

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: )  
 ) CASE NO. 13,221  
APPLICATION OF YATES PETROLEUM )  
CORPORATION FOR APPROVAL OF A UNIT )  
AGREEMENT, LEA COUNTY, NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

February 19th, 2004  
Santa Fe, New Mexico

RECEIVED

MAR 4 2004

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, February 19th, 2004, 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

February 19th, 2004  
 Examiner Hearing  
 CASE NO. 13,221

## PAGE

REPORTER'S CERTIFICATE

6

\* \* \*

## E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	3	5
Tab A	3	5
Tab B	4	5
Tab C	4	5
Tab D	(does not exist)	
Tab E	4	5
Tab F	5	5

\* \* \*

## A P P E A R A N C E S

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: WILLIAM F. CARR

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 9:17 a.m.:

3           EXAMINER CATANACH: At this time we'll call Case  
4 13,221, the Application of Yates Petroleum Corporation for  
5 approval of a unit agreement, Lea County, New Mexico.

6           Call for appearances.

7           MR. CARR: May it please the Examiner, my name is  
8 William F. Carr with the Santa Fe office of Holland and  
9 Hart, L.L.P. We represent Yates Petroleum Corporation in  
10 this matter. I will present the case on affidavit.

11           EXAMINER CATANACH: Any additional appearances?

12           Mr. Carr, you may proceed.

13           MR. CARR: Mr. Catanach, this case involves an  
14 Application for approval of a voluntary exploratory unit,  
15 the Atoka Bank State Exploratory Unit. It is comprised of  
16 1280 acres of State of New Mexico lands, located  
17 approximately 40 miles east of the Eddy-Lea County line on  
18 U.S. Highway 128. A hundred percent of the working  
19 interest is owned by Yates Petroleum Corporation and its  
20 affiliated companies. 100 percent of the royalty is owned  
21 by the State of New Mexico. There are no overrides. Yates  
22 proposes to test all formations from the surface to the  
23 base of the Morrow formation.

24           Yates Exhibit Number 1 is an affidavit from  
25 Raymond Podany, petroleum geologist for Yates. He

1 identifies the unit area and attaches the unit agreement,  
2 which conforms to the State Land Office form.

3 The plat, which is marked Tab B, shows the unit  
4 boundary. And the initial test well is to be located --  
5 and this is different than initially shown -- at a location  
6 510 feet to the south line -- originally it was 660 -- and  
7 1980 feet from the east line of Section 17, Township 24  
8 South, Range 33 East.

9 Schedule B to the unit agreement shows the  
10 ownership breakdown, 100 percent of the working interest  
11 being controlled by Yates.

12 There is no letter behind Tab D, which is the  
13 letter from the Commissioner of Public Lands giving  
14 preliminary approval. The reason for that is that we were  
15 advised yesterday that the well location was being moved  
16 from the 910 location to the 660. I discussed this late  
17 yesterday afternoon with Mr. Martinez, and he will be  
18 issuing the order giving the Commissioners' preliminary  
19 approval today. And as soon as that is received, we will  
20 bring it to you and ask that it be included at that time  
21 behind Tab D.

22 Tab E to the affidavit is a net sand isopach for  
23 the Morrow sands. It's based on a limited number of Morrow  
24 penetrations in the area, but the Morrow is the main  
25 producing objective in this exploratory unit.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Tab F is a stratigraphic cross-section that shows the Morrow sands as they go across the proposed unit area. Mr. Podany testifies that development of the unit area pursuant to this plan will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

We therefore request that the Application -- or that Exhibit 1 be approved -- or be admitted, and that the unit be approved once we submit to you the letter from the Commissioner of Public Lands, and I would ask that the record remain open so that we can deliver that letter to you as soon as it is received. The first lease to expire in the unit area expires on June the 1st, 2004.

That concludes my presentation in this matter.

EXAMINER CATANACH: Thank you, Mr. Carr. We'll leave the record open so that you can submit that letter, and we'll admit Exhibit Number 1 at this point.

Anything further?

MR. CARR: That concludes my presentation in this matter.

EXAMINER CATANACH: Okay, there being nothing further, Case 13,221 will be taken under advisement.

(Thereupon, these proceedings were concluded at 9:21 a.m.)

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 13221. \* \* heard by me on February 19, 2004.

*David R. Catnach*, Examiner  
STEVEN T. BRENNER, GCR Conservation Division  
(505) 989-9317

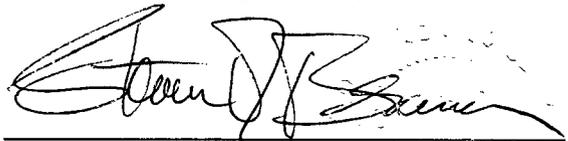
CERTIFICATE OF REPORTER

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 February 20th, 2004.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2006