

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. 13,444

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

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

March 17th, 2005

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, March 17th, 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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March 17th, 2005
 Examiner Hearing
 CASE NO. 13,444

PAGE

REPORTER'S CERTIFICATE

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	4	-
Attachment A	4	-
Attachment B	4	-
Attachment C	4	-
Attachment D	4	-
Attachment E	5	-
Attachment F	5	-
Exhibit 2	-	-

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A P P E A R A N C E S

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: OCEAN MUNDS-DRY

* * *

1 WHEREUPON, the following proceedings were had at
2 9:02 a.m.:

3 EXAMINER STOGNER: Let's go back to page 1, now
4 call this hearing to order.

5 Now I'll call Case Number 13,444, which is the
6 Application of Yates Petroleum Corporation for approval of
7 a unit agreement in Eddy County, New Mexico.

8 Call for appearances.

9 MS. MUNDS-DRY: Good morning, Mr. Hearing
10 Examiner. My name is Ocean Munds-Dry. I'm with Holland
11 and Hart.

12 I'm here representing Yates Petroleum Corporation
13 this morning.

14 EXAMINER STOGNER: Any other appearances?

15 Ms. Munds-Dry, please continue.

16 MS. MUNDS-DRY: Mr. Hearing Examiner, Yates seeks
17 approval of the Cohiba State Exploratory Unit. It's
18 comprised of 879.20 acres of State of New Mexico lands.
19 It's located approximately five miles southwest of Malaga.
20 100 percent of the working interest in these lands is owned
21 by Yates and its affiliated companies.

22 Yates proposes to test all formations from the
23 surface to the base of the Bone Springs formations, and
24 Yates seeks approval of this proposed unit by affidavit
25 pursuant to Division policy.

1 Mr. Hearing Examiner, if you'll turn to Yates
2 Exhibit Number 1, the affidavit of Ray Podany, he's the
3 petroleum geologist identifying the project in his
4 affidavit.

5 Attachment A to the Affidavit is a fully executed
6 copy of the unit agreement. You will note that it conforms
7 to the State Land Office form.

8 Attachment B to the affidavit is a copy of the
9 plat to the executed unit agreement, and identifies the
10 unit boundaries.

11 The initial test well is to be located at a
12 standard location 660 feet from the north line and 660 feet
13 from the west line of Section 1. It will test all
14 formations from the surface to an approximate total depth
15 of 8500 feet.

16 Attachment C to the affidavit is a copy of the
17 ownership breakdown. You'll note that the first lease
18 expires April 1st of 2005. You'll also note that 100
19 percent of the working interest is owned by Yates and its
20 affiliated companies, and 100 percent is voluntarily
21 committed to the unit. This will give Yates complete
22 control of operations.

23 Attachment D to the affidavit is a letter from
24 the Commissioner of Public Lands giving preliminary
25 approval to the formation of this unit.

1 Attachment E to the affidavit is a top-of-
2 structure map for the Bone Springs sands, illustrating
3 Yates' projection of the sand trend in this area. You can
4 see the sand is deposited in deep-water depositional
5 systems, and they are the main producing objective, which
6 is the Bone Springs. Trends north northeast-south
7 southeast -- southwest, sorry.

8 Attachment F to the affidavit is a cross-section
9 of the sands in the proposed area. The one producing Bone
10 Springs well in the area, which is not in the proposed unit
11 area, is the Harkey 35 State 1 well in Section 35. It had
12 a cumulative production of 25 MBO and 490 MMCF.

13 Mr. Podany testifies that the development of this
14 unit area is pursuant to unit plan, is in the best interest
15 of conservation, the prevention of waste and the protection
16 of correlative rights.

17 Mr. Hearing Examiner, unless you have any
18 questions, we ask that Yates Exhibit Number 1 and its
19 attachments be admitted into evidence.

20 EXAMINER STOGNER: No questions because the
21 witness isn't here, and if he was I wouldn't have any
22 questions for him.

23 And does anybody else have anything further in
24 Case 13,444?

25 If not, this case for the exploratory unit near

1 Malaga, New Mexico, will be taken under advisement.

2 MS. MUNDS-DRY: Thank you, Mr. Hearing Examiner.

3 EXAMINER STOGNER: Thank you, Ms. Munds-Dry.

4 (Thereupon, these proceedings were concluded at
5 8:24 a.m.)

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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. 13444,
heard by me on 12 March 2005.

 , Examiner
Oil Conservation Division

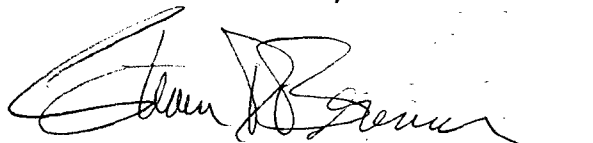
CERTIFICATE OF REPORTER

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 March 17th, 2005.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006