

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. 13,403

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

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, JR., Hearing Examiner

February 3rd, 2005

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, February 3rd, 2005, 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

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A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
Deputy General Counsel
Energy, Minerals and Natural Resources Department
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FOR THE APPLICANT:

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P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: OCEAN MUNDS-DRY

* * *

1 WHEREUPON, the following proceedings were had at
2 8:34 a.m.:

3 EXAMINER JONES: And let's call Case 13,403,
4 Application of Yates Petroleum Corporation for approval of
5 a unit agreement, Lea County, New Mexico.

6 Call for appearances.

7 MS. MUNDS-DRY: Mr. Hearing Examiner, Ocean
8 Munds-Dry with Holland and Hart, appearing on behalf of
9 Yates Petroleum Corporation.

10 EXAMINER JONES: Any other appearances? No other
11 appearances.

12 MS. MUNDS-DRY: Let's see if I can not get these
13 mixed up.

14 Mr. Hearing Examiner, Yates seeks approval of the
15 Fender State Exploratory Unit. It's comprised of 5442.24
16 acres of State of New Mexico lands, and it's located
17 approximately four miles east of Caprock.

18 One hundred percent of the working interest in
19 these lands is owned by Yates and its affiliated companies.

20 Yates proposes to test all formations from the
21 surface to the Mississippian limestone, and Yates seeks
22 approval of this proposed unit by affidavit pursuant to
23 Division policy.

24 Yates Exhibit Number 1 is the affidavit of John
25 Amiet, who is the petroleum geologist identifying the

1 project.

2 Attachment A to the affidavit is a fully executed
3 copy of the unit agreement. As you will see, it conforms
4 to the State Land Office form.

5 Attachment B to the affidavit is a copy of the
6 plat to the executed unit agreement, identifying the unit
7 boundary.

8 The initial test well is actually the re-entry of
9 the Sohio State Number 1 well, and it's located at a
10 standard gas-well location 1980 feet from the south line
11 and 1980 feet from the west line of Section 9, and it will
12 test all formations from the surface to an approximate
13 total depth of 11,700 feet.

14 Attachment C to the affidavit is a copy of the
15 ownership breakdown. You'll see 100 percent of the working
16 interest is owned by Yates and its affiliated companies,
17 and 100 percent is voluntarily committed to the unit. This
18 means they will have complete control of the operations.

19 Attachment D to the affidavit is a letter from
20 the Commissioner of Public Lands giving preliminary
21 approval to the formation of this unit.

22 And Attachment E to this affidavit is a net sand
23 isopach map for the Atoka sands. It illustrates Yates'
24 projection of the sand trend in the area. The Atoka-Morrow
25 sands are the main producing objective, and Yates is

1 attempting to locate channel sands by using log
2 correlation, old sample-description logs, drill stem test
3 information and regional mapping.

4 Although these gas sands can be very productive,
5 the channels are often narrow and limited in areal extent.

6 The targeted sand channels are shown in black
7 here on the isopach map.

8 There have been no producing wells within the
9 proposed unit area. The only Atoka producers are located
10 in the northeast corner of the map in Section 36 and in the
11 southwest corner of the map in Section 19.

12 The first well in the northeast corner had a
13 cumulative production of 16 MBO and 1481 MMCF. And the
14 second well down in the southwest corner had a cumulative
15 production of 2 MBO and 449 MMCF.

16 Attachment F to the affidavit is a cross-section
17 of the Atoka gas sands in the proposed area. And it shows
18 the sands, the Atoka sands, in the Sohio well and the
19 offsetting wells, which, as I mentioned, is the -- the
20 Atoka is the main producing objective.

21 Mr. Amiet also testifies that the development of
22 this unit area is pursuant to a unit plan, is in the best
23 interest of conservation, the prevention of waste and the
24 protection of correlative rights.

25 And if there are no questions, Mr. Hearing

1 Examiner, we ask that Yates Exhibit Number 1 and all of its
2 attachments be admitted into evidence.

3 EXAMINER JONES: Exhibit 1 and all attachments to
4 will be admitted into evidence.

5 The wells over in the east side there, now, what
6 are they? There are a bunch of --

7 MS. MUNDS-DRY: Are you looking --

8 EXAMINER JONES: -- bunch of wells, but there's
9 no Atoka wells, I take it.

10 MS. MUNDS-DRY: That's right, there's been no
11 Atoka production from any of these wells. Of course, the
12 open red circles indicate that there was no Atoka
13 production, and of course the solid red circles is Atoka
14 production. So within the unit boundary there has not been
15 any Atoka production. My understanding is, there's been
16 production from other horizons, but not in the Atoka.

17 EXAMINER JONES: Okay, and they're using any well
18 control or seismic or whatever to draw these channel sands?

19 MS. MUNDS-DRY: That's right, and that's my
20 understanding with the re-entry. Part of this is old, very
21 old logging system, from the 1950s and 1960s, so they're
22 attempting to re-establish that information.

23 EXAMINER JONES: So when they go before the State
24 Land Office, do you go with them?

25 MS. MUNDS-DRY: No.

1 EXAMINER JONES: No. So you have to pick all
2 this up later?

3 MS. MUNDS-DRY: That's right.

4 EXAMINER JONES: Gail, do you have any questions?

5 MS. MacQUESTEN: (Shakes head)

6 EXAMINER JONES: Okay, we have no more questions,
7 and Case 13,403 will be taken under advisement.

8 (Thereupon, these proceedings were concluded at
9 8:40 a.m.)

10 * * *

11
12
13 I do hereby certify that the foregoing is
14 a complete record of the proceedings in
15 the Examiner hearing of Case No. _____
16 heard by me on _____.

17 _____, Examiner
18 Oil Conservation Division
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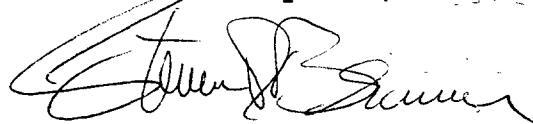
CERTIFICATE OF REPORTER

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 February 3rd, 2005.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006