

RECEIVED STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
2008 MAY 2 PM 3 34

IN THE MATTER OF THE APPLICATION OF HARVEY E. YATES COMPANY  
FOR EXPANSION OF A UNIT AREA, OTERO COUNTY

CASE NO. 14000

ENTRY OF APPEARANCE

Pursuant to 19.15.14.1208 NMAC, Mikal Altomare enters her appearance in this matter on behalf of the Oil Conservation Division.

RESPECTFULLY SUBMITTED, this  
2<sup>nd</sup> day of May, 2008 by



Mikal Altomare  
Assistant General Counsel  
Energy, Minerals and Natural Resources  
Department of the State of New Mexico  
1220 S. St. Francis Drive  
Santa Fe, NM 87505  
(505) 476-3480  
FAX: 505 476-3462  
e-mail: mikal.altomare@state.nm.us

CERTIFICATE OF SERVICE

I certify that I faxed and e-mailed a copy of this Entry to James Bruce, Esq., counsel for HEYCO, at 505-982-2151 and jamesbruc@aol.com this 2<sup>nd</sup> day of May 2008.



Mikal Altomare

~~RECEIVED~~  
STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION  
2008 MAY 2 PM 3:39

IN THE MATTER OF THE APPLICATION OF HARVEY E. YATES  
COMPANY FOR EXPANSION OF A UNIT AREA, OTERO COUNTY

CASE NO. 14000

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by the Oil Conservation Division.

APPEARANCES

APPLICANT

Harvey E. Yates Company.

APPLICANT'S ATTORNEY

JAMES BRUCE, ESQ.

P.O. Box 1056

361 Montezuma, No. 213

Santa Fe, NM 87504

t. 505-982-2843

f. 505-982-2151

e. jamesbruc@aol.com

RESPONDENT

Oil Conservation Division

RESPONDENT'S ATTORNEY

MIKAL ALTOMARE, ESQ.

Oil Conservation Division

Energy, Minerals and Natural

Resources Department

1220 S. St. Francis Drive

Santa Fe, NM 87505

t. 505-476-3480

f. 505-476-3462

e. mikal.altomare@state.nm.us

STATEMENT OF THE CASE

The Application for Expansion, as originally submitted to the Division by Harvey E. Yates Company ("HEYCO") sought an order expanding the Bennett Ranch Exploratory Unit Area from a total of 8,856.90 acres to a total of 11,637.09 acres, with much of the proposed expansion to be to the north of the existing unit area. The original Unit was approved by the Division in 1995 in Case No. 11394, Order No. R-10527. At the time the Division approved the Bennett Ranch Unit in

1995, it also reserved jurisdiction to supervise and control operations of the Unit, and for purposes of approving any future changes to or expansions of the Unit.

There have been significant changes in circumstances and new information that has come to light since the Unit was originally approved. When the Bennett Ranch Exploratory Unit was originally created in 1995, the primary target for exploration (as testified to by a HEYCO landman) was oil in the Fusselman formation, using standard 40-acre spacing, and HEYCO did not plan to target natural gas. However, upon beginning exploration of the Unit, HEYCO discovered that while the wells they were drilling were not producing oil, they did appear to have potential for natural gas production. With gas now being the target instead of oil, and given the high-permeability of this area, HEYCO has stated that it plans to use 640-acre spacing as opposed to the originally anticipated 40-acre spacing that would have been used had oil remained the target. A switch to natural gas wells will also require that a pipeline be constructed. Further, the data produced to date seems to indicate that the natural gas potential primarily exists in the southern portion of the unit, extending to the Texas state line, with little or no potential extending to the northern portion. Thus, there seems to be no evidence submitted to date to support the expansion to the North as currently proposed. In short, development of this unit is taking a much different direction than originally anticipated, and more information and concrete data are needed from the Operator to justify the proposed expansion and satisfy the Division that action being taken is in the best interest of prevention of waste, protection of correlative rights and the protection of human health and the environment.

Moreover, the drilling conducted to date by HEYCO on this Unit has revealed the existence of large quantities of water adjacent to/above/below the natural gas being targeted in this highly permeable canyon. The Division has concerns regarding what precautions are being taken to ensure that wellbore stability problems are being anticipated and addressed, and that *in-situ* waters are being protected from contamination. A large aquifer, the Salt Basin Aquifer, sits directly below this Unit, and the Division wants to be sure that as exploration of this Unit proceeds, proper steps are taken to ensure that the aquifer is protected from contamination from drilling activities.

At this time, unless and until additional and adequate information to support the proposed expansion is presented by the applicant, the Division is unable to support the Application for unit expansion as proposed by HEYCO.

If additional evidence is presented at hearing to the Commission such that the Commission is inclined to grant the Application for expansion of the Bennett Ranch Exploratory Unit, the Division requests that HEYCO be required to obtain formal approval via hearing with an Oil Conservation Division Hearing Examiner for Applications to Drill wells on the Bennett Ranch Exploratory Unit

In this way, the Division can attempt to ensure the protection of the environment and groundwater in the area (and the continuing protection of human health and the environment).

**APPLICANT'S PROPOSED EVIDENCE**

**WITNESS:**

ESTIMATED TIME:

Glenn Von Gonten, OCD Hydrologist

30 min.

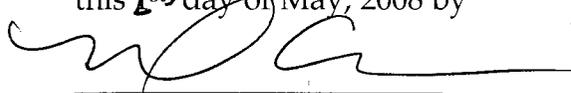
**OCD EXHIBITS:**

- A. Steven T. Finch, CPG, John Shomaker & Associates, Inc., *Evaluation of Potential Water-Resource Impacts from BLM Proposed Resource Management Plan Amendment for Federal Fluid Minerals Leasing and Development in the Salt Basin, New Mexico* (2004).
- B. William E. King & Vicki M. Harder, NM Institute of Mining and Technology, *Oil and gas potential of the Tularosa Basin-Otero platform-Salt Basin graben area, New Mexico and Texas* (1985).
- C. Reporter's Transcript of Proceedings, Examiner Hearing, Oil Conservation Division, September 20, 2007, *Application of Harvey E. Yates Company for Expansion of A Unit Area, Otero County, New Mexico*, Case No. 14,000.

**PROCEDURAL MATTERS**

None.

Respectfully submitted  
this 2<sup>nd</sup> day of May, 2008 by



MIKAL ALTOMARE  
Oil Conservation Division  
Energy, Minerals and Natural  
Resources Department  
1220 S. St. Francis Drive  
Santa Fe, NM 87505  
(505) 476-3480/f. 476-3462  
mikal.altomare@state.nm.us

Attorney for the Oil Conservation Division