

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. 13,230

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

RECEIVED

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REPORTER'S TRANSCRIPT OF PROCEEDINGS Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

EXAMINER HEARING

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

March 18th, 2004

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, March 18th, 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.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

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A P P E A R A N C E S

FOR THE DIVISION:

DAVID K. BROOKS, JR.
Assistant 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
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P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: MICHAEL H. FELDEWERT

* * *

1 WHEREUPON, the following proceedings were had at
2 8:40 a.m.:

3
4 EXAMINER JONES: Okay, let's call Case 13,230,
5 amended Application of Yates Petroleum Corporation for
6 approval of a unit agreement, Chaves 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 no witnesses.

12 EXAMINER JONES: Any other appearances?

13 MR. FELDEWERT: Mr. Examiner, with this
14 Application Yates is seeking approval of the Dice State
15 Exploratory Unit by affidavit, pursuant to Division policy.
16 It's comprised of 3840 acres of State of New Mexico lands
17 and located approximately twelve miles east of Roswell.
18 One hundred percent of the working interest in these lands
19 is committed to the unit agreement.

20 It involves entirely State of New Mexico lands,
21 which means that 100 percent of the royalty is the State of
22 New Mexico, and Yates proposes to test all formations from
23 the top of the San Andres to the Precambrian formation.

24 Yates Exhibit Number 1 is the affidavit of Tim
25 Miller, M-i-l-l-e-r. He's a petroleum geologist, and again

1 in his affidavit he identifies and discusses the project.

2 Exhibit A to the affidavit is a fully executed
3 copy of the unit agreement. It conforms to the State of
4 New Mexico Land Office form and has been fully executed by
5 -- and you'll see it has a number of signature pages,
6 evidencing the execution by all of the record title owners
7 and the working interest owners in this area.

8 Exhibit B to the affidavit is a plat -- or is the
9 plat to the executed unit agreement which identifies the
10 unit boundary as well as the ownership within this area by
11 section.

12 Exhibit C to the affidavit is the Schedule "B" to
13 the unit agreement which shows the ownership breakdown.

14 And Exhibit D to the affidavit is comprised of
15 two letters from the Commissioner of Public Lands Office.
16 There's the initial letter from the Commissioner granting
17 preliminary approval to the formation of this unit, and
18 then the second letter which comprises this attachment D is
19 dated March 8th, 2004, and it approves an amended page 5 to
20 the unit agreement.

21 Exhibit E to the affidavit is a gross sand
22 isopach for the Siluro-Devonian which shows down there in
23 Section 22. The proposed initial test well, which is to be
24 located at a standard gas well location 1980 from the south
25 and east lines, which would be Unit K of that Section 22.

1 It's projecting that the initial test well at the proposed
2 location will encounter 400 to 450 feet of Siluro-Devonian
3 dolomite, and you'll see that the unit area is outlined in
4 yellow.

5 You'll also note that on this map, Mr. Examiner,
6 that there are some cross-section lines, which form
7 Exhibits G and H. They're rather bulky, so I would suggest
8 that you might want to look at those cross-sections later.
9 But in essence, there's two large structural cross-sections
10 of this area.

11 The one thing I want to note for the record is
12 that when you get to attachments G and H to this affidavit,
13 the legend for those attachments shows a slightly different
14 well location. I've checked with Mr. Miller, and that
15 legend was simply a mistake. It doesn't affect the
16 science, I just wanted to point out that if you happen to
17 notice a discrepancy between Exhibits E and F and then the
18 legends on G and H, at least is at the -- the legends on G
19 and H are incorrect and that the location as shown on E and
20 F is correct.

21 Exhibit F, then, to this affidavit, is a seismic
22 time-structure map for this area. It shows that the
23 proposed location of the initial test well will be
24 structurally higher than an existing producing well to the
25 west of the unit over there in Section 21. And again, it

1 shows the cross-section lines for Exhibits G and H.

2 Exhibit G, in essence, follows the red line,
3 A-A', and Exhibit H to the affidavit follows the green
4 line, B-B', which runs from north to south. And when you
5 look at those, later when you pull those out, you'll notice
6 that they demonstrate the complexity of this area and that
7 you do have substantial variations in the dolomite
8 thickness over a fairly short distance.

9 And that's about as well as I can articulate as
10 an attorney what the geology is, but Mr. Miller has set
11 forth in Exhibit I, which is the last attachment to this
12 affidavit, a summary of the geology in this area, so I
13 would direct you to that as a more thorough explanation of
14 what they are doing with this project.

15 In essence, it's a stepout to the northeast in
16 this area, and Mr. Miller testifies in his affidavit that
17 the approval of this unit and the development of this unit
18 area pursuant to the unit plan is in the best interest of
19 conservation, the prevention of waste and protection of
20 correlative rights.

21 So we ask that Yates Exhibit Number 1 and its
22 attachments be admitted into evidence, and we ask that this
23 matter be taken under advisement and request that the
24 Division enter an order in this case approving the Dice
25 State Exploratory Unit.

1 EXAMINER JONES: Okay, let's take Exhibit Number
2 1 into evidence. And any questions?

3 With that, thank you very much. We'll take Case
4 13,230 under advisement.

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

6 EXAMINER JONES: Thank you.

7 (Thereupon, these proceedings were concluded at
8 8:47 a.m.)

9 * * *

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

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_____. Examiner
Oil Conservation Division

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 March 19th, 2004.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006