic
24 analysis in connection with this well, the proposed well?

25 A. Mr. Yates normally does that in his head.

1 Q. Okay, so no formal --

2 A. I don't do the economic analysis, no, and I don't
3 think anybody's done an economic analysis except Mr. Yates.

4 Q. Okay. Looking at your Exhibit Number 5, I
5 believe you said this map is based on well control and
6 seismic?

7 A. That's correct, we have a 3-D seismic over this
8 entire map area.

9 Q. Okay. And you've used 3-D seismic for structure
10 and not for sand quality; is that right?

11 A. You try to use it for both, but some of these
12 sands are 20 feet thick, and you're kind of below the
13 resolution of the seismic, although sometimes you can see
14 some downcutting from some of these channels. So you try
15 to use it for both, but it's limited a little bit in trying
16 to actually see the sands.

17 Q. Okay, but here it looks like you've primarily
18 used it for structure and not really --

19 A. That's correct, sir.

20 Q. Is there any -- Do you get any useful information
21 from the Atoka or the Mississippian?

22 A. Again, you can get some downcutting into the
23 Mississippian, but we're kind of at a loss as to why the
24 Mississippian produces sometimes. That just seems to be a
25 -- luck. We drill wells, and sometimes the Mississippian

1 is good and sometimes it isn't, and we can't track the
2 porosity to the seismic or any anomalies that we can see.
3 So it's just -- We normally drill the wells for the Morrow
4 in this area, is our primary target.

5 Q. Okay.

6 A. And then the Atoka and the Mississippian are --
7 we just hope we hit something there.

8 Q. Okay. And I take it the seismic -- is that
9 available to the parties you're trying to pool here?

10 A. No, it's proprietary. It was shot by Yates and
11 one other party.

12 Q. Okay. Have you put together any cross-sections
13 in connection with this project?

14 A. I have. I don't have them with me. I just
15 brought two exhibits, you know, and I've testified up here
16 and had cross-sections over some of these other wells we've
17 drilled.

18 Q. Are those cross-sections -- would those be
19 available to the parties Yates seeks to pool?

20 A. I would say no at this time. I mean, if that's
21 going to work out a deal, I'd be happy to make you a cross-
22 section. If you tell me where you want your cross-section,
23 I could quickly do one.

24 Again, I don't know -- the re-entry, we don't
25 know what we're going to find at the re-entry, and these

1 sands come and go so much, I'm not sure it would be a
2 useful tool.

3 I could do one through the Adobe Scott that we
4 think is going to be a marginal well. That was a re-entry
5 that we didn't have to do any drilling. We just drilled
6 out a few plugs, is the only reason we re-entered that.
7 We're not looking for a barnburner well from the Adobe
8 Scott in Section 11, but we think maybe it will be economic
9 just to -- we just drilled out the plugs, and we're
10 currently waiting on a pipeline for that particular well.

11 I would show that well, and then I would probably
12 show a little bit of low with a potential sand channel
13 where the re-entry is, and then go to the Cleveland well in
14 Section 7. It cum'd about 102 million cubic feet of gas
15 and 2 MBO. Or I could take it down to the Pardner well,
16 which has a great sand.

17 I'd like to say, these are separate channels that
18 come and go, so your cross-section really doesn't show a
19 continuous sand trend, if you see what I'm saying. It
20 would show a little bit of sand in the Adobe well. I'd
21 probably show a good sand at our re-entry location, and I
22 might take it through the Townstar well in Section 18 that
23 had zero sand in the Atoka-Morrow, and then down to the
24 Pardner well that again is in a good sand channel.

25 Q. Okay. Let me switch you to the -- I want to ask

1 you a few questions about the Adobe well in Section 11 --

2 A. Uh-huh.

3 Q. -- and if you've answered this, I apologize.

4 Did you indicate that this is prospective in the
5 Mississippian or not?

6 A. I don't think we saw much in the Mississippian,
7 And it's got logs that are available, the logs are public.
8 There are a few thin zones in the Morrow and a few thin
9 zones in the Atoka that we're primarily going after with
10 this well.

11 Q. Okay.

12 A. And we haven't really done much work on that yet.
13 We've just recompleted this well. We got the TD, and we're
14 waiting on a pipeline now.

15 Q. And the -- What's your initial production rate?

16 A. I don't think we've even IP'd it yet.

17 Q. Oh, okay.

18 A. Again, we're waiting on a pipeline to...

19 Q. Well, what kind of evaluation have you done on
20 that well?

21 A. Again, we're hoping maybe get a couple hundred
22 million cubic feet of gas out of that. That was just a re-
23 entry. Like I say, we just had to drill out a few plugs.
24 Adobe Scott drilled this.

25 When this well was drilled, maybe there wasn't a

1 gas pipeline close, gas maybe wasn't as valuable back 10
2 years ago or 15 years ago.

3 So a lot of wells Yates is re-entering, we have
4 gas pipelines in the area now, and we're maybe a little
5 more aggressive in going after the gas than other people
6 have been. And this is why we're re-entering some of these
7 old wells.

8 Q. Okay, so a couple hundred million, I mean that
9 would not be economic?

10 A. No, not for a new well, it wouldn't even be
11 close.

12 You need probably at least a BCF, BCF and a half,
13 for an economic -- drill a new well, surface to TD.

14 Q. Okay. What did this well cost, roughly?

15 A. The Adobe Scott? Again, I can get you that
16 information. I don't know off the top of my head.

17 Q. All right.

18 A. It kind of doesn't relate, though, because we
19 didn't do any drilling in that well. That was just a re-
20 entry that was already a -- the original TD of that well
21 was 13,510 feet, so we just drilled out a few plugs. But I
22 can get you that cost if you need that.

23 Q. Well, I was just trying to figure out the
24 economics, if .2 BCF would be economic. That's why my
25 interest was.

1 A. Again, I'm pulling that number off the top of my
2 head, because we haven't done any tests on the Adobe Scott
3 yet and it's difficult --

4 Q. Okay.

5 A. -- but that would probably be the upside of what
6 we expect to get out of that well.

7 Q. Okay, I take it all of these proposed intervals,
8 the Mississippi and the Morrow and the Atoka, would be
9 spaced on 320.

10 A. Mississippian --

11 Q. 320 --

12 A. That's correct.

13 Q. Okay, and you don't have any uphole zones that
14 are prospective?

15 A. Not in this area. The Strawn is productive, oh,
16 about four miles to the southeast.

17 There is a -- You've got a Wolfcamp-Cisco zone
18 immediately to the east. That's what this old wellbore was
19 trying to enter. That's the old Morton-Wolfcamp field.
20 You've got some excellent wells maybe below -- 10,400 to
21 11,000.

22 But that's not our primary target here. We think
23 we're in a low. We don't have much hope of hitting a
24 shallow carbonate buildup. Fact is, very little hope of
25 hitting a shallow carbonate buildup --

1 Q. Okay, and there's no --

2 A. -- we're trying to drill in Lowe's.

3 Q. Okay, there's no like Bone Springs or Delaware
4 potential in this area?

5 A. No.

6 MR. CAVIN: Okay. I have no further questions,
7 Mr. Examiner.

8 EXAMINER JONES: Okay, thanks, Mr. Cavin. You
9 asked most of my questions. But I do have a few more, Mr.
10 Amiet.

11 EXAMINATION

12 BY EXAMINER JONES:

13 Q. The logs that were already on the hole, of course
14 you're kind of discounting anything in the original
15 wellbore right now, right?

16 A. The original well perf'd the most prospective
17 zone. I think it made 5 MBO and about 8 million cubic feet
18 of gas, which is just essentially nothing for a well of
19 this depth and cost.

20 And so yeah, it's structurally low compared to
21 the field just to the east, that Morton-Wolfcamp field, so
22 it just missed the zone. It was too structurally low.

23 Q. Okay. But if you do get this Austin, Atoka,
24 Morrow in any combination, are you going to downhole
25 commingle?

1 A. Generally we start at the bottom and kind of come
2 up. And yeah, there possibly would be a commingling, but
3 that's something, I think, that has to come from the -- we
4 have to get approval for, before we can commingle zones.

5 Q. And --

6 A. It kind of depends. If we can get a really good
7 well in the Austin, we will stay with that. And obviously
8 you don't want to mess around with a good well. If we have
9 a marginal well in the Austin, yeah, we'll probably try to
10 come up and add something to it.

11 Q. Okay, the -- you say you've got pipelines in the
12 area now. What pressure are they?

13 A. I'm not sure. 600 pounds kind of -- but I'm not
14 positive on that. We had a good well off the north of the
15 map that's since died, so I'm not sure what the current
16 pressure is.

17 Q. Okay. And as far as the payout, you've been
18 answering questions about that already.

19 A. Normally, I think a three-year, four-year payout
20 or something. Say if you need a BCF to a BCF and a half,
21 and it's making a million a day, that's 365 million in a
22 year, so maybe a three-year, four-year payout would be
23 probably a normal for a good well.

24 Q. Yeah, that sounds normal everywhere, really.

25 The logs that you're going to run -- \$35,000, and

1 that's just from 10,400 down to the TD that you're going to
2 -- that's just open-hole logs, or are you going to go ahead
3 and tie in --

4 A. Well, we've been running a new tool called the --
5 Schlumberger's FMI -- that's formation micro-imager -- that
6 seems to help us determine channel directions in some
7 cases. It runs about \$20,000 just alone. A regular
8 logging job will run about \$35,000, so that might be low.
9 If we see some sands we'll probably run the FMI, and it
10 might be more like \$50,000.

11 Q. If you see those -- if you run that -- I'm glad
12 to see you run that FMI, I really like that log. The
13 processing is one of the biggest costs on that log, though.

14 A. Yeah, I think it runs about \$10,000 to run it and
15 maybe \$10,000 or so for the processing and interpretation.
16 They have several people in the Midland office that do the
17 interpretation themselves and come out.

18 And yeah, it's -- We try to run that every time
19 we have a decent sand anymore. It really seems to help.

20 Q. And you're also getting your stress directions
21 from that?

22 A. That's correct, yeah, and they can tell you
23 channel direction to some extent and maybe even
24 depositional system. At least they make guesses at that.

25 Q. Yeah.

1 A. And so it's another piece of data that you put
2 with all the other data and make your best guess on where
3 to go.

4 Q. Yeah, that's very good. This tying into the 2200
5 feet --

6 A. Right.

7 Q. -- are you going through the salt zone?

8 A. We're going to be primarily below the salt zone.
9 If we were in the salt zone it probably would not have much
10 chance of success, so we're just down through -- hopefully
11 through the salt zones and maybe a little bit more of a
12 carbonate -- maybe the Grayburg, to where we have a better
13 chance of tying in.

14 So if it was 1700 feet or something, or 1600
15 feet, we probably wouldn't have a chance of tying in,
16 because if the hole's too washed out --

17 Q. So you think you can go into that cavern in the
18 salt and go back into the gauge hole and then tie in?

19 A. That's correct. That's the --

20 Q. You hope you can.

21 A. That's the theory.

22 Q. Okay. I had these -- a question, Mr. Feldewert,
23 about -- I forgot to ask Mr. Bullock. Can I ask him one
24 more question?

25 MR. FELDEWERT: Mr. Examiner, you can do whatever

1 you --

2 EXAMINER JONES: Okay, okay.

3 MR. FELDEWERT: -- need to do.

4 EXAMINER JONES: Don't go anywhere, Mr. Amiet,
5 yet.

6 But this Yates entities, they are sometimes a
7 whole bunch of different entities. How does the people
8 that you notice -- If somebody sends one to MYCO and reply
9 back to MYCO, do they get routed back to Yates Petroleum?

10 MR. BULLOCK: Usually.

11 EXAMINER JONES: So you're pretty well
12 coordinated together?

13 MR. BULLOCK: Yes, we are.

14 EXAMINER JONES: Okay, that was it for me, I
15 guess.

16 Gail?

17 MS. MacQUESTEN: No questions.

18 EXAMINER JONES: Okay, anything further in this
19 case?

20 MR. FELDEWERT: No, Mr. Examiner.

21 EXAMINER JONES: Mr. Cavin?

22 MR. CAVIN: No, Mr. Examiner.

23 EXAMINER JONES: Okay, thanks, Mr. Amiet.

24 THE WITNESS: Thank you.

25 EXAMINER JONES: With that, we'll take Case

1 13,197 under advisement.

2 And since that's the last case on this docket,
3 this meeting is adjourned.

4 Thank you.

5 (Thereupon, these proceedings were concluded at
6 9:52 a.m.)

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14 I do hereby certify that the foregoing is
15 a complete record of the proceedings in
16 the Examiner hearing of Case No. _____,
17 heard by me on _____.

18 _____, Examiner
19 Oil Conservation Division
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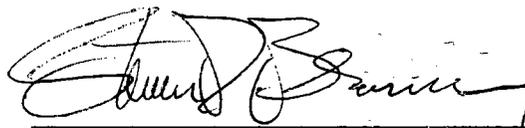
CERTIFICATE OF REPORTER

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 December 19th, 2003.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006