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ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

ORIGINAL

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

CASE NO. 14404

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

REPORTER'S TRANSCRIPT OF PROCEEDING

EXAMINER HEARING

December 17, 2009
Santa Fe, New Mexico

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BEFORE: WILLIAM P. JONES: Hearing Examiner
DAVID BROOKS: Technical Advisor

This matter came for hearing before the New Mexico
Oil Conservation Division, William P. Jones Hearing
Examiner, on December 17, 2009, at the New Mexico Energy,
Minerals and Natural Resources Department, 1220 South St.
Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: PEGGY A. SEDILLO, NM CCR NO. 88
Paul Baca Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102

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APPLICANT'S EXHIBITS:

Exhibit No. 1	4
Exhibit No. 2	4
Exhibit No. 3	4

COURT REPORTER'S CERTIFICATE	8
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A P P E A R A N C E S

For the Applicant: OCEAN MUNDS-DRY, ESQ.
 Holland and Hart
 110 North Guadalupe, Suite 1
 Santa Fe, NM 87501

1 HEARING EXAMINER: We'll call Case No. 14404,
2 application of Yates Petroleum Corporation for approval of
3 a unit agreement in Lea County, New Mexico. Call for
4 appearances.

5 MS. MUNDS-DRY: Good morning, Mr. Jones, Ocean
6 Munds-Dry of the Law Firm Holland and Hart here
7 representing Yates Petroleum Corporation this morning.
8 I'm presenting this case by affidavit.

9 HEARING EXAMINER: Any other appearances?

10 MS. MUNDS-DRY: Mr. Jones, Yates seeks approval
11 of the Caravan Exploratory Units. It's comprised of 1,600
12 acres of state of New Mexico lands, and is located
13 approximately 24 miles northwest of Jal.

14 Exhibit No. 1 is the affidavit of D'Nese Fly,
15 who is a petroleum geologist employed by Yates who is
16 responsible for the formation of the proposed unit. Yates
17 is the designated unit operator under the unit agreement.

18 The initial unit well will be drilled at a
19 standard location 660 feet from the north line, and 1,980
20 feet from the east line of Section 32 of Township 24
21 south, Range 33 east, in Eddy County, New Mexico, with a
22 proposed total depth of 14,750 feet.

23 On Attachment A to this affidavit is a copy of
24 the unit agreement. This agreement is on the standard
25 State Land Office state fee agreement form.

1 Attachment B is the plat to the unit agreement
2 that shows the boundaries of the Caravan State Exploratory
3 Unit, which is proposed to consist of the west half of
4 Section 28, all of Section 32, and all of Section 33.

5 Attachment C to the affidavit is Exhibit B to
6 the unit agreement and shows the working interests and
7 royalty breakdown for the unit.

8 A hundred percent of the working interest is
9 committed to the unit, and a hundred percent of the
10 royalty is owned by the State.

11 Yates and the Yates entities hold about 60
12 percent of the working interest, and the rest of the
13 interest owners have committed their interest.

14 Attachment D to the affidavit is the letter from
15 the Commissioner of Public Lands giving preliminary
16 approval for the unit.

17 Attachment E to the affidavit is an Upper
18 Wolfcamp carbonate isochore map and it shows a north/south
19 trend, as Ms. Fly testifies, that is expected to be
20 encountered within an approximate 50 feet of that
21 carbonate.

22 Attachment F to the affidavit is a Lower
23 Wolfcamp carbonate isochore map, and that shows the
24 channel diverging toward the eastward channel of the
25 Johnson Ranch field, which is further discussed in her

1 affidavit.

2 Attachment G to the affidavit is a combination
3 of the Upper and Lower Wolfcamp zones showing the
4 distribution of carbonates in the proposed unit.

5 Yates Exhibit No. 2 is the authority for
6 expenditure. As you can see on the AFE, the proposed
7 completed well costs will be \$3,597,800.

8 And Exhibit 3 is the affidavit of publication.

9 One matter to bring to your attention,
10 Mr. Jones, you'll see in Ms. Fly's affidavit that she
11 discusses that they plan to drill to the Atoka. We
12 advertised that we would be going to the base of the
13 Wolfcamp.

14 So at the conclusion of my testimony here, I'll
15 ask that this matter be continued so that we can
16 readvertise to correct that list to the Atoka and not the
17 Wolfcamp.

18 Finally, Ms. Fly testifies that the development
19 of this unit area pursuant to a unit plan is in the best
20 interest of conservation, prevention of waste, and the
21 protection of correlative rights.

22 And with that, Mr. Jones, I'd ask that Yates
23 Exhibits 1, along with its attachments, and Exhibits 2 and
24 3 be admitted into evidence.

25 HEARING EXAMINER: Yates Exhibit 1 and all its

1 attachments, and Exhibits 2 and 3 are admitted.

2 MS. MUNDS-DRY: And Mr. Jones, we would ask that
3 this matter be continued until the January 7th docket so
4 that we can readvertise this.

5 HEARING EXAMINER: Okay. This Wolfcamp is -- I
6 never heard of an isochore map.

7 MS. MUNDS-DRY: Neither have I, Mr. Jones. That
8 makes two of us.

9 MR. BROOKS: Actually, I guess if you're going
10 to readvertise, you need to continue it to the 21st
11 because it's not 20 days between now and January 7th.

12 MS. MUNDS-DRY: So to the 21st. Thank you,
13 Mr. Brooks.

14 HEARING EXAMINER: Okay, so the 21st, which
15 is -- Is that going to be a full docket?

16 MR. BROOKS: That's going to be a consent
17 docket. This is a consent case. Uncontested, seems like.

18 HEARING EXAMINER: The only other thing is
19 whether the Wolfcamp is projected to be gas or oil, and
20 this would be for my own information, and they're probably
21 just going to find whatever they find.

22 MS. MUNDS-DRY: That's probably right.

23 HEARING EXAMINER: Whatever they find they'll
24 produce. Okay. Well, with that, we'll just continue Case
25 14404 to January 21st.

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MS. MUNDS-DRY: Thank you, Mr. Examiner.
(Whereupon, the proceedings concluded.)

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

