

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. 14597

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

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner
DAVID K. BROOKS, Legal Examiner

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February 17, 2011

Santa Fe, New Mexico

This matter came on for hearing before the
New Mexico Oil Conservation Division, RICHARD EZEANYIM,
Hearing Examiner, and DAVID K. BROOKS, Legal Examiner,
on Thursday, February 17, 2011, at the New Mexico
Energy, Minerals and Natural Resources Department, 1220
South Street Francis Drive, Room 102, Santa Fe,
New Mexico.

REPORTED BY: Lisa Reinicke
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102

1 A P P E A R A N C E S

2 For Yates Petroleum Corporation:

3 VANDIVER & BOWMAN, PC
 4 611 West Mahone, Suite E
 5 Artesia, New Mexico 88210
 (575) 746-9841
 By: David Vandiver

6 For Nearburg Exploration Company:

7 JAMES BRUCE, Attorney at Law
 8 369 Montezuma, No. 213
 Santa Fe, New Mexico 87501
 (505) 982-2043

9

10 I N D E X

11 PAGE

12 DIRECT EXAMINATION OF CHARLES MORAN 4

13 CROSS-EXAMINATION OF CHARLES MORAN 15

14 DIRECT EXAMINATION OF JOHN AMIET 25

15 CERTIFICATE OF COMPLETION OF DEPOSITION 31

16 EXHIBITS MARKED/IDENTIFIED

17 1. April 29, 2010 Letter 17

18 2. December 10, 2010 Letter 17

19 3. Authority for Expenditure 17

20 4. AAPL Form 610 17

21 5. Chuck Moran E-mail 17

22 6. February 7, 2011 Letter 17

23 7. Affidavit of Mailing 17

24 8. Request for a Spacing Unit 27

25

1 EXAMINER EZEANYIM: At this point we go to
2 page 2 and call case number 14597. And this is the
3 application of Yates Petroleum Corporation for
4 compulsory pooling in Eddy County, New Mexico.

5 Call for appearances.

6 MR. VANDIVER: Mr. Examiner, David Vandiver
7 of Vandiver & Bowman in Artesia appearing on behalf of
8 the applicant Yates Petroleum Corporation.

9 EXAMINER EZEANYIM: Any witnesses? Do you
10 have witnesses?

11 MR. VANDIVER: We have two witnesses.

12 EXAMINER EZEANYIM: Any other appearances?

13 MR. BRUCE: Mr. Examiner, Jim Bruce from
14 Santa Fe representing Nearburg Exploration Company, LLC
15 and Nearburg Producing Company. I have no witnesses and
16 no objection to the case.

17 EXAMINER EZEANYIM: Any other appearances?
18 Okay. At this point may all the witnesses stand up,
19 state your name, and be sworn in.

20 MR. VANDIVER: Charles Moran and John Amiet.

21 EXAMINER EZEANYIM: I wanted them to say it
22 by themselves.

23 MR. MORAN: Charles Moran.

24 MR. AMIET: John Amiet.

25 EXAMINER EZEANYIM: Raise your hand and be

1 sworn.

2 [Whereupon the witnesses were duly sworn.]

3 EXAMINER EZEANYIM: Okay, Mr. Vandiver, you
4 may proceed.

5 MR. VANDIVER: Could I proceed,
6 Mr. Examiner?

7 EXAMINER EZEANYIM: Yeah, go ahead. We're
8 waiting.

9 CHARLES MORAN
10 after having been first duly sworn under oath,
11 was questioned and testified as follows:

12 DIRECT EXAMINATION

13 BY MR. VANDIVER:

14 Q. Would you state your name, please, for the
15 record, Mr. Moran?

16 EXAMINER EZEANYIM: The witness needs to be
17 over there.

18 MR. AMIET: My name is John Amiet.

19 EXAMINER EZEANYIM: The first witness will
20 be there.

21 MR. VANDIVER: I apologize, Mr. Examiner. I
22 haven't done this for many years.

23 Q. (By Mr. Vandiver) State your name, please.

24 A. Charles Moran.

25 Q. And how are you employed, Mr. Moran?

1 A. I'm employed as a chief landman at Yates
2 Petroleum Corporation.

3 Q. Have you previously testified before the Oil
4 Conservation Division?

5 A. I have.

6 Q. And had your qualifications accepted?

7 A. Yes.

8 Q. Are they a matter of record?

9 A. They are.

10 Q. Are you familiar with the land titled to the well
11 that is the subject of this application?

12 A. I am.

13 MR. VANDIVER: I tender Mr. Moran as an
14 expert petroleum landman.

15 EXAMINER EZEANYIM: Mr. Moran is so
16 qualified.

17 Q. (By Mr. Vandiver) Mr. Moran, what's the purpose
18 of Yates' application in this case?

19 A. Yates Petroleum Corporation is seeking to force
20 pool the south half of Section 30, Township 19 South,
21 Range 25 East so we can attempt a recompletion of the
22 well in question being located 660 feet from the south
23 line, 1980 feet from the east line therein Section 30.

24 The well was previously committed to the North
25 Dagger Draw Upper Penn Unit. And at this point we have

1 removed the well from the unit and are now attempting to
2 recomplete the well in the Cisco formation, which we are
3 anticipating will be gas and will require a 320-acre
4 spacing unit.

5 Q. Mr. Moran, if I could refer you to the
6 Applicant's Exhibit 1 and ask you to identify that
7 exhibit, please?

8 EXAMINER EZEANYIM: Mr. Moran, before you
9 continue, the well was originally drilled as an oil
10 well?

11 MR. MORAN: Yes, it was originally drilled
12 as an oil well into the canyon formation. And it
13 produced in the canyon formation. And then subsequently
14 we formed the North Dagger Draw Upper Penn Unit and the
15 well was committed to that unit, which was a secondary
16 recovery unit water flow.

17 EXAMINER EZEANYIM: And it flowed back to
18 the Cisco?

19 MR. MORAN: We intend to complete it now in
20 the Cisco, farther up the hole.

21 Q. (By Mr. Vandiver) And as you said, Mr. Moran,
22 the well has been abandoned by the North Dagger Draw?

23 A. Yes, the well has been abandoned by the unit
24 owners. Under the unit agreement you must give notice
25 to all the owners in the unit, give them the opportunity

1 to take over the well or elect back into the well. In
2 this case Yates Petroleum, along with other owners, were
3 the original owners of the well and they elected to take
4 over the well. And, thus, they are responsible for the
5 well at this point.

6 EXAMINER EZEANYIM: But currently the well
7 is plugged and abandoned?

8 MR. MORAN: No, the well is not currently
9 plugged and abandoned.

10 EXAMINER EZEANYIM: You said abandoned. You
11 used the word abandoned.

12 MR. MORAN: Abandoned from the unit.

13 EXAMINER EZEANYIM: Oh.

14 MR. MORAN: Under the unit agreement you
15 have to remove the well from the unit. And you do that
16 by abandoning it from the unit.

17 EXAMINER EZEANYIM: Okay. So what is the
18 current status of this well?

19 MR. MORAN: It's on your list. It's on the
20 inactive list. And I'm trying to get this done so I can
21 bring the well back into compliance.

22 EXAMINER EZEANYIM: Okay.

23 Q. (By Mr. Vandiver) And in connection with the
24 abandonment, you notified all the working interest
25 owners?

1 A. I did by a letter dated April 29. I mailed out
2 an election to all the working interest owners in the
3 unit asking them -- or that Yates Petroleum's operator
4 recommended abandoning the unit and that we would be
5 taking it over for further operations. So the well was
6 abandoned from the unit.

7 Q. And if you would refer to the Applicant's
8 Exhibit 1, that is the letter in which you abandoned?

9 A. That was the letter where I requested approval to
10 abandon. And you will see the green cards where I had
11 to mail that out. I take that back. If you will look,
12 the green cards are for a second letter.

13 The list attached to the back of Exhibit 1 are
14 the people that received the notice and their election
15 pursuant to the agreement. The green cards attached to
16 Exhibit 1 are actually the notice, the green cards that
17 go with a simultaneous letter that said we were offering
18 it to the original working interest owners. Those are
19 the original working interest owners in the southeast
20 quadrant.

21 Q. And then what's the last legal-size page of
22 Exhibit 1?

23 A. The last legal-size page is a tally of people's
24 elections with regards to the April 29th letter; how
25 they responded and what date they received -- that we

1 received the green card back.

2 Q. Anything further with regard to Exhibit 1?

3 A. No.

4 Q. If I could ask you to refer to Applicant's
5 Exhibit 2, and ask you to describe what that is, please?

6 A. Exhibit 2 is my December letter proposing to work
7 over the unit after we determined that we needed an
8 operating agreement to cover the south half. There were
9 various -- a little bit of history. When we first
10 started to do the recompletion on this well, there was a
11 question on whether it would be an oil well or whether
12 it would be a gas well upon successful completion.

13 And, thus, we have an operating agreement in
14 place that would have covered the work if it was an oil
15 well. But if it turns out to be a gas well, which we
16 believe it will be, we do not have an operating
17 agreement in place covering the full south half.

18 And that was my letter proposing the results of
19 trying to -- believing it's going to be a south half
20 unit. That was my letter proposing it to the working
21 interest owners in the full south half.

22 Q. And Yates Petroleum Corporation is the operator
23 under two separate joint operating agreements; one
24 covering the southeast quarter where this well is
25 located, and one covering the southwest quarter --

1 A. Yes.

2 Q. -- of Section 30?

3 A. Yates Petroleum is the successor operator to the
4 operating agreements. The lands developed as canyon,
5 which were 160-acre spacing originally, and so the
6 operating agreements were set up to match that spacing
7 at that time. And so there are multiple well bores in
8 the south half. And there's one operating agreement in
9 the southwest quarter and one operating agreement for
10 the southeast quarter.

11 Q. But there is no existing operating agreement for
12 the south half?

13 A. There is no south half operating agreement.

14 Q. And Exhibit 2 is your letter proposing this
15 recompletion with the return receipts?

16 A. With the return receipts and the AFE attached to
17 it.

18 Q. If I could refer you to the Applicant's
19 Exhibit 3, which is the AFE that you submitted with that
20 letter.

21 A. Yes.

22 Q. And that reflects what costs for the proposed
23 recompletion of this well?

24 A. We've estimated the cost to recomplete the well
25 completed at \$208,000.

1 Q. And according to the AFE, Yates Petroleum
2 Corporation owns a little more than 80 percent of the
3 gross working interest in the south half of the section?

4 A. Based on the south half ownership, correct.

5 Q. If I could refer you to Applicant's Exhibit 4 and
6 ask you to identify what that is, please?

7 A. Exhibit 4 is the operating agreement that I
8 mailed out with the December 10th letter. On the front
9 of it are some revised pages that I'm in agreement -- or
10 as I have been requested to make changes to my
11 December 10th operating agreement, I have agreed to
12 these changes. And those dates are shown as the revised
13 dates in the request for pages on top, the full
14 operating agreement being attached in the body of it,
15 and the people that did cooperatively sign up the
16 operating agreement to this point.

17 Q. And so with your letter of December 10th, which
18 is Exhibit 2, you submitted to the working interest
19 owners also the authority for expenditure for the
20 proposed recompletion and the 1989 model form operating
21 agreement?

22 A. Yes.

23 Q. Which is Exhibit 4?

24 A. Exhibit 4.

25 Q. And on top of Exhibit 4 just reflects the

1 execution of those parties who have agreed to
2 voluntarily join in the recompletion?

3 A. Correct.

4 Q. What are the overhead rates you proposed in that?

5 A. Let me double check. But I believe they were
6 5400 and 540 for this well.

7 Q. 5400 while drilling?

8 A. Yes, sir.

9 Q. And 540 while operating?

10 A. Right. And that is shown on the COPAS, page 3 in
11 the joint operating agreement, Article 3A.

12 Q. And in the event the division grants the order in
13 this case, that's the overhead rates you're requesting?

14 A. Yes.

15 Q. And are those fair and reasonable?

16 A. I believe them to be fair and reasonable.

17 Q. Anything further with regard to Exhibit 4?

18 A. No.

19 Q. What sort of response did you receive to your
20 proposal?

21 A. I have had two parties accept; one being Marks
22 Oil Company and one being Hanson-McBride. I received a
23 telephone call yesterday afternoon from Spiral, Inc.
24 They understand they are under a forced pool, but they
25 intend to move forward and cooperate. Their person has

1 been out of the office.

2 I have had several conversations with Nearburg
3 Exploration. They are in agreement that the work needs
4 to be done. We just can't seem to get our paperwork
5 that both of us are happy with.

6 Cathie Cone McCown has instructed me to force
7 pool her. She also represents the Auvenshine's
8 Children's Trust. Kenneth Cone is out of the country
9 for six months. And the message I have from his office
10 is I can't do anything while he's out of the country.

11 The Bank of Oklahoma representing that trust has
12 not called me back. I don't know what they want to do.
13 I take that back. Randy Lee Cone, I believe, has
14 signed. Kenneth Cone, I spoke to him. And Tom Cone
15 called me yesterday afternoon and indicated that he was
16 planning to participate and would fax in the signed AFE
17 yesterday. It did not arrive by the time I left the
18 office to come up here.

19 Q. And is the joint operating agreement, Exhibit 4,
20 the form of operating agreement that Yates Petroleum
21 Corporation is currently using and is it a fair and
22 reasonable operating agreement?

23 A. This is a 1989 AAPL model form operating
24 agreement. We believe it to be a fair and equitable
25 operating agreement to operate under for this project.

1 It's just a fairly standard operating agreement.

2 Q. If I could refer you to the Applicant's Exhibit 5
3 and ask you to identify what that is.

4 A. Exhibit 5 is a series of e-mails. I have had
5 discussions with Nearburg Exploration on doing this
6 work. We have gone back and forth with several
7 requests. I have, you know, tried to work cooperatively
8 with them and accomplish the development of these
9 minerals.

10 Q. And you anticipate that Nearburg will
11 participate? I mean, they've indicated --

12 A. Yeah, I think they will elect to participate. I
13 just can't get an agreement. I don't have a final
14 signed agreement with them under what terms they will
15 participate. They have been an advocate of doing this
16 work as well.

17 Q. And if I could refer you to Applicant's Exhibit 6
18 and ask you to identify that, please?

19 A. Exhibit 6 is a letter I sent last week to
20 Nearburg with regards to their latest request for
21 changes to my 89 operating agreement. In there I gave
22 my reasoning for not agreeing with one of the requests
23 and agreeing to make a couple of their other changes
24 that they've requested to the operating agreement.

25 MR. VANDIVER: Mr. Examiner, Applicant's

1 Exhibit 7 is an affidavit mailing which reflects mailing
2 to -- on January 27th to all of the working interest
3 owners who had not at that time agreed to voluntarily
4 commit their interest to this proposed spacing unit in
5 accordance with the division's rules.

6 EXAMINER EZEANYIM: Okay.

7 MR. VANDIVER: Would the examiner like to
8 inquire of the witness?

9 EXAMINER EZEANYIM: Yeah. Okay. I would
10 like to give it to Mr. Bruce to see if he has any
11 questions.

12 CROSS-EXAMINATION

13 BY MR. BRUCE:

14 Q. Just two, Mr. Moran. I noticed the JOA covers
15 surface to the Cisco. You're seeking to force pool, not
16 only a half section of land, but also 160-acre and
17 40-acre units?

18 A. I believe the application stated that. My
19 belief, after thinking about it, is that we have
20 operating agreements in place that cover the southeast
21 quarter that I think are still valid and in place. And
22 that any of those operations would probably be covered
23 by those operating agreements. I haven't figured out
24 how to get back to them.

25 My original plan was to put this new operating

1 agreement in place on the south half so that -- because
2 the existing wells in the south half are committed to
3 the Dagger Draw Upper Penn Unit. But this is the only
4 well that has been abandoned. I anticipate more wells
5 to be abandoned out of the unit.

6 And so I was looking for a way to control removal
7 of those wells. And I was hoping to have this new
8 operating agreement in place that would cover the full
9 south half and supersede any of the other agreements.
10 But if they don't, I will have base agreements in place.

11 Q. Then if you could look at Exhibit 80 or JOA.

12 A. Okay.

13 Q. On the second page I was just looking at the land
14 descriptions. The second lease, the federal lease, the
15 MM-54382 description.

16 A. Okay.

17 Q. Would that be the southwest quarter of the
18 southeast quarter rather than the --

19 A. Yeah. I think that is southwest, southeast. I
20 think that is a typo.

21 Q. I just wanted to make sure.

22 A. Let me double check and make sure. Yeah, I
23 believe that is a correction I need to make in the
24 operating agreement.

25 Q. Okay. Thank you.

1 MR. BROOKS: Are the exhibits in evidence?

2 MR. VANDIVER: No, sir. I move the
3 admission of Yates Exhibits 1 through 7.

4 EXAMINER EZEANYIM: Any objection?

5 MR. BRUCE: No objection.

6 EXAMINER EZEANYIM: Exhibits 1 through 7
7 will be admitted.

8 [Exhibits 1 through 7 admitted.]

9 And then on the question from Mr. Bruce, first I
10 want to clarify. Yates Petroleum still wants to move
11 those three units from the surface of the Cisco
12 formation, the 40, the 160, and the 320? Is that what
13 you are saying?

14 MR. MORAN: I think the application
15 requested that.

16 EXAMINER EZEANYIM: Yes.

17 MR. MORAN: What I need to -- I believe I
18 have operating agreements in place that will address any
19 40-acre spacing unit or any 160-acre spacing unit. So I
20 believe we could probably dismiss that part of -- I've
21 got a problem in that if we're successful on a 320 and
22 then I go back, I'm having a hard time knowing what I
23 got to do with my owners that aren't in that 40 and that
24 160 JOA.

25 EXAMINER EZEANYIM: Okay. So what does

1 Yates want? You know, if you want the three units,
2 fine, and then we discuss that. If you want to exclude
3 the 40 and the 160 and we need composite of 320, we
4 consider that too. What do you want?

5 MR. VANDIVER: Could I address that
6 question, Mr. Examiner?

7 EXAMINER EZEANYIM: Yes.

8 MR. VANDIVER: There's a dilemma there, in
9 my mind, in that the well, the recompletion was
10 proposed. And if the well turned out to be an oil well
11 and the operating agreement covering the southeast
12 quarter was operative then all of those working interest
13 owners that did not respond are already in a non-consent
14 position.

15 And so, you know, in my view, the order should
16 cover all three of the proposed units because if it -- I
17 think that we don't want to claim that if it turned out
18 to be an oil well and somebody ended up paying their
19 share of the costs that they were in a non-consent
20 position before we ever started the compulsory pooling.
21 I'm not sure when you have an operating agreement that
22 it can be superseded by an OCD order. I just don't know
23 the answer to that question.

24 MR. BROOKS: Well, I think the way our
25 orders are written we do not undertake to do that.

1 Because our orders deal with the rights of
2 non-participating -- I forget the term we use. But
3 anyway, the terminology is defined in such a way that
4 the parties pooled are defined as those whose interests
5 are not governed by a joint operating agreement
6 affecting the area. So I think we have always assumed
7 that we did not have the authority to supersede an
8 effective in force joint operating agreement.

9 MR. VANDIVER: Well, it would be my position
10 that Yates should -- that we would request an order as
11 to all three of the units. We believe the well is going
12 to be completed as a gas well. But if it is an oil
13 well, I don't want there to be any confusion about
14 whether or not someone was in a non-consent position
15 before we ever started to force pool.

16 EXAMINER EZEANYIM: Yeah. What happened is
17 that there is no question about the three. We can
18 consider the three units as long as you did all your
19 notice requirements as necessary including all those
20 three units. If you did that -- I mean, that is what
21 you're requesting.

22 MR. VANDIVER: We did.

23 EXAMINER EZEANYIM: Then there is no
24 question of that, we could do that. I was asking the
25 question based on the question asked by Mr. Bruce. So I

1 wanted to clarify that it was what Yates is seeking at
2 this time. But if you wanted three units to be
3 considered then I will do that.

4 MR. VANDIVER: Yes, sir.

5 EXAMINER EZEANYIM: Do you have any more
6 comments, Mr. Bruce?

7 MR. BRUCE: No, sir.

8 EXAMINER EZEANYIM: Do you have any
9 questions?

10 MR. BROOKS: Nothing further.

11 EXAMINER EZEANYIM: Okay. Now, on this
12 well, it used to be an oil well but now you want to
13 complete it as a gas well, right?

14 MR. MORAN: We think it's going to be a gas
15 well.

16 EXAMINER EZEANYIM: Okay. Yeah. I wanted
17 to clarify that. Why was the name changed? The name
18 has been changed from something to something, right?

19 MR. MORAN: The well was originally called
20 the Dagger Draw 30 SE, Number 11. Upon committing the
21 well to the water flood unit the name had to be changed
22 to fit the nomenclature naming for the unit. So it was
23 changed to the NNDUP Number 131. And upon removal from
24 the unit we are going back to the original name.

25 EXAMINER EZEANYIM: Okay. Now, we are going

1 back and forth on the original name. Is there any
2 change to the API number?

3 MR. MORAN: I do not believe the API number
4 changes at all.

5 EXAMINER EZEANYIM: Because it's a vertical
6 well.

7 MR. MORAN: Correct.

8 EXAMINER EZEANYIM: And you have a vertical
9 well going into the well and maybe the API number might
10 change.

11 MR. MORAN: I don't believe the API number
12 will change.

13 EXAMINER EZEANYIM: Well, when we get there
14 we can examine that. But do you know the API number?

15 MR. MORAN: I don't know the API number. I
16 can provide it to you.

17 EXAMINER EZEANYIM: Yeah. I would like to
18 see that. I need to see it because I've been going back
19 and forth and changing the numbers and see what is going
20 on there.

21 MR. MORAN: I will provide you the API
22 number.

23 EXAMINER EZEANYIM: Now, did you find
24 everybody? Did you locate everybody you were searching
25 for and notify and give a notice about this application?

1 Did you find everybody?

2 MR. MORAN: I believe I have talked to
3 everybody other than Mr. Cone, who is out of the country
4 for six months. I talked to somebody in his office.

5 EXAMINER EZEANYIM: So that person --

6 MR. MORAN: It was received by a person that
7 is designated as his employee to receive the
8 information.

9 EXAMINER EZEANYIM: And is he participating
10 in the well or not?

11 MR. MORAN: I don't know what his intentions
12 are.

13 EXAMINER EZEANYIM: Is that acceptable?

14 MR. BROOKS: It sounds to me like they gave
15 notice to a valid address.

16 MR. MORAN: I sent the notice to the address
17 we have on file. I received a call from a person that I
18 understand to be his employee. And the voice mail that
19 I have says he is out of the country for six months and
20 we don't do anything while he's out of the country.

21 MR. BROOKS: We do not have a requirement
22 that notice be actually received by the individual if
23 it's received by his agents.

24 EXAMINER EZEANYIM: Why I'm inquiring is to
25 make sure that there is nobody out there that you

1 couldn't find.

2 MR. MORAN: No. I believe I found all
3 working interest owners.

4 EXAMINER EZEANYIM: Yeah. Which means they
5 are not going to put it any newspaper because you found
6 everybody, right?

7 MR. MORAN: Yeah, I found everybody. You
8 know, under the rules I have to notify the working
9 interest owners. And all those parties are identified
10 on my exhibit from my initial mailing out.

11 EXAMINER EZEANYIM: Therefore there would be
12 no escrow requirements because you found everybody,
13 right?

14 MR. MORAN: I found everybody, yes.

15 EXAMINER EZEANYIM: Okay. Now, I want to
16 ask you about the status of this well right now. What
17 is it doing right now?

18 MR. MORAN: If you'll notice on my AFE,
19 Exhibit 6.

20 MR. VANDIVER: No. It's Exhibit 3, I think.

21 MR. MORAN: Exhibit 3. If you'll notice
22 under the prognosis there's a handwritten note. That
23 note says NMOCD inactive list.

24 EXAMINER EZEANYIM: Yeah, okay.

25 MR. MORAN: And we are attempting to

1 reestablish production in this well bore. And that is
2 where this well status is.

3 EXAMINER EZEANYIM: Okay. It's inactive.
4 It's not temporarily abandoned.

5 MR. MORAN: No, it's not temporarily
6 abandoned. It had been in the unit until my removal
7 from the unit in April.

8 EXAMINER EZEANYIM: Once more, what are your
9 overhead rates?

10 MR. MORAN: \$5,400 and 540. Or drilling
11 operations were 5,400, and monthly were 540.

12 EXAMINER EZEANYIM: Okay. Mr. Bruce?

13 MR. BRUCE: I have nothing.

14 EXAMINER EZEANYIM: You may call your next
15 witness. Mr. Vandiver, do you have another witness on
16 this case?

17 MR. VANDIVER: Yes, sir, Mr. Examiner. John
18 Amiet.

19 EXAMINER EZEANYIM: You have been sworn so
20 you are still under oath.

21 MR. AMIET: Yes, Mr. Examiner.

22

23

24

25

1 JOHN AMIET

2 after having been first duly sworn under oath,
3 was questioned and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. VANDIVER:

6 Q. Will you state your name, please?

7 A. John Amiet.

8 Q. And how are you employed?

9 A. I'm the geologic manager for southeast New Mexico
10 for Yates Petroleum.

11 Q. How long have you been employed by Yates
12 Petroleum?

13 A. Ten years.

14 Q. And have you, on previous occasions, testified
15 before the Oil Conservation Division?

16 A. Yes, numerous times.

17 Q. And had your credentials accepted as a petroleum
18 geologist?

19 A. Yes, I have.

20 Q. Are you familiar with Yates Petroleum
21 Corporation's application in this case and the well in
22 question?

23 A. Yes, I am.

24 Q. And are you familiar with the geology and wells
25 in the area?

1 A. Yes, I've researched it.

2 MR. VANDIVER: I tender Mr. Amiet as an
3 expert petroleum geologist.

4 EXAMINER EZEANYIM: Mr. Amiet is so
5 qualified.

6 Q. (By Mr. Vandiver) Mr. Amiet, if I could refer
7 you to the Applicant's Exhibit 8 in this case and ask
8 you to identify what that is?

9 A. This is a write up.

10 Q. Excuse me?

11 A. Yes. This is my write up that I've examined this
12 well and tried to determine whether it was going to be
13 an oil well or a gas well.

14 Q. And as we've heard from previous testimony, if
15 it's a gas well then it will require a dedication of 320
16 acres?

17 A. I'm convinced it will be a gas well.

18 Q. And what's the basis of your opinion?

19 A. I did a search for wells at approximately this
20 interval that have been completed. And I found two
21 wells right close by. There is one that's about
22 1800 feet to the northeast. This well tested 200 MCF a
23 day. The location of this well is 1969 from the south
24 line and 629 from the east line. So, again, it's about
25 1800 feet to the northeast of this well. It tested 200

1 MCF a day.

2 There's a second well that's just a little bit
3 less than a mile due south. It's 1980 from the south
4 line and 1980 from the east line of Section 31. It
5 tested 11 barrels of oil at a million cubic feet of gas.
6 So, again, it's definitely a gas well.

7 EXAMINER EZEANYIM: In the Cisco formation?

8 MR. AMIET: Well, I call it Wolf Camp Cisco.
9 This is a fairly shallow -- it's 5824 to 62. So it
10 might be a Wolf Camp -- in fact, I'd probably call it a
11 Wolf Camp than a Cisco. But it's hard to find the
12 boundary between those two without paleontologic data.
13 And I did not research that.

14 EXAMINER EZEANYIM: But the pooling is on
15 the Cisco. I mean, are you including the Wolf Camp now?

16 MR. AMIET: I think we need to, yes.

17 MR. VANDIVER: Mr. Examiner, I think the
18 application requests pooling of all formations from the
19 surface --

20 EXAMINER EZEANYIM: Is that the surface to
21 the --

22 MR. VANDIVER: -- the base of the Cisco.

23 EXAMINER EZEANYIM: Okay. In that case -- I
24 thought you were just talking about the Cisco. Okay.
25 You may proceed.

1 Q. (By Mr. Vandiver) And did you have the API
2 number for this well?

3 A. Yes, I do. It's 3001526763.

4 EXAMINER EZEANYIM: Thank you. And the name
5 changes, no changing the API number?

6 MR. AMIET: That's correct. The API number
7 does not change, Mr. Examiner.

8 EXAMINER EZEANYIM: Go ahead.

9 Q. (By Mr. Vandiver) Mr. Amiet, in your opinion,
10 will the approval of this application and Yates'
11 recompletion of this well be in the interest of
12 conservation, prevention of waste, and protection of
13 correlative rights?

14 A. Yes, I do.

15 Q. And will this allow Yates to recover and receive
16 its just and equitable share of hydrocarbons underlying
17 the spacing unit?

18 A. Yes, I do.

19 MR. VANDIVER: Mr. Examiner, I would move
20 the admission of Applicant's Exhibit 8, and ask if you
21 have any further questions of the witness.

22 EXAMINER EZEANYIM: Any objection?

23 MR. BRUCE: No objection.

24 EXAMINER EZEANYIM: 8 will be admitted.

25 Do you have any questions?

1 [Exhibit 8 admitted.]

2 MR. BRUCE: I have no questions for

3 Mr. Amiet.

4 MR. BROOKS: No questions.

5 EXAMINER EZEANYIM: So at this point today,
6 you want to convince me that you are going to get gas on
7 the Cisco.

8 MR. AMIET: Yes.

9 EXAMINER EZEANYIM: Because right now it is
10 only 40 acres or less because it was an oil well before,
11 right?

12 MR. AMIET: That's correct, Mr. Examiner.

13 EXAMINER EZEANYIM: And that's important
14 testimony because for such a well as that you have to
15 get at least 320 there. So as long as we get gas.

16 MR. VANDIVER: He pointed out that the
17 special pool rules for the North Dagger Draw Upper Penn
18 are 160 acres.

19 EXAMINER EZEANYIM: Oh, it is 160. Okay.
20 In that area?

21 MR. VANDIVER: Yes. Just for the North
22 Dagger Draw Upper Penn though.

23 EXAMINER EZEANYIM: Oh, okay. But not this
24 one?

25 MR. VANDIVER: No.

1 EXAMINER EZEANYIM: Okay, yeah. Because
2 here I thought it was 320.

3 MR. VANDIVER: Yeah. We're asking for 320.

4 EXAMINER EZEANYIM: Okay. Anything further?

5 MR. VANDIVER: I have nothing further,
6 Mr. Examiner. But I do have a proposed order that I'd
7 like to give the Examiner if you would want to consider
8 it.

9 EXAMINER EZEANYIM: Oh, that would be fine.
10 Yeah, sure. It doesn't mean you get what you want.

11 MR. VANDIVER: No. I understand. And that
12 concludes our case.

13 EXAMINER EZEANYIM: Okay. Let me have the
14 order. Thank you.

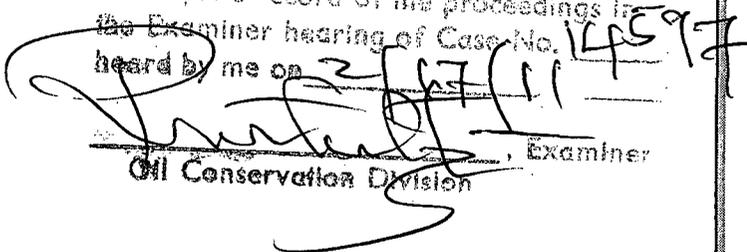
15 MR. VANDIVER: Would you like one of these?

16 MR. BROOKS: No thanks.

17 EXAMINER EZEANYIM: At this point case
18 number 14597 will be taken under advisement.

19 [Case 14597 taken under advisement.]

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14597
heard by me on 2/27/11

Examiner
Oil Conservation Division

REPORTER'S CERTIFICATE

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I, Lisa Reinicke, New Mexico Provisional Reporter, License #P-405, working under the direction and direct supervision of Paul Baca, New Mexico CCR License #112, Official Court Reporter for the US District Court, District 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 whatsoever in the final disposition of this case in any court.



Lisa R. Reinicke,
Provisional License P-405
License expires: 8/21/2011

Ex count: