

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. 12,665
)
AMENDED APPLICATION OF YATES PETROLEUM)
CORPORATION FOR AMENDMENT OF COMPULSORY)
POOLING ORDER NO. R-11,542 TO CHANGE THE)
DEDICATED SPACING UNIT, LEA COUNTY, NEW)
MEXICO)
_____)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID BROOKS, Hearing Examiner

June 28th, 2001

Santa Fe, New Mexico

01 JUL 12 AM 7:55
OIL CONSERVATION DIV

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID BROOKS, Hearing Examiner, on Thursday, June 28th, 2001, 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.

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I N D E X

June 28th, 2001
 Examiner Hearing
 CASE NO. 12,665

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E X H I B I T

| Applicant's | Identified | Admitted |
|-------------|------------|----------|
| Exhibit 6 | 8 | 8 |

* * *

A P P E A R A N C E S

FOR THE DIVISION:

DAVID BROOKS
Attorney at Law
Energy, Minerals and Natural Resources Department
Assistant General Counsel
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: WILLIAM F. CARR

ALSO PRESENT:

MICHAEL STOGNER
Hearing Examiner
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87501

* * *

1 WHEREUPON, the following proceedings were had at
2 8:58 a.m.:

3 EXAMINER BROOKS: The next case will be Case
4 Number 12,665, Amended Application of Yates Petroleum
5 Corporation for amendment of compulsory Pooling Order
6 Number R-11,542 to change the dedicated spacing unit, Lea
7 County, New Mexico.

8 MR. CARR: May it please the Examiner, my name is
9 William F. Carr with the Santa Fe office of Holland and
10 Hart, L.L.P. We represent Yates Petroleum Corporation in
11 this matter. I do not have a witness; I have a statement.

12 EXAMINER BROOKS: Okay, stand by just a minute,
13 we'll get these exhibits back in order.

14 Okay, you may proceed, Mr. Carr.

15 MR. CARR: May it please the Examiner, in January
16 and again in February of this year, this matter came before
17 the Division on an application of Yates Petroleum
18 Corporation. Yates was seeking an order in which they were
19 proposing to pool the south half of Section 13, Township 15
20 South, Range 34 East, to drill a well to the Mississippian
21 formation.

22 The order was entered, and following the receipt
23 of the order granting the application, Chevron approached
24 Yates and requested that we come to the Division and
25 request that the spacing unit be reoriented.

1 There is a plat that I have provided you, which
2 is the original exhibit in the first case. If you'll look
3 at that, in Section 13 there is certain acreage in the
4 south half which is shaded yellow. That acreage is
5 controlled by Yates Petroleum Corporation and its working
6 interest partner, David Petroleum Corporation. The three
7 white tracts are 40-acre tracts, which are the Chevron
8 tracts.

9 We proposed the well to Chevron, we pooled the
10 south half, and then they came to us and asked that we
11 reorient the spacing unit.

12 Now, the ownership is exactly -- There are only
13 two owners in the section, Yates and Chevron, and the north
14 half of the section is controlled by David Petroleum
15 Corporation and Yates Petroleum Corporation; they are
16 partners in this effort.

17 Chevron, as you may know, is in the middle of an
18 acquisition or merger of some type with Texaco, and they
19 find themselves in a position where they could not
20 participate in a well without that. The reason for the
21 request to reorient the spacing unit is that with a north
22 half, one, the benefit to Yates is, they own a larger
23 percentage of the well, and so of course Yates and David is
24 interested in doing that.

25 The reason Chevron would like the spacing units

1 reoriented is, if there is a west-half unit formed, as
2 we're requesting, then the east half would be available for
3 an additional well, and Chevron would own a 40-acre tract
4 in the east half and would be in a position at a later time
5 to propose an additional well and have some say in the
6 further development of the section. There are only two
7 owners, the Yates group and Chevron, in the section.

8 The evidence that would be presented here today
9 as to risk penalty and to all the technical portions of the
10 case is identical to that which was presented in January,
11 and so we filed the Application. I discussed the matter
12 with Mr. Stogner and Mr. Stogner requested that we file an
13 Amended Application or a new Application, which we have
14 done, and that we notify Chevron formally of this request
15 and, if there was no objection, that we would be able to
16 come before you today and request that the case be taken
17 under advisement based on the record made in January.

18 And so that's what we're doing, we're asking that
19 the record presented in January be incorporated into the
20 record of this case and that an amendment to Order Number
21 R-11,542 be approved by the Division to reorient the
22 spacing unit from a south-half to a west-half unit.

23 EXAMINER BROOKS: Okay, and Chevron and Yates own
24 all of the working interest in both the --

25 MR. CARR: Yes, they do.

1 EXAMINER BROOKS: -- west half -- both the east -
2 - Let's see, you said east half.

3 MR. CARR: They own all the working interest in
4 the section.

5 EXAMINER BROOKS: Okay. But presently it was to
6 be a laydown on the south half, and it's now to be a
7 standup on the east half?

8 MR. CARR: On the west half.

9 EXAMINER BROOKS: Oh, the west half, okay.

10 MR. CARR: And that would, see, freeze up the
11 acreage for Chevron so as to future --

12 EXAMINER BROOKS: Right.

13 MR. CARR: -- development, they will have a say.
14 And we're happy to do that, it increases our ownership, and
15 we are here to accommodate that request.

16 EXAMINER BROOKS: Yeah, I see your proposed
17 location is in the northeast of the south- --

18 MR. CARR: Correct --

19 EXAMINER BROOKS: -- -west.

20 MR. CARR: -- and that does not change. And the
21 order also provided for pooling of the 160-acre tract,
22 being the southwest, I believe. None of those things
23 changed. The only thing that we're seeking to amend is the
24 orientation and spacing unit for 320-acre development --

25 EXAMINER BROOKS: Okay --

1 MR. CARR: -- from south half to west half.

2 EXAMINER BROOKS: -- yeah. Is the royalty
3 ownership all reflected in the record --

4 MR. CARR: Yes, it is.

5 EXAMINER BROOKS: -- for the entire section?

6 MR. CARR: Yes, it is, and there's no change in
7 that as well.

8 EXAMINER BROOKS: Very good.

9 Mr. Stogner?

10 MR. STOGNER: I don't have any questions.

11 EXAMINER BROOKS: Very good.

12 MR. CARR: May it please the Examiner, I would
13 offer for the purpose of the record the notice affidavit
14 confirming that once again we have formally notified
15 Chevron. They're the only party who would be subject to
16 the pooling order.

17 EXAMINER BROOKS: Okay, let's see. We had
18 Exhibits 1 through 5 at the previous hearing, so this
19 affidavit will then be Exhibit Number 6.

20 Okay, Case Number 12,665 will be taken under
21 advisement.

22 (Thereupon, these proceedings were concluded at
23 9:01 a.m.)

24 * * *

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 12665,
heard by me on June 28, 1920.

25

David R. Brooks, 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 June 29th, 2001.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002