

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. 13,535

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

August 11th, 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, August 11th, 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.

\* \* \*

5/25/08 WVM

## I N D E X

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Examiner Hearing  
CASE NO. 13,535

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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   10:22 a.m.:

3           EXAMINER JONES: Okay, at this time let's call  
4   Case 13,535, Application of Yates Petroleum Corporation for  
5   approval of 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 with the law firm of  
9   Holland and Hart, here this morning representing Yates  
10   Petroleum Corporation.

11          EXAMINER JONES: No other appearances and no  
12   witnesses, okay.

13          MS. MUNDS-DRY: Mr. Jones, Yates seeks approval  
14   of the Ike State Exploratory Unit. Yates seeks approval of  
15   this proposed unit by affidavit, pursuant to Division  
16   policy.

17          Yates Exhibit Number 1 is the affidavit of John  
18   Amiet, who is the petroleum geologist identifying the  
19   project. The proposed unit is comprised of 3016.04 acres  
20   of State of New Mexico lands, and it's located  
21   approximately 10 miles west of Tatum.

22          Attachment A to the affidavit is a copy of the  
23   unit agreement, and you will note that it conforms to the  
24   State Land Office form.

25          Mr. Jones, Attachment B to the unit agreement is

1 a copy of the plat to the unit agreement. It identifies  
2 the unit boundary. Yates proposes to test all formations  
3 from the surface to the base of the Mississippian  
4 formation.

5 The initial test well is to be located at a  
6 standard location 1650 feet from the north line and 900  
7 feet from the west line of Section 30, Township 12 South,  
8 Range 35 East. It will test all formations from the  
9 surface to an approximate total depth of 12,800 feet.

10 You'll note the unit boundary here, Mr. Hearing  
11 Examiner. There are 320 acres that have been left out of  
12 the unit outline on the south side. These 320 acres are  
13 leased by EOG Resources, Inc. EOG is currently drilling a  
14 second Empanada well on this acreage, which is in the east  
15 half of Section 31, and it's immediately north of their  
16 first Empanada well. Therefore, EOG declined to  
17 participate in the unit. However, all other working  
18 interest owners are participating in the unit.

19 And if we turn to Attachment C to the affidavit,  
20 it's a copy of the ownership breakdown. You will see that  
21 approximately 87.5 of the working interest is owned by  
22 Yates and its affiliated companies, and I think it's about  
23 12 percent -- I'm estimating there -- is owned by  
24 Murchison. Murchison is participating. And you'll see  
25 that Yates Petroleum is the lessee of record. The first

1 lease to expire is September 1st, 2005.

2 So in sum, 100 percent of the working interest  
3 owners are participating in the unit.

4 You'll see Attachment D, Mr. Hearing Examiner, is  
5 a letter from the Commissioner of Public Lands giving  
6 preliminary approval to the formation of this unit. So I  
7 will also note -- it's rather obvious, but the State Land  
8 Office has already given approval to the unit boundaries.  
9 So in other words, they didn't have a problem with the 320s  
10 that was excluded.

11 Turning to Attachment E to the affidavit, you  
12 will note that it's a top-of-Austin structure map. Mr.  
13 Amiet shows the basal Morrow sand channels in the area, in  
14 the proposed unit area. They've proven to be good  
15 reservoirs, and several miles to the north Yates is  
16 attempting to extend this Morrow trend onto the proposed  
17 unit, and he's shown these interpreted channels on the map  
18 in dark blue.

19 Structure is very important in this area, as Mr.  
20 Amiet testifies in his affidavit, since there's a major  
21 north-south fault that cuts across the center of the  
22 proposed unit. The faults are shown in heavy black lines  
23 on the map. There are pre-existing faults, but much of the  
24 structure seems to have occurred after deposition of the  
25 Morrow sands.

1           Mr. Hearing Examiner, if you'll turn to  
2   Attachment F to the affidavit, it's a cross-section. Mr.  
3   Amiet shows two thin basal Morrow sands, which are shown in  
4   yellow, both on the Yates Kookaburra well and the EOG  
5   Empanada well logs.

6           The Empanada well had a cumulative production of  
7   5 MBO and 221 MMCF from the Austin in five months. The  
8   Kookaburra well has a thin basal Morrow channel, but the  
9   production in that well has been disappointing. The Atoka  
10   and Morrow combined have had a production of only 2 MBO and  
11   69 MMCF.

12           Mr. Amiet in his affidavit does discuss the other  
13   wells.

14           Yates Exhibit Number 2 is the AFE. You'll see  
15   that for a completed well the cost is \$2,509,700.

16           And finally Yates Exhibit Number 3 is an  
17   affidavit of publication showing that proper notice was  
18   given in this matter.

19           Mr. Amiet testifies that the development of this  
20   unit area is pursuant to unit plan and is in the best  
21   interests of conservation, the prevention of waste and the  
22   protection of correlative rights.

23           And with that, we'd ask that Yates Exhibit Number  
24   1 and its attachments and Exhibit 2 and 3 will be admitted  
25   into evidence.

1 EXAMINER JONES: Exhibit Number 1 and its  
2 attachments and Exhibit 2 and 3 will be admitted into  
3 evidence.

4 On this Attachment C, I didn't see anything about  
5 Murchison. It just says Yates.

6 MS. MUNDS-DRY: Yeah, if you look, Mr. Hearing  
7 Examiner, if you look in the left column, the working  
8 interest owners under the first three tracts, the second  
9 listed name is Murchison Oil and Gas. They have a 33.3-  
10 percent interest.

11 EXAMINER JONES: Okay, I just didn't look over to  
12 the right.

13 MS. MUNDS-DRY: With all those Yates companies on  
14 there it's hard to see --

15 EXAMINER JONES: Okay, yeah, mostly Yates.

16 And the depth, he wants to go to the base of the  
17 Mississippian?

18 MS. MUNDS-DRY: To the base of the Mississippian,  
19 which was approximately 12,800 feet, I believe.

20 EXAMINER JONES: Okay.

21 MS. MUNDS-DRY: Let me make sure I told you  
22 right.

23 EXAMINER JONES: And EOG -- I don't see EOG in  
24 any of these other leases.

25 MS. MUNDS-DRY: No. No, because they've been --



1 EXAMINER JONES: -- carved out.

2 MS. MUNDS-DRY: -- carved out, they have no  
3 interests in the unit.

4 EXAMINER JONES: Okay, and -- Questions?

5 MS. MacQUESTEN: No questions, thank you.

6 EXAMINER JONES: I don't have any more questions  
7 either. Thank you very much --

8 MS. MUNDS-DRY: Thank you.

9 EXAMINER JONES: -- Ms. Munds-Dry. That means  
10 we'll take Case 13,535 under advisement.

11 (Thereupon, these proceedings were concluded at  
12 10:30 a.m.)

13 \* \* \*

14  
15  
16  
17 I do hereby certify that the foregoing is  
18 a complete record of the proceedings in  
the Examiner hearing of Case No. \_\_\_\_\_  
heard by me on \_\_\_\_\_

19 \_\_\_\_\_, Examiner  
20 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 August 12th, 2005.



STEVEN T. BRENNER

CCR No. 7

My commission expires: October 16th, 2006