

NEW MEXICO OIL CONSERVATION DIVISION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date APRIL 19, 2001 Time 8:15 A.M.

NAME	REPRESENTING	LOCATION
Robert Bullock	Yates Pet.	Artesia
William Lawrence	Holland + Hart d/d P	Santa Fe
John Lawrence	Raptor Resources, Inc.	Midland, TX
Bill Keathly	Raptor Resources Inc	Midland, TX
David Pearcey	Raptor Resources Inc	Midland TX
Mike Feldewert	Holland + Hart	Santa Fe
Bruce Stubbs	Bettis Boyle & Stouall	Roswell
Marie McConny	" "	Roswell
Reed Meek	Yates Pet	Artesia
Cathleen Colby	Richardson Operating	Denver
David Richardson	Richardson Operating	Denver
James Bruce		SF
JEFF ROBINSON	BP	HOUSTON
Lee Seaton	BP	Houston
Mitch Camp	BP	Houston

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. 12,640
)
APPLICATION OF YATES PETROLEUM)
CORPORATION FOR APPROVAL OF A UNIT)
AGREEMENT, LEA COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

April 19th, 2001

Santa Fe, New Mexico

OIL CONSERVATION DIV
01 MAY -3 AM 9:05

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, April 19th, 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.

* * *

I N D E X

April 19th, 2001
 Examiner Hearing
 CASE NO. 12,640

	PAGE
EXHIBITS	3
APPEARANCES	3
APPLICANT'S WITNESSES:	
<u>ROBERT BULLOCK</u> (Landman)	
Direct Examination by Mr. Carr	5
Examination by Examiner Stogner	10
<u>REED H. MEEK</u> (Geologist)	
Direct Examination by Mr. Carr	13
Examination by Examiner Stogner	21
Examination by Mr. Bruce	30
REPORTER'S CERTIFICATE	33

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	10
Exhibit 2	6	10
Exhibit 3	7	10
Exhibit 4	8	-
Exhibit 5	15	21
Exhibit 6	17	21
Exhibit 7	18	21
Exhibit 8	18	21
Exhibit 9	19	21
Exhibit 10	19	21

* * *

A P P E A R A N C E S

FOR THE APPLICANT:

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 By: WILLIAM F. CARR

FOR DEVON SFS OPERATING, INC.:

JAMES G. BRUCE, Attorney at Law
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 P.O. Box 1056
 Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 8:20 a.m.:

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EXAMINER STOGNER: At this time the hearing will come to order for Docket Number 12-01. Please note today's date, April 19th, 2001.

I'm Michael Stogner, appointed Hearing Examiner for today's cases.

At this time I'll call Case Number 12,640, which is the Application of Yates Petroleum Corporation for approval of a unit agreement, Lea County, New Mexico.

At this time I'll call for appearances.

MR. CARR: May it please the Examiner, my name is William F. Carr with the Santa Fe law firm Holland and Hart, L.L.P.

We represent Yates Petroleum Corporation, and I have two witnesses.

MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe, representing Devon SFS Operating, Inc. I have no witnesses.

EXAMINER STOGNER: Anybody else? Thank you.

(Thereupon, the witnesses were sworn.)

EXAMINER STOGNER: Mr. Carr?

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ROBERT BULLOCK,

the witness herein, after having been first duly sworn upon his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. CARR:

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

A. My name is Robert Bullock.

Q. Mr. Bullock, where do you reside?

A. Hope, New Mexico.

Q. By whom are you employed?

A. Yates Petroleum Corporation.

Q. What is your position with Yates Petroleum Corporation?

A. Landman.

Q. Have you previously testified before this Division and had your credentials as an expert in petroleum land matters accepted and made a matter of record?

A. Yes, sir.

Q. Are you familiar with the Application filed in this case on behalf of Yates Petroleum Corporation?

A. Yes, I am.

Q. Are you familiar with the status of the lands in the proposed Nonombre State Unit area?

A. Yes.

MR. CARR: Are the witness's qualifications

1 acceptable?

2 EXAMINER STOGNER: They are.

3 Q. (By Mr. Carr) Mr. Bullock, would you briefly
4 summarize for Mr. Stogner what it is that Yates Petroleum
5 Corporation seeks with this Application?

6 A. We're seeking approval of the Nonombre State
7 Exploratory Unit. This is a voluntary exploratory unit
8 that contains approximately 2560 acres of State of New
9 Mexico lands in Lea County, New Mexico.

10 Q. Mr. Bullock, have you prepared certain exhibits
11 for presentation here today?

12 A. Yes, sir.

13 Q. Would you refer to what has been marked for
14 identification as Yates Petroleum Corporation Exhibit
15 Number 1 and review that for the Examiner?

16 A. Exhibit Number 1 is the unit agreement for the
17 development of this state unit. It's on the form that is
18 suggested by -- for this state and fee form of exploratory
19 unit. It contains the usual language, and then it has the
20 two exhibits attached to it, Exhibit A and B, which I'll
21 refer to here.

22 Q. Let's go to what is Exhibit A and also marked as
23 Yates Petroleum Corporation Exhibit 2 in this case. I'd
24 ask you to identify that and review it, please.

25 A. This is the land plat that shows the boundaries

1 of the unit, and all of these leases contributed to this
2 unit are State of New Mexico leases. There are six leases
3 committed to the unit.

4 Q. And what is Exhibit Number 3?

5 A. Exhibit 3 is the breakdown of the tracts, of the
6 six tracts committed to the unit. Each tract is described
7 and identified, and it shows the ownership in each tract.

8 Q. All of the tracts within the proposed unit area
9 are a lease to Yates Petroleum Corporation, with one
10 exception; is that right?

11 A. That's correct. The last tract, Tract 6, an 80-
12 acre tract in Section 29, belongs to Devon SFS Operating,
13 Inc.

14 Q. Is Devon at this time committed to the unit area?

15 A. No, they're not committed.

16 Q. Would you just review where that matter stands
17 with Devon?

18 A. We have proposed -- asked for their participation
19 in the unit, have submitted to them an AFE and a unit
20 agreement with an operating agreement, and at this point we
21 don't have commitment from Devon with respect to joining
22 the unit.

23 Q. Article 22 of the agreement provides for
24 subsequent joinder of other interest owners in the unit,
25 does it not?

1 A. Yes.

2 Q. And Devon would be able to commit its interest at
3 any time?

4 A. Yes, sir.

5 Q. What percentage of the acreage is at this time
6 voluntarily committed to the unit?

7 A. Approximately 96 percent.

8 Q. And that will give Yates effective control of
9 unit operations?

10 A. Yes.

11 Q. Has the Commissioner of Public Lands given his
12 preliminary approval to the proposed unit agreement?

13 A. I believe you visited with Pete Martinez on April
14 18, and he was going to recommend approval to the
15 Commissioner. At this point in time, we don't have a
16 letter from them.

17 MR. CARR: May it please the Examiner, I visited
18 yesterday with Mr. Martinez. He has recommended approval
19 of the unit. We thought we'd have the letter yesterday
20 afternoon to include and present here at the hearing today.
21 We anticipate receiving it sometime today, and I would
22 request that we be permitted to file that as soon as it is
23 received from the State Land Office.

24 EXAMINER STOGNER: Is that what you would propose
25 Exhibit Number 4 to be?

1 MR. CARR: Yes, sir, and there is no Exhibit 4
2 because we were late yesterday, still waiting for it. I
3 talked to Mr. Martinez about four o'clock yesterday, and we
4 were still hoping to have it. And if I could submit that
5 later today, I will do so.

6 EXAMINER STOGNER: Okay.

7 Q. (By Mr. Carr) Mr. Bullock, does Yates Petroleum
8 Corporation seek to be designated operator of this unit?

9 A. Yes, sir.

10 Q. Does the unit agreement provide for the periodic
11 filing of plans of development?

12 A. Yes.

13 Q. And will these plans be filed with the OCD at the
14 same time they're filed with the State Land Office?

15 A. Yes.

16 Q. How often are these plans to be filed, pursuant
17 to the agreement?

18 A. The initial plan is to be filed six months after
19 completion of the initial unit well, and then requires
20 subsequent plans to be provided 12 months thereafter.

21 Q. Will Yates call a geological witness to review
22 the technical portions of this case?

23 A. Yes.

24 Q. Were Exhibits 1 through 3 either prepared by you
25 or compiled at your direction?

1 A. Yes, sir.

2 MR. CARR: Mr. Stogner, at this time we would
3 move the admission into evidence of Yates Petroleum
4 Corporation Exhibits 1 through 3.

5 EXAMINER STOGNER: Exhibits 1 through 3 will be
6 admitted into evidence.

7 MR. CARR: And that concludes my direct
8 examination of Mr. Bullock.

9 EXAMINER STOGNER: Thank you, Mr. Carr.
10 Mr. Bruce, your witness.

11 MR. BRUCE: No questions of Mr. Bullock.

12 EXAMINATION

13 BY EXAMINER STOGNER:

14 Q. Mr. Bullock, what's Devon's response to this?
15 Are they joined?

16 A. They have not responded yet.

17 Q. Okay, what's been the contacts with Devon? When
18 did you first approach them? Has it been in writing?

19 A. Yes, it was in writing. I believe they received
20 their proposal this last Monday. That's the initial
21 proposal submitted to them.

22 Q. So you really haven't tried too hard to get their
23 approval or their thoughts?

24 A. No, sir, we have not.

25 EXAMINER STOGNER: Who will be presenting

1 evidence on Exhibit Number 5, Mr. Carr?

2 MR. CARR: That will be Reed Meek, the geologist.

3 EXAMINER STOGNER: Okay. Is that -- I'm looking
4 at that. There's one well in Devon's property; is that
5 correct?

6 MR. CARR: There is a well at this time being
7 drilled on the Devon tract, yes. That's what I believe.
8 We'll have to ask Mr. Meek.

9 EXAMINER STOGNER: Okay.

10 MR. CARR: It appears that way to me too, Mr.
11 Stogner.

12 EXAMINER STOGNER: I thought that would have been
13 a proposed well, okay.

14 Q. (By Examiner Stogner) Well, let me see, Exhibit
15 Number 1, what's the plans for the initial well, and where
16 will I find that?

17 A. The initial well will be drilled in the northwest
18 quarter of Section 31, 1980 from the north and west.

19 Q. And when was the proposal submitted to the Land
20 Office initially?

21 A. It's been a couple weeks ago, maybe two and a
22 half weeks ago.

23 Q. If you had it all prepared by then, why didn't
24 you contact Devon?

25 A. I didn't have an AFE.

1 Q. Okay. When did you have an AFE? Because I don't
2 see one here.

3 A. Oh, it's just been here in the last week, ten
4 days.

5 Q. Has that been submitted to the District -- I'm
6 sorry?

7 A. Ten days, perhaps.

8 Q. Has that been submitted to the District for
9 approval as far as an APD, application to drill?

10 A. Yes.

11 Q. When was that submitted to the District Office?

12 A. It's been -- I'm going to say a couple of months,
13 probably.

14 Q. So you didn't have an AFE for the well that you
15 submitted an APD for two months ago, until two weeks ago?

16 A. That happens around shop a lot.

17 EXAMINER STOGNER: Okay. Well, it will be so
18 noted that Mr. Bruce is representing Devon today. I take
19 it by no questions and no objections that Devon is not
20 objecting too seriously in this, if they have any objection
21 at all, but I don't see that they're supporting it.

22 I have no other questions of this witness, you
23 may be excused.

24 MR. CARR: At this time, Mr. Stogner, we call
25 Reed Meek to the stand.

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REED H. MEEK,

the witness herein, after having been first duly sworn upon
his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. CARR:

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

A. Reed Meek.

Q. Mr. Meek, where do you reside?

A. In Artesia, New Mexico.

Q. By whom are you employed?

A. By Yates Petroleum Corporation.

Q. And what is your position with Yates?

A. I'm a geologist.

Q. Mr. Meek, have you previously testified before
this Division?

A. Yes, I have.

Q. At the time of that testimony, were your
credentials as an expert in petroleum geology accepted and
made a matter of record?

A. Yes.

Q. Are you familiar with the Application filed in
this case?

A. Yes.

Q. Are you familiar with the proposed Nonombre State
Unit?

1 A. Yes.

2 Q. And have you made a geological study of the area
3 which is the subject of this proposed unit?

4 A. Yes, I have.

5 Q. Are you prepared to share the results of your
6 work with Mr. Stogner?

7 A. Yes, I will.

8 MR. CARR: Are Mr. Meek's qualifications
9 acceptable?

10 EXAMINER STOGNER: Any objection?

11 MR. BRUCE: No, sir.

12 EXAMINER STOGNER: Mr. Meek is so qualified.

13 Q. (By Mr. Carr) Mr. Meek, would you initially
14 identify those horizons that are being unitized in the
15 Nonombre State Exploratory Unit?

16 A. We're intending to unitize all the horizons.

17 Q. And what is the primary objective in this unit?

18 A. Our primary objective is the Atoka-Morrow
19 formation.

20 Q. And is there an established pool for the Atoka-
21 Morrow in this area?

22 A. Yes, there's a pool, the Nonombre-Atoka-Morrow
23 Gas Pool.

24 Q. Are there secondary objectives in the unit?

25 A. We believe there's a possibility of completion in

1 the upper Pennsylvanian, but it's not really a secondary
2 objective, other than if we're fortunate to hit it, we
3 would complete in it.

4 Q. And would that well then be in the Nonombre-Upper
5 Pennsylvanian Pool?

6 A. Yes, it would.

7 Q. Let's go to Exhibit Number 5. Would you identify
8 this and review it for the Examiner?

9 A. Okay, this is a base map that shows the red
10 outline being the unit boundary and also shows all the
11 wells that have been drilled in the area of the proposed
12 unit. Below each well symbol is the total depth that the
13 well reached. So one of the key points of this map is to
14 show that there are a number of wells, most of which have
15 not penetrated the Atoka-Morrow section.

16 The top of the Atoka is at approximately 12,100
17 feet in this area, so any well with a TD of less than
18 12,000 feet would not have penetrated into the Atoka-Morrow
19 section.

20 There are three deep wells in the unit area, and
21 those are shown with the large circles and have been
22 included in the cross-section that I'll be presenting as
23 Exhibit -- or as Figure 2.

24 Q. There is a well indicated in the northwest of
25 Section 29. The name on it is the Number 1 Cocono "AVY"

1 State well?

2 A. Yes.

3 Q. And is that well actually a well on the Devon
4 acreage?

5 A. That's correct.

6 Q. And the status of that well?

7 A. There are actually three wells designated with
8 the red circles, all of which are wells that are currently
9 being drilled by Yates Petroleum. And each of these wells
10 is currently at a TD of around 30 to 40 feet. We've been
11 drilling those with a cable-tool-type of rig.

12 Q. Mr. Meek, you're aware that the State Land Office
13 has, in the past, refused to consider an exploratory unit
14 where there were wellbores that penetrated the unitized
15 formations, are you not?

16 A. Yes, I am.

17 Q. And this is the first unit that the Land Office
18 has been willing to go forward with, with wells that do
19 penetrate these formations; is that correct?

20 A. That's -- To my knowledge, that's correct, yes.

21 Q. And that we have been in negotiation with the
22 Land Office concerning this interpretation of their unit
23 for over a year?

24 A. Yes.

25 Q. Let's go to what has been marked Yates Exhibit

1 Number 6. Would you identify that and review it for Mr.
2 Stogner?

3 A. All right, this is a cross-section showing the
4 three deep wells that are within the unit area and also one
5 additional deep penetration which is several miles to the
6 west.

7 The well -- It is a structural cross-section, and
8 one of the key points that I wanted to illustrate with the
9 cross-section was the presence of a fairly significant
10 fault which we interpret to be coincident with the western
11 boundary of our proposed unit.

12 The cross-section also highlights the Atoka-
13 Morrow section, and we've included an interpretation of the
14 lithology in the section. The units that are highlighted
15 in yellow we interpret as the sandstones that are the
16 prospective reservoir that we're targeting.

17 One of the key things that I would like you to
18 notice, Mr. Stogner, is, when we move from west to east
19 along the line of the cross-section, we drop across this
20 fairly major fault. We note a fairly dramatic thickening
21 of the Atoka-Morrow section on the downthrown side of the
22 fault. To us that indicates that the fault was active
23 during the time of the deposition of this formation and
24 influenced the deposition in a significant way.

25 In addition to the overall section being

1 thickened on the downthrown side of the fault, there is
2 also an increase in the amount of net sand pay thickness in
3 the prospective interval. And these points will be
4 highlighted in the isopach maps that I'll be showing in
5 subsequent figures.

6 Q. Let's go to Yates Exhibit Number 7. Would you
7 identify that for the Examiner and review it, please?

8 A. Okay, this is a structure map of the unit, again
9 showing the outline of the unit and the position of the
10 fault near the western boundary of the unit. That fault,
11 by this interpretation, has a throw of approximately 1200
12 feet.

13 And it also shows the presence of a structural
14 closure in the vicinity of the unit, which was the target,
15 we believe, of the initial development in this area, the
16 Nonombre-Upper Pennsylvanian Pool that was developed in the
17 1960s. There were three wells located in Section 32 that
18 produced from Upper Pennsylvanian carbonate reservoirs, and
19 these were oil wells. And that structural feature was the
20 target of that development.

21 Q. Let's move now to the isopach maps. Let's start
22 with the gross isopach, Exhibit 8. Would you review that
23 for Mr. Stogner?

24 A. Okay, again this is a map to show the thickening
25 of the overall Atoka-Morrow interval, and most notable is

1 the dramatic thickening as you cross the faults. On the
2 downthrown side of the fault we have an overall thickness
3 of approximately 1200 feet, and then that unit does thin as
4 you move away from the fault to the east.

5 Q. Let's go to Exhibit Number 9, the net isopach,
6 and then you can go on with your review.

7 A. Okay, and then -- Yeah, the net sand isopach is
8 to indicate the amount of reservoir that we anticipate in
9 the unit area. So it's thickest adjacent to the fault and
10 then thins as we move eastward away from the fault.

11 And the proposed eastern boundary to the unit is
12 coincident with a 50-foot contour on the net sand isopach,
13 which we deem as potentially an economic limit for
14 development at this depth and the kind of costs that we're
15 looking at, associated with this drilling operation.

16 Q. Mr. Meek, is Exhibit Number 10 a written summary
17 of your geological presentation?

18 A. That is correct.

19 Q. And attached to that are some gas-in-place
20 estimates?

21 A. Yes, attached to my written description is a bit
22 of work done by our reservoir engineer, Mr. Dave Boneau,
23 wherein he calculates a gas-in-place number and estimates
24 that -- We believe there's about 32 billion cubic feet of
25 gas in place within the unit. We believe that with the

1 proper drilling and completion technology, we may be able
2 to recover about half of that gas in place, and that's
3 really the target of our effort in the unit.

4 Q. What are Yates' plans for the development of the
5 Atoka-Morrow generally in the unit area?

6 A. Well, our initial plan is to drill the well in
7 Section 31 that we call the 2 Dome Nonombre. We will drill
8 that well initially. I think one of the key things in this
9 development is, there's already been three deep wells that
10 have penetrated the Atoka-Morrow. Two of them have
11 actually been completed in the formation. Only one of them
12 has actually been produced, but it was uneconomic.

13 We believe that since this effort was done in the
14 early 1980s that completion technology has improved to the
15 point where with some different fracture-stimulation
16 techniques, we're hopeful that we can make what was an
17 uneconomic project into an economic project.

18 Q. What does your geology tell you about the subject
19 formation?

20 A. It tells me that there is a significant resource
21 in place. We believe that we can achieve economic
22 production rates from wells in this area, given the right
23 completion technologies.

24 Q. Can the area that is included within the proposed
25 unit boundary be effectively developed under a unit plan?

1 A. Yes, it can.

2 Q. In your opinion, will approval of this
3 Application and the development of the Atoka-Morrow in the
4 unit area as proposed be in the best interest of
5 conservation, the prevention of waste and the protection of
6 correlative rights?

7 A. Yes, it will.

8 Q. Were Exhibits 5 through 10 prepared by you, or
9 have you reviewed them and can you testify as to their
10 accuracy?

11 A. Yes.

12 MR. CARR: At this time, Mr. Stogner, we move the
13 admission into evidence of Yates Exhibits 5 through 10.

14 EXAMINER STOGNER: Exhibits 5 through 10 will be
15 admitted into evidence at this time.

16 MR. CARR: And that concludes my direct
17 examination of Mr. Meek.

18 EXAMINATION

19 BY EXAMINER STOGNER:

20 Q. Okay, in referring to Exhibit Number 8 or any of
21 the maps, it was the State LP 1 that reported a small bit
22 of production in the Atoka or Morrow?

23 A. No, it's actually the Ranger "AHJ" State 1A, the
24 middle well that's shown as a gas symbol. It produced
25 approximately 194 million cubic feet of gas from the Atoka-

1 Morrow from 19- -- The curve is in Dave Boneau's letter,
2 the production curve, so it began in 1981 and produced up
3 until about 1985, mid-1985.

4 Q. And what's the current status of this well?

5 A. That well was subsequently recompleted to an
6 upper Pennsylvanian zone and then has been -- it's either
7 temporarily abandoned or plugged and abandoned.

8 Q. Okay. Well, you and the State Land Office are
9 throwing me a curve here, because I didn't think these were
10 allowed --

11 A. Yes.

12 Q. -- so go into a little bit more detail. What's
13 your understanding why they're letting a noncommercial well
14 at this time be put in a unit? Won't that just draw down
15 the -- How's it going to help? Enlighten me here, I'm
16 confused.

17 A. Well, the original completion in the Atoka-
18 Morrow, which was done by Amoco Producing Company in 1981,
19 was uneconomic. They didn't stimulate the well, they just
20 used a natural completion technique. It did make some gas,
21 but it clearly wasn't enough incentive to continue
22 development of the area.

23 Our belief is that, you know, with better
24 stimulation technologies that have come along in the last
25 20 years, that now we can more effectively address the

1 resource that's in place, and so our intent is to go in
2 with an initial well, which again was the Nonombre 2, to
3 attempt our more modern completion technique. And if
4 that's successful, then we would intend to drill a number
5 of development wells, probably on 160-acre spacing
6 throughout the unit area.

7 So I think the State Land Office view is that,
8 you know, this is an exploratory prospect in the sense that
9 we're exploring new technology, and they're willing to
10 allow us to put the unit together in order to try an
11 develop this resource that so far has not been successfully
12 developed.

13 MR. CARR: Mr. Stogner, I've been involved in
14 those negotiations with the Land Office. Could I respond
15 briefly? Because you are correct, they haven't allowed
16 this in the past.

17 EXAMINER STOGNER: Okay.

18 MR. CARR: And as you may recall, a year, a year
19 and a half ago, there were several small exploratory units
20 that had very unique boundaries because there had been a
21 well that had penetrated the unitized formations, and the
22 State Land Office with an exploratory unit would not allow
23 that acreage to be included in the unit.

24 We met with the Land Office, and initially the
25 Land Office decided they were going to come forward with a

1 development unit agreement form, which would be sort of
2 between the exploratory unit and their secondary recovery
3 or waterflood unit form.

4 As they worked on that, it became a very
5 difficult project. They were working on time frames that
6 were unique, and as a week ago Tuesday they advised that
7 they were going to point forward, use the exploratory unit
8 form, but were perhaps in their approval going to impose
9 some shorter time frames, but that they weren't going
10 forward with the new form.

11 This is actually the second unit agreement, we
12 believe, from what they told us yesterday, that will be
13 approved. There was one for, I believe, Paladin Energy a
14 while back, but they used the exploratory form for
15 something that really wasn't pure exploratory but really
16 more development in nature.

17 So you're right, they haven't allowed it in the
18 past. And as of about two weeks ago, they decided to use
19 the existing form and start allowing developing units. And
20 their approval, when we get it we'll send it to you, and it
21 may have some special time frames.

22 But that's our understanding of it at this time.

23 Q. (By Examiner Stogner) Does Yates plan any more
24 of these type of units for this kind of situation involving
25 existing wellbores in the near future?

1 A. I can't think of a specific example that we've
2 put together, but we are looking, you know, in this area at
3 a number of situations that are quite similar to this. So
4 I think the possibility of a very similar unit is good.

5 EXAMINER STOGNER: Mr. Carr, if you know of any
6 others in the near future, you might ask if the Land Office
7 will have a problem with maybe us sending a representative
8 from the Engineering Bureau, specifically either one of the
9 Examiners.

10 MR. CARR: Mr. Stogner, we'll do that. And I
11 want you to know that a week ago Tuesday when we went to
12 the Land Office, we thought we were going to receive the
13 new development form unit agreement and were told that they
14 thought they would handle it with just a change in their
15 policy and not have a formal agreement that sort of fell in
16 the middle. So we were sort of caught off guard with that
17 as well.

18 But we'll definitely keep you in the loop,
19 because this is a fairly significant change. There have
20 been units formed in the past that have wells in them, but
21 the two forms that they were working with really had a hole
22 in the middle if you had a well you couldn't unitize.

23 And so we've been trying to figure out how to
24 find middle ground that serves the purposes of unitization
25 without letting the units just become acreage-holding

1 tools. And that was the concern at the Land Office. They
2 have spent a substantial amount of time reviewing the
3 individual well data on this matter with all their staff,
4 and we were advised yesterday they had decided they would
5 recommend approval.

6 EXAMINER STOGNER: Sounds like they're
7 resurrecting some of the old methods in which have been
8 tried and true.

9 MR. CARR: Uh-huh.

10 EXAMINER STOGNER: Wow, what a concept, huh?
11 Maybe other agencies might want to take a look at that same
12 procedure.

13 MR. CARR: It would be a good idea.

14 EXAMINER STOGNER: Could be. I could be wrong.
15 And I will be the first to say that some of the old tried
16 and true methods that are no longer applicable are wrong
17 when I'm told to tell them that they're wrong, I'll be more
18 than happy to comply with them in those wishes.

19 Q. (By Examiner Stogner) Okay, let's take a look at
20 some of the shallow oil, because looking at a couple of the
21 maps it looks like there's maybe some oil production up
22 above; is this correct? I'm looking at some gray-shaded
23 wellbore.

24 A. If you go back to my Figure 1, which is Exhibit
25 Number 5 --

1 Q. Okay.

2 A. -- this map shows all of the wells drilled in the
3 area. Of course, the solid symbols are all oil wells. And
4 you'll see in Section 32, there are three wells that
5 produced oil, and these all produced out of the upper
6 Pennsylvanian carbonates, Cisco/Canyon-age carbonates.

7 Q. Do you know what pool that was, or is?

8 A. It's the Nonombre, and there is a number of
9 different pools, Upper Pennsylvanian, I think Lower
10 Pennsylvanian, and Pennsylvanian. You know, I'm not sure
11 the history of all those different names.

12 MR. CARR: The different pools in the area have
13 been rescinded, and what was upper Penn is now Nonombre
14 Penn or something. There's been a shift in the names of
15 the pools in the last probably ten years.

16 THE WITNESS: None of these wells are currently
17 active.

18 EXAMINER STOGNER: Okay.

19 THE WITNESS: These wells were drilled in the
20 1960s, around 1964, I believe, and all drilled at
21 approximately the same time. And production ceased, I
22 believe, kind of in the mid-1970s.

23 Q. (By Examiner Stogner) Mr. Carr had said
24 something about reviewing this unit -- proposed new and
25 approved unit agreement based on the old standings.

1 Is there usually a clause in there about
2 development and how a unit is to proceed with its
3 development, and what usually is that factor? You drill
4 your first well, you've got a second well to drill. Maybe
5 your landman needs to answer that. I'm sure -- He's the
6 expert, then, on the unitization.

7 I feel real funny that we have a representative
8 from Devon who is a part of this here and that we're
9 relying on our attorney to ask questions in which the
10 experts should be doing.

11 A. What I know about the unit development plans is
12 that at six months after the completion of the initial
13 well, that we're required to file a unit development plan,
14 and then every 12 months subsequent to that we file a plan.

15 Now, as far as exactly what the pace of drilling
16 is, do you know anything about that, Robert?

17 MR. BULLOCK: Well, it's my understanding if you
18 get a good commercial well, they will work with you on not
19 drilling a well every 12 months thereafter. If you don't
20 get a commercial well on the initial well, then you must
21 drill a well every six months until you do get a commercial
22 well.

23 EXAMINER STOGNER: I just wondered, have -- Your
24 conversations with the Land Office, has anything been said
25 about our new and improved development in the deep gas,

1 allowing optional infill wells?

2 MR. CARR: The Land Office has not raised that,
3 and I've been in these discussions. They have indicated
4 that in their approval which they will give, they may be
5 more rigorous in terms of what they require in terms of the
6 development program, but they haven't specified anything.

7 EXAMINER STOGNER: That might be a word -- or a
8 wording to look at very carefully when the unit comes back,
9 be advantageous to both parties. Or is there something in
10 there --

11 MR. CARR: Uh-huh.

12 EXAMINER STOGNER: -- that goes counter to
13 that --

14 MR. CARR: Yeah.

15 EXAMINER STOGNER: -- since these new policies
16 changing, maybe, and since somebody from the Division is
17 not in there.

18 MR. CARR: Sure.

19 EXAMINER STOGNER: Let me rephrase that, somebody
20 from the Division that knows what our rules and regulations
21 say, is not in there to maybe make some additional comments
22 that might help or assist.

23 Okay. Is there anything further in this case?

24 MR. BRUCE: Mr. Examiner, I have a couple of
25 questions.

1 EXAMINER STOGNER: Okay. Oh, I'm sorry. You
2 didn't have any questions for the last one, and I apologize
3 for that assumption.

4 EXAMINATION

5 BY MR. BRUCE:

6 Q. Mr. Meek, I didn't have your exhibits originally,
7 but is it both the Morrow and the Atoka that are the
8 primary zones?

9 A. Yes.

10 Q. And are the wells going to be drilled into the
11 upper Mississippian or the base of the Morrow?

12 A. We typically drill approximately 100 feet into
13 the upper Mississippian.

14 Q. And looking at this now, the initial well, unit
15 well, is in Section 31?

16 A. Yes, our intention is to drill the well in
17 Section 31 to TD and the Mississippian as the initial test,
18 yeah.

19 Q. And then on your Exhibit 5 it lists -- it has two
20 other well locations. Are those the next proposed unit
21 wells?

22 A. Those -- At the current time, that would be our
23 plan. But we may decide to drill in a different order.

24 Q. Okay, it may change?

25 A. Yeah.

1 Q. And the well in Section 31 has been spudded?

2 A. Yes.

3 Q. What is the current status of it?

4 A. It's at a TD of approximately 35 feet.

5 Q. And then the original gas-in-place estimates, is
6 that for the Morrow or the Morrow and the Atoka?

7 A. It's for both the Atoka and the Morrow. In the
8 pool, the Nonombre-Atoka-Morrow Pool, those two formations
9 have been commingled, essentially.

10 MR. BRUCE: Thank you, Mr. Meeks.

11 Mr. Examiner, Devon only received this Monday,
12 and they haven't had time to review it. They will be
13 reviewing it and responding.

14 EXAMINER STOGNER: On behalf of Devon, are you
15 requesting anything additional at this time?

16 MR. BRUCE: No, Mr. Examiner, this is a voluntary
17 unit and they can't be forced into it, so I don't --
18 They're just interested in what Yates is doing.

19 EXAMINER STOGNER: Okay. Do you have anything
20 further, Mr. Carr?

21 MR. CARR: No, sir, I do not.

22 EXAMINER STOGNER: Mr. Meek, you may be excused.

23 If nobody else has anything further in Case
24 Number 12,640, I'm going to keep the record open, Mr. Carr,
25 pending the receipt of the preliminary approval from the

1 New Mexico State Land Office.

2 MR. CARR: I am hopeful I can provide that to you
3 today. That was the indication yesterday afternoon.

4 EXAMINER STOGNER: Okay. And if for some reason
5 there's a problem with it coming out, let me know.

6 MR. CARR: I will immediately.

7 EXAMINER STOGNER: Okay, thank you.

8 (Thereupon, these proceedings were concluded at
9 9:05 a.m.)

10 * * *

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18 I do hereby certify that the foregoing is
19 a complete record of the proceedings in
20 the Examined Hearing of Case No. 12640,
21 heard by me on 19 April 1991.
22 Michael Stogner, Examiner
23 Off Conservation Division
24
25

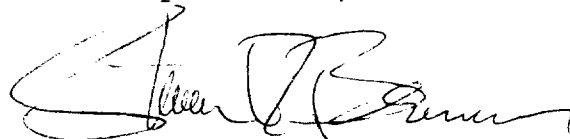
CERTIFICATE OF REPORTER

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 April 22nd, 2001.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002