

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. 14,061

APPLICATION OF YATES PETROLEUM)
CORPORATION FOR COMPULSORY POOLING,)
CHAVES COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, Jr., Technical Examiner
DAVID K. BROOKS, Jr., Legal Examiner

January 10th, 2008

Santa Fe, New Mexico

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This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, Jr., Technical Examiner, DAVID K. BROOKS, Jr., Legal Examiner, on Thursday, January 10th, 2008, 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
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WVJ 4/8/08

I N D E X

January 10th, 2008
 Examiner Hearing
 CASE NO. 14,061

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<u>WILMER BRIGGS</u> (Landman)	
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A P P E A R A N C E S

FOR THE DIVISION:

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Energy, Minerals and Natural Resources Department
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FOR THE APPLICANT:

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Santa Fe, New Mexico 87504-2208
By: OCEAN MUNDS-DRY

* * *

1 WHEREUPON, the following proceedings were had at
2 8:58 a.m.:

3 EXAMINER JONES: And let's call Case Number
4 14,061, Application of Yates Petroleum Corporation for
5 compulsory pooling, Chaves County, New Mexico.

6 Call for appearances.

7 MS. MUNDS-DRY: Mr. Examiner, Ocean Munds-Dry
8 with the law firm of Holland and Hart, here representing
9 Yates Petroleum Corporation this morning, and I have one
10 witness.

11 EXAMINER JONES: Let the record reflect the
12 witness has been sworn.

13 Any other appearances?

14 I have a record in our file that -- I guess I
15 made a mistake here, but OXY made an appearance through
16 attorney Scott Hall?

17 MS. MUNDS-DRY: Yes, and Mr. Examiner, I talked
18 to Mr. Hall and he wasn't even sure that he was going to
19 appear and doesn't appear to have done so this morning.

20 EXAMINER JONES: Okay, we have his appearance on
21 record, his entry of appearance on record, and I think a
22 prehearing statement from him also.

23 MS. MUNDS-DRY: I believe that's correct.

24 EXAMINER JONES: Any other appearances? Okay, no
25 other appearances.

1 MS. MUNDS-DRY: Thank you.

2 WILMER BRIGGS,

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

5 DIRECT EXAMINATION

6 BY MS. MUNDS-DRY:

7 Q. Would you please state your name for the record?

8 A. Wilmer Briggs.

9 Q. And where do you reside?

10 A. Pardon?

11 Q. Where do you reside?

12 A. 209 Grapevine Court, Carlsbad, New Mexico.

13 Q. I know we've done a lot of --

14 (Laughter)

15 Q. (By Ms. Munds-Dry) And by whom are you employed
16 and what is your position?

17 A. Yates Petroleum Corporation, and I'm a landman.

18 Q. And have you previously testified with the
19 Division?

20 A. Yes, I have.

21 Q. And were your credentials as a petroleum landman
22 made a matter of record?

23 A. Yes, they are -- were.

24 Q. Are you familiar with the Application that's been
25 filed in this case?

1 A. Yes, I am.

2 Q. And are you familiar with the status of the lands
3 that are the subject of this Application?

4 A. Yes, I am.

5 Q. Mr. Briggs, would you please state what Yates
6 seeks with this Application?

7 A. We're pooling interest from the surface to the
8 base of the Mississippian in the south half of Section 2,
9 Township 12 South, Range 31 East, in Chaves County, New
10 Mexico.

11 Q. What is the name of the well that will be
12 dedicated to this spacing unit?

13 A. It will be the Patsy State Unit Well Number 6.

14 Q. And where will it be located?

15 A. It will be 990 feet from the south line, and 1650
16 feet from the west line of Section 2.

17 Q. Thank you. Would please turn to what's been
18 marked as Exhibit Number 1 --

19 A. Yes.

20 Q. -- and review this for Mr. Jones?

21 A. It's the -- This is a map of the Patsy State Unit
22 area, and if you look right almost in the middle, up in the
23 middle, you have Section 2, and if you look in the -- where
24 the 2 -- 3, 2 and 4 is, down in the southwest quarter of
25 Section 2, then right in there would be the -- an

1 approximation of the well location.

2 Q. Would you please turn to Exhibit 2 and identify
3 and review this for the Examiner?

4 A. Exhibit Number 3?

5 Q. Number 2.

6 A. Two, okay. Yeah, this is the Exhibit A that went
7 with the AFE, and it shows the ownership interest as being
8 Yates Pet, the -- four of the Yates Companies, with
9 Chesapeake, Occidental Permian and Energen. Occidental is
10 the one that we're force pooling in this situation.

11 Q. And what is Occidental Permian's interest in the
12 subject spacing unit?

13 A. 12.5 percent.

14 Q. What is the primary objective of the proposed
15 well?

16 A. We're looking for Mississippian gas.

17 Q. Okay, if you'll please turn to what's been marked
18 as Exhibit Number 3 and summarize these efforts to obtain
19 voluntary participation from OXY.

20 A. This is the letter that went out October the 23rd
21 to OXY, actually inviting them into the well. It was sent
22 certified with a signature received back.

23 OXY is actually moving locations from the Odessa-
24 Midland office out to Houston, Texas, and they've had some
25 real tough -- some time with their management decisions at

1 this point and have -- basically not making any decisions
2 and referring everything to Houston, which, in this mode
3 that they're in right now, they're just not responding at
4 all. And that's what is happening here.

5 Q. So in your opinion, has Yates made a good faith
6 effort to obtain the voluntary participation in this well?

7 A. Yes, they have.

8 Q. Would you please turn to Exhibit Number 4 --

9 A. Okay.

10 Q. -- and identify and review?

11 A. It's the AFE associated with this well. It's
12 showing the Mississippian at a projected level of 11,300,
13 indicates --

14 Q. And what are the dryhole and completed well
15 costs?

16 A. Pardon?

17 Q. What are the dryhole and the completed well
18 costs?

19 A. Okay, the dryhole cost is estimated to be
20 \$1,643,800, the completed well cost is \$2,403,300.

21 Q. And are these costs in line with what Yates and
22 other operators in the area are charging for similar wells?

23 A. Yes, they are.

24 Q. And have you made an estimate of overhead and
25 administrative costs while drilling and while producing

1 this well if it's successful?

2 A. We have. The drilling rate is identified at
3 \$7629.24 per month, and the producing rate is at \$769.24.

4 Q. Did you say \$7692 --

5 A. -- per month, for the drilling rate --

6 Q. Okay.

7 A. -- and the producing rate at \$769.24. Correct?

8 Q. Thank you.

9 EXAMINER JONES: Sorry, say one more time the
10 drilling rate?

11 MS. MUNDS-DRY: It's not a nice round number, so
12 I want to make sure that --

13 THE WITNESS: \$7629.24 --

14 MS. MUNDS-DRY: -92, I believe. Do you have --

15 THE WITNESS: What?

16 MS. MUNDS-DRY: Do you have -692 or -629?

17 THE WITNESS: Did I write it down here wrong?

18 Let's see. I have an operating agreement.

19 For the drilling well rate, \$7692 -- I did have
20 it wrong, sorry -- point 41 cents. And then for the
21 producing well, seven thousand -- I mean, \$769.24.

22 MS. MUNDS-DRY: Did you get that, Mr. Jones?

23 EXAMINER JONES: The drilling rate, one more
24 time?

25 THE WITNESS: Okay, drilling rate, \$7692.

1 EXAMINER JONES: -- -92, okay.

2 THE WITNESS: -- point 41.

3 EXAMINER JONES: Point 41?

4 THE WITNESS: Yes, sir.

5 EXAMINER JONES: Okay.

6 THE WITNESS: Producing well rate, \$769.24.

7 Q. (By Ms. Munds-Dry) Do you recommend that those
8 figures be incorporated into any order that results from
9 this hearing?

10 A. Yes, I do.

11 Q. And does Yates request that in accordance with
12 Division Rules that the maximum charge of 200 percent be
13 imposed on those working interest owners that do not
14 voluntarily commit their interests?

15 A. Yes, I do.

16 Q. And does Yates request that it be designated
17 operator of this well?

18 A. Yes.

19 Q. And in your opinion is the granting of this
20 Application in the best interest of conservation, the
21 protection of correlative rights and the prevention of
22 waste?

23 A. Yes, I do.

24 Q. And is Exhibit Number 5 a copy of my notice
25 affidavit, Exhibit A to the Application, the affidavit of

1 publication, the notice letter that was sent to Occidental
2 and a copy of the green cards?

3 A. Yes, it is.

4 MS. MUNDS-DRY: And with that, Mr. Jones, we
5 would move the admission of Exhibits Number 1 through 5
6 into evidence.

7 EXAMINER JONES: Exhibits 1 through 5 will be
8 admitted into evidence.

9 EXAMINATION

10 BY EXAMINER JONES:

11 Q. This is John Humphrey's unit; is that right? The
12 Patsy Cline? He named it after Patsy Cline?

13 A. Oh, yeah? Okay.

14 Q. He's --

15 A. -- that far --

16 MS. MUNDS-DRY: All of the country singers.

17 (Laughter)

18 Q. (By Examiner Jones) As far as sharing the costs
19 within a unit like this, do you share -- does every owner
20 in the unit share in the cost of this well?

21 MS. MUNDS-DRY: And Mr. Examiner, this is
22 actually a window in the unit, so this is actually not
23 being produced within the unit. So this is -- OXY did not
24 commit their unit, so this is being drilled on a lease
25 basis.

1 EXAMINER JONES: Okay. Okay, outside of unit.

2 Okay, Mr. Brooks knows a lot more about this than
3 I do. I think I'll --

4 I notice there's a Queen gas associated pool here
5 which is either 40-acre oil or 320 gas, depending on what
6 you get, but I guess you're going for the Atoka? Atoka
7 looks like the main zone in this area, Atoka gas. I found
8 a Wolfcamp Pool, Atoka Pool, and the Queen Pool, and that's
9 it in this area.

10 I have no more questions.

11 EXAMINER BROOKS: I don't have anything. It
12 looks like the notices are all in order.

13 EXAMINER JONES: Okay, thank you very much.

14 THE WITNESS: Thank you.

15 MS. MUNDS-DRY: Thank you, Mr. Jones.

16 EXAMINER JONES: Ms. Munds-Dry, we'll take Case
17 14,061 under advisement.

18 (Thereupon, these proceedings were concluded at
19 9:07 a.m.)

20 * * *

21 I do hereby certify that the foregoing is
22 a complete record of the proceedings in
23 the Examiner hearing of Case No. _____
24 heard by me on _____, Examiner
25 _____
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 11th, 2008.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010