

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. 14,059

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

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
(505) 989-9317

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I N D E X

January 10th, 2008
 Examiner Hearing
 CASE NO. 14,059

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APPLICANT'S WITNESS:	
<u>WILMER BRIGGS</u> (Landman)	
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E X H I B I T S

Applicant's	Identified	Admitted
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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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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 8:38 a.m.:

3 EXAMINER JONES: And let's call Case 14,059,
4 Application of Yates Petroleum Corporation for compulsory
5 pooling, Chaves County, New Mexico.

6 Call for appearances.

7 MS. MUNDS-DRY: Ocean Munds-Dry with the law firm
8 of Holland and Hart, representing Yates Petroleum
9 Corporation this morning, and I have one witness. Mr.
10 Briggs will be sitting there for a little while this
11 morning.

12 EXAMINER JONES: Okay, let the record show Mr.
13 Briggs has already been sworn.

14 And any other appearances? I guess no more
15 appearances.

16 WILMER BRIGGS,
17 the witness herein, after having been previously duly sworn
18 upon his oath, was examined and testified as follows:

19 DIRECT EXAMINATION

20 BY MS. MUNDS-DRY:

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

22 A. My name is Wilmer Briggs. Go by Lucky.

23 Q. And where do you reside?

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

25 Q. And by whom are you employed and what is your

1 position?

2 A. Yates Petroleum Corporation, I'm a landman.

3 Q. And this is going to sound funny, but have you
4 previously testified before the Division?

5 A. Yes, I have.

6 Q. Were your credentials as a petroleum landman
7 accepted and made a matter of record at that time?

8 A. They were.

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

11 A. Yes, I am.

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

14 A. Yes, I am.

15 MS. MUNDS-DRY: Mr. Jones, we would tender Mr.
16 Briggs as an expert witness in petroleum land matters.

17 EXAMINER JONES: Mr. Briggs is qualified as an
18 expert in petroleum land matters.

19 Q. (By Ms. Munds-Dry) Mr. Briggs, would you briefly
20 state what Yates seeks with this Application?

21 A. In this case we have an order that we're pooling
22 interests, mineral interests, in the surface to the
23 Precambrian in the south half of Section 14, Township 6
24 South and Range 26 East. This one is in Chavez County.

25 Q. And what is the name of the well that is to be

1 dedicated to the spacing unit?

2 A. This is the Cooker BCB Federal Com Well Number 3.

3 Q. And where will this well be located?

4 A. Okay, it would be located 1680 from the south
5 line and 1980 from the east line of Section 14.

6 Q. Thank you. And if you would please examine
7 Exhibit Number 1, identify and review that for Mr. Jones.

8 A. Okay, we have the Section 14 identified there
9 with a green highlight around the south half of that, which
10 would be the spacing unit, and then I have the arrow
11 pointing up to the well location right there, which is
12 identified with a 3, and then that's identified as being
13 the Cooker BCB. And right below that, then, we have the
14 ownership interest identified.

15 Q. What is the primary objective for this proposed
16 well?

17 A. The -- We're going to be going to the Precambrian
18 formation.

19 Q. Okay. If you would please turn to what's been
20 marked as Exhibit Number 2 and summarize for Mr. Jones
21 these efforts to obtain voluntary participation from these
22 interest owners that we've identified in Exhibit A.

23 A. We've had -- we had -- our contact started out in
24 this particular one with -- we were -- let's see, get my
25 log here. Okay.

1 Our initial contact was May 2nd, 2007, when we
2 sent out the initial letter inviting the parties in.

3 We had a follow-up letter of August the 13th.
4 That second letter was an actual certified letter, and we
5 did get the signature in response.

6 Q. Did you have any other contacts with Mobile? It
7 looks like the final letter went out September 26th --

8 A. Yeah --

9 Q. -- is that correct?

10 A. -- excuse me. I have -- Okay, I have also a
11 letter that went out September the 26th, once again
12 inviting them in. We had the -- Mobile was on -- we had
13 leases from them in the past, and the initial letters we
14 sent out to them were just offering backup to them, the
15 same deal that we had had in the past, thinking that they
16 would just go ahead and lease it out to us.

17 And then when that was not responded to,
18 September 26th we actually sent out an operating agreement
19 to them and an invitation to actually join on that basis
20 with the AFE. So that's what was going on September 26th.

21 Q. And then did you have any response from anyone at
22 Mobile after that?

23 A. We actually -- I did talk with Paul Keffer, one
24 of their representatives out there, once. We -- he -- they
25 had made contact with us at one point and stated that they

1 had not -- didn't -- were not able to put their hands on
2 the previous letters and wanted copies. So we faxed them
3 out to them, so they got a copy of all those at that time.

4 And mostly we got that they were trying to get
5 with our management to see what kind of response they
6 wanted, and each time we wouldn't get anything back, and it
7 would go for a while.

8 And I called back and asked if they had made a
9 decision, and finally at one point they just kind of cut
10 off and wasn't interested anymore. So that's when we
11 located -- informed you to go ahead and start our force
12 pooling in November.

13 Q. Thank you. And in your opinion, have you made a
14 good faith effort to obtain their voluntary participation?

15 A. Yes, I have.

16 Q. What is Exhibit Number 3?

17 A. Exhibit Number 3 is the AFE showing the
18 Precambrian, and this is for the Cooker and it is
19 indicating the dryhole cost as \$858,800 and that the
20 completed well cost is \$1,463,000.

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

23 A. Yes, they are.

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

1 producing, if it's successful?

2 A. Yes, I have.

3 Q. What are the drilling and producing rates that
4 you propose?

5 A. The drilling rate would be \$6000 per month, and
6 the producing rate at \$600 per month.

7 Q. And do you recommend that these figures be
8 incorporated into any order that results from this hearing?

9 A. Yes, I do.

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

14 A. Yes.

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

17 A. Yes.

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

21 A. Yes, I do.

22 Q. And is Yates Exhibit Number 4 a notice affidavit
23 with company affidavit of publication, the notice letter
24 that went out to Mobile and the certified receipts that
25 went to Mobile?

1 A. Yes, it is.

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

4 A. Yes.

5 MS. MUNDS-DRY: We would move the admission of
6 Exhibits 1 through 4 into evidence.

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

9 MS. MUNDS-DRY: And Mr. Jones, I have nothing
10 further for Mr. Briggs.

11 EXAMINER JONES: Okay.

12 EXAMINATION

13 BY EXAMINER JONES:

14 Q. The -- it is Mobil, M-o-b-i-l; is that right? Or
15 is it --

16 A. M-o-b-i-l-e.

17 Q. -- -i-l-e, okay.

18 A. Yes.

19 Q. What's the deal with all those Yates companies
20 anyway? This is an old, old question but --

21 A. Yes.

22 Q. -- do you guys share professionals to work with
23 each other?

24 A. Yes, sir.

25 Q. So you actually --

1 A. Yates Pet is usually the operator and oversees
2 the operations and everything for each of the companies,
3 and then so I kind of participate for each one of them. Is
4 that what you're -- ?

5 Q. Okay.

6 A. Yes.

7 Q. So they have all signed in on the well?

8 A. Yes. Yes, sir. Yeah, all of these are -- except
9 for the Mobile unit, are all Yates companies.

10 EXAMINER JONES: Okay, I don't have any more
11 questions.

12 EXAMINER BROOKS: Somebody put an exhibit sticker
13 over the list of --

14 THE WITNESS: I'm actually with Yates Pet.

15 EXAMINER JONES: Okay.

16 THE WITNESS: I think that was your question,
17 yes, sir. I'm sorry.

18 EXAMINER BROOKS: The exhibit sticker got stuck
19 onto Exhibit 1 over the list of owners, so --

20 MS. MUNDS-DRY: Oh.

21 EXAMINER BROOKS: -- I can't really read it,
22 but --

23 MS. MUNDS-DRY: On Exhibit Number 1, Mr. Brooks?

24 EXAMINER BROOKS: You say all of them except
25 Mobile or Yates?

1 THE WITNESS: Yes, sir, if you go to the AFE you
2 could maybe get a better indication of the -- breakout of
3 the interest and the companies.

4 EXAMINER BROOKS: Okay, I don't have any
5 questions.

6 EXAMINER JONES: Okay, thanks very much --

7 THE WITNESS: All right.

8 EXAMINER JONES: -- Mr. Briggs.

9 Thanks, Ms. Munds-Dry.

10 We'll take Case 14,059 under advisement.

11 (Off the record at 8:46 a.m.)

12 (The following proceedings had at 8:55 a.m.)

13 EXAMINER JONES: Before I forget, the last case,
14 14,059, I don't remember anybody saying what the -- asked
15 for a COPAS drilling and producing rate.

16 THE WITNESS: It was -- that was for the --

17 EXAMINER JONES: That was for the Cooker BCB Fed
18 Com Number 3.

19 THE WITNESS: Okay.

20 MS. MUNDS-DRY: Mr. Examiner, Mr. Briggs
21 requested \$6000 a month --

22 THE WITNESS: -- and \$600.

23 MS. MUNDS-DRY: -- and \$600 for producing.

24 EXAMINER JONES: Okay, I probably just didn't
25 write it down.

1 Okay, so that's it for that.

2 (Thereupon, these proceedings were concluded at
3 8:56 a.m.)

4 * * *

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11 I do hereby certify that the foregoing is
12 a complete record of the proceedings in
13 the Examiner hearing of Case No. _____,
14 heard by me on _____.

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_____, Examiner
Oil Conservation Division

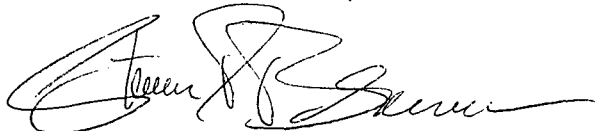
CERTIFICATE OF REPORTER

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