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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 NO. 14113

APPLICATION OF YATES PETROLEUM
CORPORATION FOR APPROVAL OF A UNIT
AGREEMENT, CHAVES COUNTY, NEW MEXICO

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

2008 APR 1 AM 8 19
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BEFORE: DAVID K. BROOKS, Jr., Legal Examiner
TERRY WARNELL, Technical Examiner

April 17, 2008
Santa Fe, New Mexico

This matter came for hearing before the New Mexico Oil
Conservation Division, DAVID K. BROOKS, Jr., Legal Examiner,
and TERRY WARNELL, Technical Examiner, on April 17, 2008, at
the New Mexico Energy, Minerals and Natural Resources
Department, 1220 South St. Francis Drive, Room 102, Santa Fe,
New Mexico.

REPORTED BY: JOYCE D. CALVERT, P-03
Paul Baca Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico 87102

A P P E A R A N C E S

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FOR THE APPLICANT:

Ocean Munds-Dry, Esq.
HOLLAND & HART, LLP
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501

PAGE

EXHIBITS 1 - 2 ADMITTED
REPORTER'S CERTIFICATE

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1 MR. BROOKS: Let's call Case No. 14113, Application
2 of Yates Petroleum Corporation for approval of a Unit
3 Agreement, Chaves County, New Mexico.

4 Call for appearances.

5 MS. MUNDS-DRY: Good morning, Mr. Examiner. Ocean
6 Munds-Dry with the law firm of Holland & Hart here,
7 representing Yates Petroleum this morning. I'm presenting this
8 case by affidavit.

9 Mr. Examiner, Yates seeks approval of the Boomerang
10 State Exploratory Unit this morning. It's comprised of
11 1920 acres of State of New Mexico and some fee lands located
12 approximately 12 miles west-northwest of Crossroads.

13 Yates Exhibit No. 1 is the affidavit of Tim Miller,
14 who is the petroleum geologist on this project. Attachment A
15 to the affidavit is a copy of the unit agreement.

16 Attachment B to the affidavit is a copy of the plat,
17 which I think is actually part of -- stapled as part of
18 Attachment A. Sorry for that confusion. But it identifies the
19 unit boundaries and also indicates the Yates acreage in yellow.

20 Attachment C, which is behind Attachment B, is
21 Exhibit B to the unit agreement which identifies the interest
22 ownership. It indicates that 1,840 acres of the State of New
23 Mexico lands leased to Yates and affiliated companies, and 80
24 acres is fee minerals, which has also been leased to Yates.

25 Yates proposes to test all formations from the

1 surface to the base of the Canyon Formation. And that initial
2 test well is supposed to be located at a standard location 1650
3 from the south line and 990 feet from the east line of
4 Section 26, Township 18 South, Range 33 East to an approximate
5 total depth of 9,750 feet.

6 Attachment D to the affidavit is a letter from the
7 commissioner of public lands indicating they've given
8 preliminary approval of the formation of this unit.

9 Attachment E to the affidavit is a Net Porosity
10 Isopatch map and shows that there was good production from the
11 Bough C formation, which is what they are targeting here.

12 MR. BROOKS: From what formation?

13 MS. MUNDS-DRY: The Bough C, B-o-u-g-h, C Formation.

14 This shows the net porosity should be five feet or
15 higher for good production. The well that the Yates has
16 proposed, which is indicated on the map here, the Boomerang
17 State Unit No. 1, should have approximately eight feet or more
18 of net porosity.

19 MR. BROOKS: That's one formation I've never heard
20 of.

21 MS. MUNDS-DRY: Attachment F to the affidavit is a
22 top bough structure map. Again, it shows the location of the
23 initial unit well, and that should be structurally higher than
24 other Bough C producers in the area.

25 And Attachment G and Attachment H are two structural

1 cross-sections showing other Bough C producers in the area,
2 structural cross-section A, A-prime, and B, B-prime.

3 Finally, Yates Exhibit No. 2 is a copy of the
4 affidavit of publication showing notice was given of this
5 application pursuant to Division rules.

6 And finally, Mr. Miller testifies in his affidavit
7 that the development of the unit areas pursuant to unit plan is
8 in the best interest of conservation, the prevention of waste,
9 and the protection of relative rights.

10 And with that, I would ask that Yates Exhibit 1 with
11 its attachments and Exhibit No. 2 be admitted into evidence.

12 MR. BROOKS: Exhibits 1 and 2 are admitted.

13 Ms. Munds-Dry, the -- you've got an 80-acre fee tract
14 in here.

15 MS. MUNDS-DRY: Yes, sir, Mr. Examiner.

16 MR. BROOKS: Now, is -- the fee tract is committed to
17 the unit?

18 MS. MUNDS-DRY: It is committed to the unit.

19 MR. BROOKS: The owners of the royalty interest have
20 consented?

21 MS. MUNDS-DRY: That is correct. 100 percent of the
22 royalty and working interest is committed to the unit.

23 MR. BROOKS: Okay. Now, is Yates the sole working
24 interest owner in the unit?

25 MS. MUNDS-DRY: Yates and it's affiliated companies.

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x 3
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1920

1 MR. BROOKS: All the usual Yates.

2 MS. MUNDS-DRY: All the usual Yates group.

3 MR. BROOKS: Okay. Very good. If there's nothing
4 further, Case No. 14113 will be taken under advisement.

5 [Hearing concluded.]
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18 I do hereby certify that the foregoing is
19 a complete record of the proceedings in
20 the Examiner hearing of Case No. _____
heard by me on _____

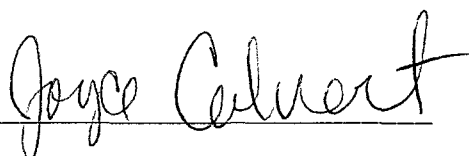
21 _____, Examiner
22 Oil Conservation Division
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REPORTER'S CERTIFICATE

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I, JOYCE D. CALVERT, Provisional Court Reporter for the State of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this proceeding.



JOYCE D. CALVERT
New Mexico P-03
License Expires: 7/31/08

1 STATE OF NEW MEXICO)
 2 COUNTY OF BERNALILLO)

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4 I, JOYCE D. CALVERT, a New Mexico Provisional
 5 Reporter, working under the direction and direct supervision of
 6 Paul Baca, New Mexico CCR License Number 112, hereby certify
 7 that I reported the attached proceedings; that pages numbered
 8 1-6 inclusive, are a true and correct transcript of my
 9 stenographic notes. On the date I reported these proceedings,
 10 I was the holder of Provisional License Number P-03.

11 Dated at Albuquerque, New Mexico, 17th day of
 12 April, 2008.

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Joyce Calvert

Joyce D. Calvert
 Provisional License #P-03
 License Expires: 7/31/08

Paul Baca

Paul Baca, RPR
 Certified Court Reporter #112
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