

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. 13,559

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

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

September 22nd, 2005

Santa Fe, New Mexico

2005 SEP 27 PM 12 47

5/9/01 CCM

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, September 22nd, 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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A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
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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 9:13 a.m.:

3 EXAMINER JONES: Okay, looks like we're ready for
4 the next case, which is the last case of the day.

5 Let's call Case 13,559, Application of Yates
6 Petroleum Corporation for approval of a unit agreement,
7 Chaves County, New Mexico.

8 Call for appearances.

9 MS. MUNDS-DRY: Good morning, Mr. Hearing
10 Examiner. My name is Ocean Munds-Dry with the law firm of
11 Holland and Hart. I'm here on representing Yates Petroleum
12 Corporation this morning.

13 EXAMINER JONES: Other appearances?

14 MS. MUNDS-DRY: Mr. Hearing Examiner, Yates seeks
15 approval of the Mortar State Exploratory Unit by affidavit.
16 The unit is comprised of 1600 acres of State of New Mexico
17 lands, and that's located approximately 25 miles east of
18 Roswell.

19 If you turn to the pack of exhibits I gave you,
20 you'll see that Exhibit Number 1 is the affidavit of Tim
21 Miller. He's the petroleum geologist identifying the
22 project.

23 Attachment A to the affidavit is a copy of the
24 unit agreement. It conforms to the State Land Office form.

25 Attachment B to the affidavit is a copy of the

1 plat to the unit agreement identifying the unit boundary.
2 Yates proposes to test all formations from the surface to
3 the Siluro-Devonian, and the initial test well will be
4 located at a standard location 1980 feet from the north
5 line and 1980 feet from the west line in Section 32,
6 Township -- no, that's not right. It's in Section --

7 EXAMINER JONES: -- 13?

8 MS. MUNDS-DRY: -- 13, Township 8 South, Range 27
9 East. My notes were incorrect. And that's in Chaves
10 County. And as I said, they'll test all formations from
11 the surface to an approximate total depth of 6670 feet.

12 Attachment C to the affidavit is a copy of the
13 ownership breakdown. It is all State of New Mexico lands,
14 and Yates Petroleum Corporation has a majority of the
15 working interest ownership, and all of the working interest
16 ownership is committed to the unit, so there is 100 percent
17 of the working interest committed to the unit. And 100
18 percent, as I stated, of the royalty is owned by the State.

19 Mr. Hearing Examiner, this exhibit does show that
20 the first lease expires October 1st, so I will have to ask
21 you for an expedited order.

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

25 And then turning to Mr. Miller's map, Attachment

1 E to the affidavit is a Siluro-Devonian time map. The map
2 shows the best Strawn production is deposited over on the
3 flank of a structural high. You'll see in Section 34 the
4 Campbell Well Number 3, Number 1, Number 4, Number 5, and
5 then again the Hanlad well up in Section 13. Both are --
6 sit on that flank and have very good lower Strawn
7 production. You'll see that in other maps as well.

8 Attachment F to the affidavit, Mr. Hearing
9 Examiner, is a cumulative production map. Again, as I
10 noted in the previous exhibit, the Strawn production comes
11 from the Hanlad well in Section 13, which is a Yates well.
12 And also there was production from the Siluro-Devonian in
13 the BHP Puffer well, which was re-entered and completed by
14 Yates, and that also showed very good lower Strawns in
15 production. And the cumulative production of all of those
16 wells is noted in red on the map.

17 Attachment G to the affidavit is a lower Strawn
18 sand gross isopach map. This shows the proposed well
19 location, which is actually in Section 25. I misspoke when
20 I said it was in Section 13 earlier. That's the Hanlad
21 well I think we were looking at earlier.

22 This again shows you that the well location will
23 encounter lower Strawn sand and about 25 feet or better
24 thick of that lower Strawn production, which again I'll
25 show you in a later map in the cross-section, shows you

1 that interval. And you also see it positioned on that
2 flank, as Mr. Miller discusses more in his affidavit.

3 Mr. Miller's final map is Attachment H to the
4 affidavit, and that's a structural cross-section. It goes
5 from north to southwest, and the lower Strawn sands are
6 indicated for you in yellow. I'll note a couple of wells
7 on the cross-section.

8 The first well shown on the cross-section here is
9 the Rault Petroleum Amoco State 1. That had about 12 feet
10 thick of lower Strawn sand, as you can see there on the
11 bottom of the cross-section.

12 And again, as I mentioned earlier, the BHP Puffer
13 A State 1, which was entered and recompleted by Yates, is
14 the second well here. That also had a very thick lower
15 Strawn sand.

16 Mr. Miller also points to and discusses further
17 in his affidavit some secondary targets, including the
18 possible Abo sand, Wolfcamp and Cisco limes, are some
19 secondary objectives.

20 And then finally Yates Exhibit Number 2 is an
21 affidavit of publication showing that proper notice was
22 given in this case.

23 Mr. Miller testifies that the development of this
24 unit area is pursuant to a unit plan, is in the best
25 interests of conservation, the prevention of waste and the

1 protection of correlative rights.

2 With that, we would ask that Yates Exhibits
3 Number 1 and its attachments and Number 2 be admitted into
4 evidence.

5 EXAMINER JONES: Exhibits 1 and its attachments
6 and Exhibit 2 will be admitted into evidence.

7 There's -- is there anything different about this
8 that -- You have two wells, a proposed location and the
9 Harper Oil Pioneer 26 State Number 1. That well has now
10 been plugged, it looks like.

11 MS. MUNDS-DRY: Yes, that well has been plugged.

12 EXAMINER JONES: Okay, okay. There's no active
13 wells on this unit?

14 MS. MUNDS-DRY: No active wells.

15 EXAMINER JONES: Okay, that's -- Any questions?

16 MS. MacQUESTEN: No questions, thank you.

17 MS. MUNDS-DRY: I have nothing further, Mr.
18 Examiner.

19 EXAMINER JONES: Okay, thank you. With that,
20 we'll take Case 13,559 under advisement.

21 And that was the last case on the docket. The
22 docket is adjourned.

23 (Thereupon, these proceedings were concluded at
24 9:21 a.m.)

25 * * *

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

STEVEN T. BRENNER, CCR
(505) 989-9317

Oil Conservation Division, Examiner

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 September 22nd, 2005.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006