

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:

ORIGINAL

CASE 15342

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

July 9, 2015

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

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This matter came on for hearing before the
New Mexico Oil Conservation Division, William V. Jones,
Chief Examiner and Gabriel Wade, Legal Examiner, on July
9, 2015, at the New Mexico Energy, Minerals, and Natural
Resources Department, Wendell Chino Building, 1220 South
St. Francis Drive, Porter Hall, Room 102, Santa Fe, New
Mexico.

REPORTED BY: ELLEN H. ALLANIC
NEW MEXICO CCR 100
CALIFORNIA CSR 8670
PAUL BACA COURT REPORTERS
500 Fourth Street, NW
Suite 105
Albuquerque, New Mexico 87102

1 A P P E A R A N C E S

2 For the Applicant

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I N D E X

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CASE NUMBER 15342 CALLED

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YATES PETROLEUM CORPORATION, CASE-IN-CHIEF:

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Reporter's Certificate

PAGE
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E X H I B I T I N D E X

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Exhibits Offered and Admitted

PAGE
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Yates Petroleum Corporation Exhibit 1

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1 (Time noted 9:19 a.m.)

2 EXAMINER JONES: I think we have one more
3 case today. If you guys are ready, we will call case
4 15342, which is Application of Yates Petroleum
5 Corporation for approval of an exploratory unit
6 agreement, Lea County, New Mexico. Just like the old
7 days.

8 Call for appearances.

9 MR. LARSON: Good morning, Mr. Examiner.
10 Gary Larson of Hinkle Shanor on behalf of Applicant
11 Yates Petroleum Corporation.

12 I do not have any witnesses.

13 EXAMINER JONES: Any other appearances?

14 (No response.)

15 MR. LARSON: May I approach.

16 EXAMINER JONES: Yes, sir.

17 MR. LARSON: This case involves an
18 application by Yates for approval of its Tomorrow State
19 Exploratory Unit. The proposed unit which comprises a
20 total of 1,920.76 acres, more or less, is located in all
21 of sections 35, township 23 south, range 35 east, and
22 all of section 2, township 24 south, range 35 east in
23 Lea County approximately ten miles northwest of Jal.

24 The proposed unit is entirely on state land.
25 And Yates is proposing to test all formations from the

1 surface to the base of the Wolfcamp. It's initial test
2 well, a horizontal pilot well called the Tomorrow State
3 Unit No. 1, will be drilled to a depth of 11,900 feet,
4 which will allow Yates to evaluate the entire Third Bone
5 Spring Sandstone.

6 The primary objective for the initial test
7 well is the Basal Lower Brushy Canyon. And under its
8 plan Yates intends to extend Lower Brushy Canyon oil and
9 gas production into an area where currently there is no
10 production.

11 And on the document marked as Yates
12 Exhibit 1 is the self-affirmed statement of Sterling Fly
13 III, who is the Yates geologist responsible for the
14 exploratory unit. And in a self-affirmed statement,
15 Mr. Fly describes the horizontal and vertical limits of
16 the proposed unit area. And he has attached seven
17 exhibits to the statement, all of which are true and
18 correct copies as he attests.

19 Exhibit A is a copy of a unit agreement.
20 Exhibit B is a plat depicting the unit area. Exhibit C
21 is Yates' AFE for the initial test well. The AFE
22 identifies the dry hole cost of \$2,791,000 and a
23 completed well cost of \$7,517,000.

24 Exhibit D identifies the leases in working
25 interests in the unit area. Exhibit E includes copies

1 of the timely hearing notice letters sent to the state
2 land office and to Devon Energy Production Company, and
3 the associated U.S.P.S. green cards.

4 Exhibit F is comprised of the hearing notice
5 letter that Yates sent to Oxy Y-1 Company and a letter
6 from Oxy Y-1 waiving its right to receive notice of
7 20 days prior to today's hearing and stating that Oxy
8 Y-1 does not oppose Yates' application.

9 Exhibit G is a letter from a commissioner of
10 public lands granting preliminary approval of the
11 proposed Tomorrow State Exploratory Unit.

12 Exhibit H is an isopach map, showing the
13 thickness of the primary objective in the Lower Brushy
14 Canyon. Mr. Fly notes that Yates' initial test will be
15 centered on the thick area to the east and offers his
16 opinion that the prospects for that area are very good.

17 The final exhibit, Exhibit I, is an east to
18 west cross section which highlights the target interval
19 in the Lower Brushy Canyon.

20 And Mr. Fly also offers his opinion that the
21 approval of Yates' application will result in the
22 efficient recovery of hydrocarbons, prevent waste, and
23 protect correlative rights.

24 And, finally, Mr. Fly requests, because
25 Yates is facing an August 1 lease termination date, that

1 the application be given expedited consideration.

2 And with that I move the admission of Yates
3 Exhibit 1.

4 EXAMINER JONES: Yates Exhibit 1 is
5 admitted.

6 (Yates Petroleum Corporation Exhibit 1 was
7 offered and admitted.)

8 EXAMINER JONES: So did you say you had
9 preliminary approval from the state land office?

10 MR. LARSON: Yes.

11 EXAMINER JONES: And that is part of this
12 exhibit?

13 THE WITNESS: It is exhibit --

14 EXAMINER JONES: I must have went to sleep
15 there.

16 MR. LARSON: I wasn't enthralling you?

17 EXAMINER JONES: Actually, I enjoy it --

18 MR. LARSON: It's Exhibit G.

19 EXAMINER JONES: Okay. It looks like you
20 got your project area there.

21 We don't have any questions. We
22 appreciate -- tell Mr. Moran we will see him next time.

23 MR. LARSON: I will do that. Thank you.

24 EXAMINER JONES: Thank you. We will take
25 case 15342 under advisement. And the hearing is

1 adjourned.

2 (Time noted 9:30 a.m.)

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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

1 STATE OF NEW MEXICO)
2) ss.
3 COUNTY OF BERNALILLO)
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7 REPORTER'S CERTIFICATE

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9 I, ELLEN H. ALLANIC, New Mexico Reporter CCR
10 No. 100, DO HEREBY CERTIFY that on Thursday, July 9,
11 2015, the proceedings in the above-captioned matter were
12 taken before me, that I did report in stenographic
13 shorthand the proceedings set forth herein, and the
14 foregoing pages are a true and correct transcription to
15 the best of my ability and control.

16
17 I FURTHER CERTIFY that I am neither employed by
18 nor related to nor contracted with (unless excepted by
19 the rules) any of the parties or attorneys in this case,
20 and that I have no interest whatsoever in the final
21 disposition of this case in any court.

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ELLEN H. ALLANIC, CSR
NM Certified Court Reporter No. 100
License Expires: 12/31/15