

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. 13,490

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

May 19th, 2005

Santa Fe, New Mexico

2005 JUN 2 PM 2 51

TEAM 5/24/05

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, May 19th, 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

May 19th, 2005
Examiner Hearing
CASE NO. 13,490

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REPORTER'S CERTIFICATE

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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
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: OCEAN MUNDS-DRY

* * *

1 WHEREUPON, the following proceedings were had at
2 9:07 a.m.:

3 EXAMINER JONES: And let's call Case 13,490,
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: Good morning, Mr. Hearing
8 Examiner, my name is Ocean Munds-Dry. I'm with Holland and
9 Hart, representing Yates Petroleum Corporation this
10 morning.

11 EXAMINER JONES: Any other appearances?

12 No witnesses?

13 MS. MUNDS-DRY: Just me.

14 EXAMINER JONES: Okay.

15 MS. MUNDS-DRY: Mr. Hearing Examiner, Yates seeks
16 approval of the Jolene State Exploratory Unit this morning,
17 which is comprised of 5120 acres of State of New Mexico
18 land and is located 10 miles north of Lovington. Yates
19 seeks approval of this proposed unit by affidavit, pursuant
20 to Division policy.

21 If you turn to Yates Exhibit Number 1, Mr.
22 Hearing Examiner, it's the affidavit of John Amiet, who's
23 the petroleum geologist identifying the project.

24 Attachment A to the affidavit is a copy of the
25 unit agreement, and you will note that it conforms with the

1 State Land Office form.

2 Attachment B, which is actually at the back of
3 Attachment A, is a copy of the plat to the unit agreement,
4 and it identifies the unit boundary in red for you.

5 And after that is Attachment C, which is the
6 Exhibit B to the unit agreement, and it shows the ownership
7 breakdown.

8 Yates proposes to test all formations from the
9 surface to the base of the Mississippian formation. If you
10 look back at Attachment B, the initial test well is to be
11 located at a standard location 1980 from the north line and
12 1980 from the east line in Section 8 of Township 14 South,
13 Range 35 East. And Yates proposes to test all formations
14 from the surface to an approximate total depth of 13,700
15 feet.

16 If you look back at Attachment C, you will note
17 that Yates has the working interest of approximately 45
18 percent of the proposed unit area, however Yates has
19 received a commitment from the other working interest
20 owners in the proposed unit boundaries which would give
21 them an 83-percent control, approximately. And they are
22 still working towards receiving 100-percent --

23 EXAMINER JONES: Okay.

24 MS. MUNDS-DRY: -- interest in that.

25 You will also note that the first lease expires

1 July 1st of '05, so we're getting a little ahead on this
2 one.

3 EXAMINER JONES: Okay.

4 MS. MUNDS-DRY: If you turn to Attachment D to
5 the affidavit, you'll see that it's a letter from the
6 Commissioner of Public Lands giving preliminary approval to
7 the formation of this unit.

8 And then turning to Attachment E, Mr. Hearing
9 Examiner, you'll see it as a lower Atoka net sand isopach
10 map. Mr. Amiet has shown you two sand channels in the
11 area, and it shows you also there's a limited production in
12 the area.

13 If you look at Section 19, there's a Yates well
14 that had a cumulative production of 2 MBO and 191 MMCFG.
15 There is an EOG well in Section 20 that had a cumulative
16 production of 3 MBO and 258 MMCFG. And there was a Harvey
17 Yates well that produced from the upper Mississippian in
18 Section 26 that had 93 MMCF of gas. And then lastly,
19 there's a Union well which had production from the upper
20 Pennsylvanian of 12 MBO.

21 That's also shown on Attachment F to the
22 affidavit, which is a cross-section, and it shows you the
23 primary target, which is the Atoka-Morrow foundation --
24 formation, excuse me. It shows you that -- for sand
25 channels in yellow. It shows there's a channel, also,

1 between the two wells which has promising shows of sand.
2 Marbob had actually tried to re-enter the Union well, but
3 it was unsuccessful due to mechanical difficulties.

4 And turning to Yates Exhibit Number 2, that is an
5 AFE showing the cost of the well, which is an approximate
6 \$2,841,000.

7 And Yates Exhibit Number 3, which Ms. MacQuesten
8 may ask me about a little bit later, is a copy of the
9 letters that were sent to the working interest owners. And
10 as I noted earlier, Yates has received a commitment from
11 almost all of the other working interest owners in the
12 unit, in the proposed unit area, giving them, as I said,
13 approximately 83-percent control of operations.

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

18 Mr. Hearing Examiner, we would ask that Yates
19 Exhibits Number 1, and its attachments, through 3 be
20 admitted into evidence.

21 EXAMINER JONES: Yates Exhibits 1, and its
22 attachments, through 3 will be admitted to evidence.

23 Now, one more time, that -- Marbob tried to re-
24 enter a well, and they --

25 MS. MUNDS-DRY: It was the union well, which is

1 in --

2 EXAMINER JONES: Okay, that was in Section 9
3 there?

4 MS. MUNDS-DRY: That was in Section 9, I believe,
5 yes.

6 EXAMINER JONES: Okay. And that Union well
7 that's in Section 17, that's -- I see a bar through it, so
8 that's a plugged well?

9 MS. MUNDS-DRY: Right.

10 EXAMINER JONES: Okay. And so you -- Mr. Amiet's
11 going to run out of country-western names one of these
12 days, huh?

13 MS. MUNDS-DRY: One of these days he will, yes.

14 EXAMINER JONES: -- look at it, because he is
15 about units.

16 And you've got a rush on this one, July 1st?

17 MS. MUNDS-DRY: No. Well, relatively speaking,
18 how these things have been going, we're actually sort of
19 ahead of the game.

20 But as I said, we do have a lease expiring July
21 1st, so a little bit of time.

22 EXAMINER JONES: Okay, that's all we've got.
23 Thanks very much.

24 MS. MUNDS-DRY: Thank you.

25 EXAMINER JONES: With that, we'll take Case

1 13,490 under advisement.

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

3 EXAMINER JONES: Thank you.

4 (Thereupon, these proceedings were concluded at
5 9:15 a.m.)

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

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_____, Examiner
Oil Conservation Division

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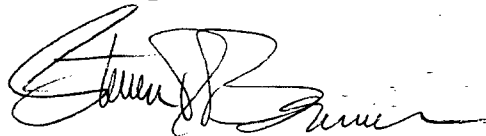
CERTIFICATE OF REPORTER

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 May 20th, 2005.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006