

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. 13,611

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

January 5th, 2006

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, January 5th, 2006, 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.

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I N D E X

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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

* * *

ALSO PRESENT:

JOHN AMIET
PILAR RITCHERSON

* * *

1 WHEREUPON, the following proceedings were had at
2 8:25 a.m.:

3
4 EXAMINER CATANACH: Okay, at this time I will
5 call Case 13,611, the Application of Yates Petroleum
6 Corporation for approval of a unit agreement, Lea County,
7 New Mexico.

8 Call for appearances.

9 MS. MUNDS-DRY: Good morning, Mr. Hearing
10 Examiner. My name is Ocean Munds-Dry with the law firm of
11 Holland and Hart here in Santa Fe, here representing Yates
12 Petroleum Corporation this morning.

13 EXAMINER CATANACH: Any additional appearances?
14 Okay, you may proceed, Ms. Munds-Dry.

15 MS. MUNDS-DRY: Thank you, Mr. Catanach. I'd
16 also like to point out that Mr. Amiet and Pilar Ritcherson
17 are here in back of me this morning, which is a little
18 unusual as I'm presenting Mr. Amiet's affidavit, so I'll be
19 talking about him in third person, but I just wanted to
20 recognize that he was in the audience.

21 EXAMINER CATANACH: Okay.

22 MS. MUNDS-DRY: Mr. Hearing Examiner, Yates seeks
23 approval of the Pitney State Exploratory Unit this morning.
24 Yates seeks approval of this proposed unit by affidavit,
25 pursuant to Division policy.

1 This unit is comprised of 12,480 acres of State
2 of New Mexico and fee lands. There are approximately
3 12,400 acres of State lands and 80 acres of fee lands.
4 This is in Lea County, New Mexico, and locate approximately
5 two miles west of Tatum.

6 Mr. Hearing Examiner, you'll note that Exhibit
7 Number 1 is the affidavit of Mr. Amiet. He's the petroleum
8 geologist identifying this project.

9 Attachment A to the affidavit is a copy of the
10 unit agreement. It conforms to the State Land Office form.

11 And Attachment B to the unit agreement is a copy
12 of the plat to the unit agreement identifying the unit
13 boundary.

14 Yates proposes to test all formations from the
15 surface to the base of the Mississippian formation. The
16 initial test well is to be located at a standard location
17 1980 feet from the east line and 660 feet from the south
18 line of Section 23, Township 12 South, Range 35 East. And
19 this will test all formations from the surface to an
20 approximate total depth of 13,700 feet.

21 I do want to note that this is a two-well
22 commitment, given the size of the unit.

23 Attachment C to the affidavit is a copy of the
24 ownership breakdown. 89 percent of the working interest is
25 now committed to the unit, 99 percent of the royalty is

1 owned by the State. As I noted earlier, 80 acres is fee
2 land. Approximately 14 acres of that land is leased at
3 this time, and 66 acres remains unleased.

4 So if I can ask you to skip ahead, you'll also
5 see that Exhibit 3 is a letter that was sent to the
6 unleased interest owners asking them to participate in the
7 well, and you will see there's a letter for each interest
8 owner there, as well as attached in the back are the copies
9 of the green cards.

10 Attachment D to the affidavit is a letter from
11 the Commissioner of Public Lands giving preliminary
12 approval to the formation of the unit.

13 Attachment E to the unit is a top-of-Austin
14 structure map. Basal Morrow sand channels have proven to
15 be good reservoir several miles to the west of the proposed
16 unit. Yates is attempting to extend the Morrow trend onto
17 this proposed unit. The interpreted Morrow channels are
18 shown in this light blue color here on the map.

19 The map also shows that structure is very
20 important to this unit as there's a north-south fault which
21 is shown in the heavy black lines located immediately west
22 of the proposed unit.

23 This map also shows the first proposed location
24 and the possible location for the second well in red there.

25 Attachment F to the affidavit is a structural

1 cross-section map. Mr. Amiet has shown one of the EOG
2 Empanada wells as the first well on this cross-section.
3 This well is located on an intermediate step-down block in
4 the southwest corner, and both of the Empanada wells have
5 good lower Morrow sands and should produce.

6 The cross-section also shows these wells to be
7 several hundred feet higher than the three wells in the
8 deep basin, due to a second fault. And if you look back at
9 Attachment E, you'll see the other productive Atoka-Morrow
10 wells in purple. Mr. Amiet has shown that on here.

11 Drill stem tests were done on those three wells
12 and they were shown as either wet or tight.

13 Yates's well also -- on the far right-hand side
14 of the cross-section -- also found a thick Atoka sand which
15 you also can see here on the cross-section.

16 So as you see, Mr. Amiet has shown you at the
17 Pitney location Yates is attempting to build on a subtle
18 structural high. He's exaggerated that so that you're able
19 to see that clearly here on the cross-section.

20 And Yates Exhibit Number 2 is the AFE. The
21 dryhole costs will be \$2,140,800, and a completed
22 successful well will be \$2,904,300.

23 And finally, Exhibit Number 4 is the affidavit of
24 publication, showing that notice was given in the
25 newspaper. And that is all for the Exhibits.

1 Mr. Amiet testifies that the development of this
2 unit area is pursuant to unit plan and is in the best
3 interest of conservation, the prevention of waste and the
4 protection of correlative rights.

5 And Mr. Hearing Examiner, we ask that Yates
6 Exhibits Number 1 through 4 be admitted into evidence.

7 EXAMINER CATANACH: Yates Exhibits 1 through 4
8 will be admitted.

9 Ms. Munds-Dry, can we get a more legible copy of
10 the affidavit of publication? Do you have one?

11 MS. MUNDS-DRY: How about I give you the
12 original?

13 EXAMINER CATANACH: Okay, that would be fine.

14 MS. MUNDS-DRY: Will that work for you?

15 EXAMINER CATANACH: Have you examined that, by
16 any chance, to see if that's accurate?

17 MS. MUNDS-DRY: In terms of all the sections?

18 EXAMINER CATANACH: Right. You don't have to do
19 it now, but --

20 MS. MUNDS-DRY: Okay, I'll look at it.

21 EXAMINER CATANACH: Okay.

22 MS. MUNDS-DRY: It should be correct.

23 EXAMINER CATANACH: Thank you. Anything further?

24 MS. MUNDS-DRY: I have nothing further, Mr.
25 Hearing Examiner.

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EXAMINER CATANACH: Okay, there being nothing further, Case Number 13,611 will be taken under advisement.

(Thereupon, these proceedings were concluded at 8:30 a.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 13611 heard by me on January 6, 2016
David R. Catnach, Examiner
Oil Conservation Division

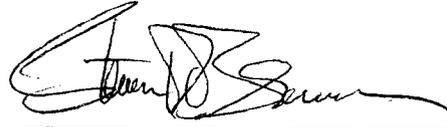
CERTIFICATE OF REPORTER

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 January 5th, 2006.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006