

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

CASE NO. 13,388

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

December 2nd, 2004

Santa Fe, New Mexico

2004 DEC 16 PM 2 05

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, December 2nd, 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

December 2nd, 2004  
Examiner Hearing  
CASE NO. 13,388

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\* \* \*

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	3	5

\* \* \*

A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN  
Deputy 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  
110 N. Guadalupe, Suite 1  
P.O. Box 2208  
Santa Fe, New Mexico 87504-2208  
By: OCEAN MUNDS-DRY  
and  
WILLIAM F. CARR

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   8:22 a.m.:

3           EXAMINER STOGNER: So at this time I will call  
4   Case Number 13,388, which is the Application of Yates  
5   Petroleum Corporation for approval of a unit agreement, Lea  
6   County, New Mexico.

7           Call for appearances, please.

8           MS. MUNDS-DRY: Good morning, my name is Ocean  
9   Munds-Dry. I'm with Holland and Hart and I'm here on  
10   behalf of Yates Petroleum Corporation this morning, and I'm  
11   appearing with William F. Carr.

12          EXAMINER STOGNER: Any other appearances for  
13   Yates, 13,388?

14          Ms. Munds-Dry?

15          MS. MUNDS-DRY: Good morning, Mr. Hearing  
16   Examiner. Yates seeks approval of the Azure State  
17   Exploratory Unit and seeks approval of this proposed unit  
18   by affidavit pursuant to Division policy.

19           I put before you Exhibit 1, the affidavit of John  
20   Amiet. This unit is comprised of approximately 2220 acres  
21   of State of New Mexico lands. It's located approximately  
22   six miles west of Tatum.

23           You will see the affidavit before you is from  
24   John Amiet, petroleum geologist, and he's identifying the  
25   project in the affidavit.

1           You will see Attachment A is a fully executed  
2 copy of a unit agreement. This does conform to the State  
3 Land Office form.

4           You will see Attachment B to the affidavit is a  
5 copy of the plat to the executed unit agreement identifying  
6 the unit boundaries. The initial test well is to be  
7 located at a standard gas well location 1480 feet from the  
8 west line and 1050 feet from the north line of Section 18,  
9 and this will test all formations from the surface to an  
10 approximate total depth of 12,775 feet.

11           You will see Attachment C to the affidavit is a  
12 copy of the ownership breakdown. You will notice that 100  
13 percent of the working interest is owned by Yates and its  
14 affiliated companies. You will also see in this list that  
15 100 percent is voluntarily committed to the unit. This  
16 means that Yates will have complete control of the  
17 operations.

18           Mr. Hearing Examiner, you will see Attachment D  
19 to the affidavit is a letter from the Commissioner of  
20 Public Lands giving preliminary approval to the formation.

21           Attachment D [*sic*] to the affidavit is a net sand  
22 isopach map for the Atoka-Morrow sands illustrating Yates'  
23 projection of the sand trend in this area. Atoka-Morrow  
24 sands are the primary, main producing objective of this  
25 unit. Yates is attempting to locate channel sands by

1 utilizing 3-D seismic, log correlation and regional  
2 mapping. Although these gas sands can be very productive,  
3 the channels are often narrow and limited in areal extent.

4 The target sand channels on this map are shown  
5 with red lines on the Austin isopach map. You'll also see  
6 the productive Atoka-Morrow wells shown on the map by  
7 purple circles.

8 Attachment F to the affidavit is a structural  
9 cross-section of the Atoka-Morrow sands in the proposed  
10 area. It shows a channel system eroding in the underlying  
11 Austin limestone.

12 Mr. Hearing Examiner, Mr. Amiet testifies in his  
13 affidavit that there's no production from any horizon  
14 inside the proposed unit area. Mr. Amiet also testifies  
15 that the development of this unit area pursuant to a unit  
16 plan is in the best interests of conservation, the  
17 prevention of waste and the protection of correlative  
18 rights.

19 We ask at this time that Yates Exhibit Number 1  
20 be admitted into evidence, as well as its attachments, and  
21 we ask that this matter be taken under advisement.

22 EXAMINER STOGNER: Exhibit Number 1 and all of  
23 its attachments will be admitted into evidence at this  
24 time.

25 Do you know if there's any expiring leases coming

1 up or what the expiration date is, perhaps -- oh, it's  
2 there in Attachment C. I see it now. Is that in -- what,  
3 the fourth column?

4 MS. MUNDS-DRY: Right, it gives the expiration  
5 dates on there.

6 EXAMINER STOGNER: So it looks like there's --

7 MS. MUNDS-DRY: All the --

8 EXAMINER STOGNER: -- the earliest one would be  
9 January 1st; is that correct?

10 MS. MUNDS-DRY: That's my understanding, Mr.  
11 Hearing Examiner.

12 EXAMINER STOGNER: Anybody have any questions or  
13 anything further in this matter?

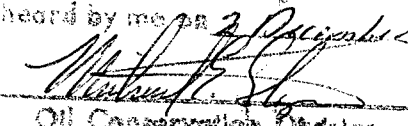
14 In that case, Case Number 13,388 will be taken  
15 under advisement.

16 MS. MUNDS-DRY: Thank you.

17 EXAMINER STOGNER: Thank you. Oh,  
18 congratulations, this is your first case.

19 MS. MUNDS-DRY: Thank you very much.

20 (Thereupon, these proceedings were concluded at  
21 8:28 a.m.)

22 \* \* \* I hereby certify that the foregoing is  
23 a complete record of the proceedings in  
24 the Examiner hearing of Case No. 13388  
25 heard by me on 2/2/2004  
 Examiner  
Oil Conservation Division

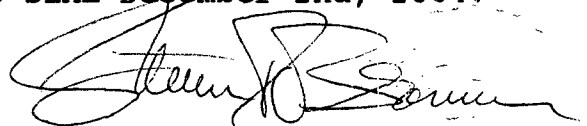
CERTIFICATE OF REPORTER

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 December 2nd, 2004.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2006