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STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
CASE 10,709

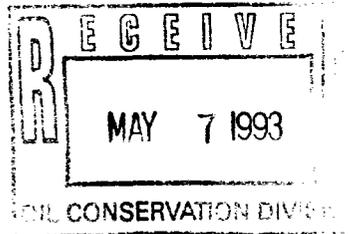
EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corporation for  
compulsory pooling, Eddy County, New Mexico

TRANSCRIPT OF PROCEEDINGS

BEFORE: DAVID R. CATANACH, EXAMINER



**ORIGINAL**

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

April 8, 1993

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

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1	I N D E X	
2		Page Number
3	Appearances	2
4	JANET RICHARDSON	
5	Direct Examination by Mr. Carr	5
6	Examination by Examiner Catanach	9
7	Certificate of Reporter	11
8	* * *	
9		
10		
11	E X H I B I T S	
12	APPLICANT'S EXHIBITS:	
13	Exhibit 1	5
14	Exhibit 2	6
15	Exhibit 3	7
16	Exhibit 4	7
17	Exhibit 5	8
18	* * *	
19		
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21		
22		
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24		
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1                   WHEREUPON, the following proceedings were had  
2 at 4:55 p.m.:

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8                   EXAMINER CATANACH: At this time we'll call  
9 Case 10,709.

10                   MR. STOVALL: Application of Yates Petroleum  
11 Corporation for compulsory pooling, Eddy County, New  
12 Mexico.

13                   EXAMINER CATANACH: Are there appearances in  
14 this case?

15                   MR. CARR: May it please the Examiner, my  
16 name is William F. Carr with the Santa Fe law firm of  
17 Campbell, Carr, Berge and Sheridan. I represent Yates  
18 Petroleum Corporation.

19                   My first witness is Janet Richardson. I  
20 would request that the record reflect that she  
21 testified in the immediately preceding case. Her  
22 qualifications as a petroleum landman were accepted and  
23 made a matter of record at that time.

24                   EXAMINER CATANACH: The record shall so  
25 reflect.

1                   JANET RICHARDSON,

2           the witness herein, having been previously duly sworn  
3           upon her oath, was examined and testified as follows:

4                                   DIRECT EXAMINATION

5           BY MR. CARR:

6                   Q.    Ms. Richardson, are you familiar with the  
7           Application filed on behalf of Yates in Case 10,709?

8                   A.    Yes, I am.

9                   Q.    And are you familiar with the proposal to  
10          force-pool the southwest quarter of Section 16 for the  
11          purpose of dedicating this acreage to the Amole "AMM"  
12          State Com Well Number 1?

13                  A.    Yes, I am.

14                  Q.    Could you identify for the Examiner what has  
15          been marked as Yates Exhibit Number 1?

16                  A.    Exhibit Number 1 is a plat showing the nine  
17          sections, including and around the proposed location,  
18          or locations, in the southwest of Section 16.

19                               The solid yellow is Yates Petroleum 100-  
20          percent acreage, and the outlined yellow is where we  
21          own a partial interest.

22                  Q.    And the Amole is proposed at the standard  
23          location?

24                  A.    Yes, it is.

25                  Q.    And you are seeking an order pooling all

1 minerals from the surface to the base of the Canyon  
2 formation?

3 A. Yes, we are.

4 Q. Is the Canyon the primary objective in this  
5 well?

6 A. Yes.

7 Q. Could you identify what has been marked Yates  
8 Exhibit 2?

9 A. Yes, Exhibit 2 is a compilation of the  
10 interest owners, underneath the southwest quarter of  
11 Section 16. It's been split out in two columns.

12 The first column are the people who joined or  
13 farmed out. They will participate with their interest,  
14 and that was 98.827283 percent.

15 And the other column is for the undecided  
16 parties, and they totaled up to 1.172717 percent.

17 Q. Does the testimony you gave in the  
18 immediately preceding case as to the effort you made to  
19 obtain the voluntary joinder of all interest owners in  
20 this tract apply in this case?

21 A. Yes.

22 Q. You wrote them?

23 A. Yes, I did.

24 Q. You gave them an opportunity to join?

25 A. Yes, I did.

1 Q. An opportunity to farm out?

2 A. Yes, I did.

3 Q. Did you offer to purchase their interests?

4 A. Yes, I have done that.

5 Q. And the individuals who are listed in the  
6 category "undecided", are they again the individuals  
7 who were involved in that Coquina matter that you  
8 discussed in the prior case?

9 A. Yes, they are.

10 Q. They have not told you they will not join;  
11 they just have not made a decision?

12 A. Right.

13 Q. Now, let's take a look at what has been  
14 marked Yates Exhibit 3. Would you identify and review  
15 that for Mr. Catanach?

16 A. Exhibit is our Authority for Expenditure for  
17 drilling this well. The dryhole costs are \$282,200 and  
18 the completed well costs are \$640,800.

19 Q. And again, these figures are consistent with  
20 the figures incurred by Yates in drilling similar wells  
21 in the area; is that correct?

22 A. Yes.

23 Q. Could you identify for us what has been  
24 marked Yates Exhibit Number 4?

25 A. Exhibit Number 4 is our proposal letter to

1 each of the working interest owners in the southwest  
2 quarter of Section 16. We sent them our AFE and  
3 operating agreement, along with this letter  
4 requesting -- you know, asking that they join in  
5 drilling the well.

6 Q. And is Exhibit Number 5 a copy of an  
7 affidavit confirming that notice of today's hearing has  
8 been provided to each of the interest owners identified  
9 on Exhibit A to that affidavit?

10 A. Yes.

11 Q. Do you -- Have you made an estimate of the  
12 overhead and administrative costs while drilling and  
13 also while producing this well, if in fact it is a  
14 successful well?

15 A. Yes, \$5400 for a drilling well rate and \$540  
16 for a producing well rate.

17 Q. And these figures are again consistent with  
18 the most recent figures approved in a pooling order for  
19 Yates by this division for similar wells?

20 A. Yes. Yes, they are.

21 Q. Again, is it possible that Yates might desire  
22 to drill additional wells on the pooled acreage?

23 A. Yes.

24 Q. And would again you recommend that a  
25 provision similar to the provision worked out with the

1 Division for the Voight wells be incorporated into an  
2 order that results from this hearing?

3 A. Yes.

4 Q. Does Yates seek to be designated operator of  
5 the proposed well?

6 A. Yes.

7 Q. Were Exhibits 1 through 5 either prepared by  
8 you or compiled under your direction?

9 A. Yes, they were.

10 MR. CARR: At this time, Mr. Catanach, I  
11 would move the admission of Yates Exhibits 1 through 5.

12 EXAMINER CATANACH: Exhibits 1 through 5 will  
13 be admitted as evidence.

14 MR. CARR: That concludes my direct  
15 examination of Ms. Richardson.

16 EXAMINATION

17 BY EXAMINER CATANACH:

18 Q. Ms. Richardson, in your notice to the working  
19 interest owners, I noticed that in this case you just  
20 propose that they join in the drilling of the well and  
21 gave them no other options, and in the previous case  
22 you had given them the option of farming out.

23 A. Yes, and I had followed up with this letter  
24 and requested -- asked that they farm out also.

25 Q. Okay, we don't have a copy of that?

1 A. No, I guess not.

2 Q. Okay. Can we get one?

3 A. Yes.

4 EXAMINER CATANACH: Okay, that's all I have.

5 (Off the record)

6 EXAMINER CATANACH: I have nothing further.

7 MR. CARR: At this time, Mr. Catanach, I  
8 would request that the testimony presented in Case  
9 10,708 by Mrs. Fly and Dr. Boneau be incorporated by  
10 reference into this case and that a risk penalty of 200  
11 percent be assessed against any interest owner who does  
12 not voluntarily join in this well, based on their  
13 testimony.

14 (Off the record)

15 EXAMINER CATANACH: At Mr. Carr's request,  
16 we'll incorporate the testimony of Dr. Boneau and Ms.  
17 Fly into the record in this case.

18 MR. CARR: We have nothing further in Case  
19 10,709.

20 EXAMINER CATANACH: There being nothing  
21 further, Case 10,709 will be taken under advisement.

22 (Thereupon, these proceedings were concluded  
23 at 5:00 p.m.)

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