

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. 14,058  
APPLICATION OF YATES PETROLEUM )  
CORPORATION FOR COMPULSORY POOLING, )  
LEA COUNTY, NEW MEXICO )

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.

\* \* \*

## I N D E X

January 10th, 2008  
 Examiner Hearing  
 CASE NO. 14,058

|                                     | PAGE |
|-------------------------------------|------|
| APPEARANCES                         | 3    |
| APPLICANT'S WITNESS:                |      |
| <u>WILMER BRIGGS</u> (Landman)      |      |
| Direct Examination by Ms. Munds-Dry | 4    |
| Examination by Examiner Jones       | 11   |
| Examination by Examiner Brooks      | 12   |
| REPORTER'S CERTIFICATE              | 14   |

\* \* \*

## E X H I B I T S

| Applicant's | Identified | Admitted |
|-------------|------------|----------|
| Exhibit 1   | 6          | 13       |
| Exhibit 2   | 7          | 13       |
| Exhibit 3   | 7          | 13       |
| Exhibit 4   | 9          | 13       |
| Exhibit 5   | 10         | 13       |

\* \* \*

## 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  
110 N. Guadalupe, Suite 1  
P.O. Box 2208  
Santa Fe, New Mexico 87504-2208  
By: OCEAN MUNDS-DRY

\* \* \*

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

1           WHEREUPON, the following proceedings were had at  
2 8:17 a.m.:

3           EXAMINER JONES: Okay, with that let's call Case  
4 Number 14,058, Application of Yates Petroleum Corporation  
5 for compulsory pooling, Lea County, New Mexico.

6           Call for appearances.

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

11           EXAMINER JONES: Any other appearances? I guess  
12 not.

13           MS. MUNDS-DRY: Did Mr. Briggs get sworn in?

14           COURT REPORTER: Not yet.

15           MS. MUNDS-DRY: Shall we swear in Mr. Briggs?

16           EXAMINER JONES: Yes, please stand to be sworn,  
17 please.

18           (Thereupon, the witness was sworn.)

19                           WILMER BRIGGS,  
20 the witness herein, after having been first duly sworn upon  
21 his oath, was examined and testified as follows:

22                           DIRECT EXAMINATION

23           BY MS. MUNDS-DRY:

24           Q.    Would you please state your full name for the  
25 record?

1           A.    My name is Wilmer Briggs.  I usually go by the  
2 name of Lucky.

3           Q.    Thank you, Mr. Briggs.  Where do you reside?

4           A.    I'm at 209 Grapevine Court in Carlsbad, New  
5 Mexico.

6           Q.    And by whom are you employed and what is your  
7 position?

8           A.    I'm with Yates Petroleum Corporation, I'm a  
9 landman.

10          Q.    And have you previously testified before the  
11 Division?

12          A.    Yes, I have.

13          Q.    Were your credentials as a petroleum landman  
14 accepted and made a matter of record --

15          A.    Yes.

16          Q.    -- before the Division?

17          A.    Yes, they were.

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

20          A.    I am.

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

23          A.    Yes, I am.

24                MS. MUNDS-DRY:  Mr. Examiner, we would tender Mr.  
25 Briggs as an expert in petroleum land matters.

1 EXAMINER JONES: Mr. Briggs is qualified as an  
2 expert in petroleum land matters.

3 Q. (By Ms. Munds-Dry) Mr. Briggs, would you please  
4 state what Yates seeks with this Application?

5 A. We are pooling all the mineral interests from the  
6 surface down to the base of the Mississippian in the  
7 southeast quarter of the southeast quarter of Section 30,  
8 Township 22 South and Range 32, and that's in Lea County,  
9 New Mexico.

10 Q. Thank you. And what's the name of the well  
11 that's to be dedicated to the spacing unit?

12 A. That would be the Amazing BAZ Federal Well Number  
13 3.

14 Q. And what location?

15 A. It's proposed -- it's going to be drilled 333  
16 [sic] feet from the south line and 303 -- -30 feet from the  
17 east line of Section 30.

18 Q. Mr. Briggs, would you please turn to what's been  
19 marked as Yates Exhibit Number 1 and identify and review it  
20 for the Examiner?

21 A. Okay, we are -- on the map here, this is actually  
22 -- if you see Section 30, it's kind of off on the --  
23 looking out on the left side there, but the BAZ 3 is right  
24 down in the very corner of the southeast southeast of  
25 Section 30.

1 Q. Please turn to what's been marked to Exhibit  
2 Number 2. What does this exhibit show the Examiner?

3 A. Well, it's got 40-acre spacing unit. We do have  
4 the interest owner as being -- identified there, being  
5 Chevron USA with 1/6, Devon with 1/8, OXY USA with 7/24,  
6 Texas Independent with 1/6 and Yates with 1/4 interest.

7 Q. And I believe this shows the ownership from the  
8 surface to the Morrow formation; is that correct?

9 A. Yes, ma'am.

10 Q. What is the primary objective of this well?

11 A. We're going at the Bone Spring for oil.

12 Q. Great. Now would you please summarize for Mr.  
13 Jones Yates' efforts to obtain voluntary participation of  
14 the interest owners that we've listed on our Application?

15 A. We had --

16 Q. And I believe there's two parties we're dealing  
17 with here?

18 A. Pardon?

19 Q. I believe there's two parties that we're --

20 A. There's two parties that have not joined in, and  
21 that is the OXY -- OXY and the Texas Independent. The  
22 initial letter -- Do you want me to go through the --

23 Q. Yeah, if you'd please look at Exhibit Number 3  
24 and then --

25 A. Okay. Okay, this is the initial letter that was

1 sent out to each of those, OXY and the Texas Independent.  
2 Went out July 27th of 2007, inviting them to join in to the  
3 operating agreement.

4 Q. And those went out certified, I believe is what  
5 we show --

6 A. They were certified and return receipt, and we do  
7 have the signatures, the person, that they received them.

8 Q. And then from OXY there's a follow-up here marked  
9 September 10th.

10 A. September 10th, that's an e-mail, and --

11 Q. Do you know if there was any follow up from OXY  
12 after that?

13 A. There was no follow-up that we -- after that  
14 contact.

15 Q. And as far as you know, has OXY given any  
16 response or any indication to -- agreeing to --

17 A. We haven't had any response from either of them  
18 saying that they want to participate in the well.

19 Q. And we've included both of the letters that went  
20 to OXY and Texas Independent Exploration; is that correct?

21 A. Yes, it was.

22 Q. Okay. And it also looks like in this packet  
23 there's a log. Will you review that for Mr. Jones, as to  
24 what follow-up took place with Texas Independent?

25 A. Let's see. Regarding the phone calls?

1 Q. Yes, sir.

2 A. Okay, we had phone calls -- we had phone calls  
3 8-28, 9-6 and 11-26 where we were communicating back and  
4 forth and just didn't -- no indication of any purpose to go  
5 forward and join with us or go forward on the wells, so we  
6 had quite a bit of contact with them.

7 Q. And since that time has Texas Independent  
8 indicated they wish to participate?

9 A. No, we've had no contact saying they want to be  
10 in.

11 Q. In your opinion, has Yates made a good faith  
12 effort to achieve voluntary participation from OXY and from  
13 Texas Independent?

14 A. Yes, I do.

15 Q. Would you please turn to what's been marked as  
16 Yates Exhibit Number 4 and review the dryhole and completed  
17 well costs for Mr. Jones?

18 A. This is the AFE for that particular well, and we  
19 have a dryhole cost of \$940,800 and a completed well cost  
20 of \$1,973,800.

21 Q. Are these costs in line with what other operators  
22 have charged in the area?

23 A. Yes, they are.

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

1 producing this well?

2 A. Yes.

3 Q. And what are those charges?

4 A. The drilling rate is \$5400 per month, and the  
5 producing rate is \$540 per month.

6 Q. Do you recommend that these figures be  
7 incorporated into any order that results from this hearing?

8 A. Yes, I do.

9 Q. And does Yates also request that in accordance  
10 with Division Rules, that the maximum charge for risk of  
11 200 percent be imposed on each working interest owner that  
12 does not agree to voluntarily commit their interest to this  
13 well?

14 A. Yes, we do, uh-huh.

15 Q. And does Yates seek to be designated the operator  
16 of this well?

17 A. Yes.

18 Q. And in your opinion, will the granting of this  
19 Application be in the best interests of conservation, the  
20 prevention of waste and the protection of correlative  
21 rights?

22 A. Yes, I do.

23 Q. And is Yates Exhibit Number 5 a notice affidavit  
24 with the affidavit of publication, the copy of the notice  
25 letter and the green cards that went out to both OXY and

1 Texas Independent? Is that right?

2 A. Yes.

3 Q. Thank you. Were Exhibits 1 through 5 either  
4 prepared by you or compiled under your direct supervision?

5 A. Yes, they were.

6 MS. MUNDS-DRY: And with that, Mr. Jones, I have  
7 nothing further for Mr. Briggs.

8 EXAMINATION

9 BY EXAMINER JONES:

10 Q. Okay, Mr. Briggs, the advertisement -- one of the  
11 advertisements says -- let's see, this was to --  
12 application -- surface to the base of the Wolfcamp, and the  
13 application that I saw said surface to the base of the Bone  
14 Spring. And then this -- our docket says surface to the  
15 base of the Mississippian.

16 That 8600, are you reasonably certain that the  
17 only target is the Bone Spring and above, any 40-acre tract  
18 oil from the Bone Spring up?

19 A. Yeah, the AFE identified 8600 feet as the Bone  
20 Springs and showed us as a -- at an -- oil depths, and --

21 Q. Okay. But you're going to TD the well down below  
22 the Bone Spring a little bit? I guess what I'm getting at  
23 is, are you really asking for the -- to -- surface to the  
24 base of the Mississippian? Are you asking for surface to  
25 the base of the Bone Spring? Are you asking for surface to

1 the base of the Wolfcamp?

2 MS. MUNDS-DRY: Mr. Examiner, that might be a  
3 mistake in the advertisement. I think that this really is  
4 a Bone Spring --

5 THE WITNESS: I think the Bone -- I think the AFE  
6 is --

7 EXAMINER JONES: Bone Spring?

8 THE WITNESS: -- from the...

9 Q. (By Examiner Jones) It's reasonably certain,  
10 unless the Wolfcamp has some oil, it's Wolfcamp oil and  
11 your geologist is interested in that. But you're pretty  
12 much certain that the Bone Springs --

13 A. Bone Springs should be -- the AFE, yes, sir.

14 Q. Bone Spring, okay.

15 MS. MUNDS-DRY: Sorry for the confusion, Mr.  
16 Examiner.

17 EXAMINER JONES: That sounds good.

18 Do you have any other questions?

19 EXAMINATION

20 BY EXAMINER BROOKS:

21 Q. Okay, you don't have a green card from Texas  
22 Independent?

23 A. Let's see --

24 MS. MUNDS-DRY: No, Mr. Examiner, we have not  
25 received a green card back from them.

1 EXAMINER BROOKS: Okay. Well, I assume you will  
2 supplement the record --

3 MS. MUNDS-DRY: We certainly will supplement --

4 EXAMINER BROOKS: -- get the green card or get  
5 the mailing back --

6 THE WITNESS: We certainly will.

7 EXAMINER BROOKS: -- provide it to Mr. Jones.

8 That's all I have.

9 MS. MUNDS-DRY: We'd -- I don't know that I moved  
10 those exhibits into evidence. We would move the --

11 EXAMINER JONES: Oh --

12 MS. MUNDS-DRY: -- Exhibits 1 through 5 into  
13 evidence.

14 EXAMINER JONES: Exhibits 1 through 5 will be  
15 admitted into evidence.

16 And if that's it for this case, we'll --

17 MS. MUNDS-DRY: I believe so.

18 EXAMINER JONES: -- we'll take Case 14,058 under  
19 advisement. And thanks, Mr. Briggs.

20 MR. BRIGGS: Thank you.

21 (Thereupon, these proceedings were concluded at  
22 8:38 a.m.)

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

## 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 10th, 2008.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 16th, 2010