

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. 13,592

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

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

November 17th, 2005

Santa Fe, New Mexico

2005 DEC 1 PM 3 37

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, November 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.

\* \* \*

## I N D E X

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Examiner Hearing  
CASE NO. 13,592

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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 8:35 a.m.:

3 EXAMINER CATANACH: At this time I will call Case  
4 13,592, the Application of Yates Petroleum Corporation for  
5 approval of a Unit agreement, Chaves County, New Mexico.

6 Call for appearances in this case.

7 MS. MUNDS-DRY: Good morning, Mr. Hearing  
8 Examiner. My name is Ocean Munds-Dry. I'm here on behalf  
9 of Yates Petroleum Corporation this morning.

10 EXAMINER CATANACH: Any additional appearances?  
11 There being none, you may proceed.

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

13 Yates seeks approval of the DeHavilland State  
14 Exploratory Unit this morning, by affidavit pursuant to  
15 Division policy.

16 This unit is comprised of 7038.69 acres of State  
17 of New Mexico lands. This is located approximately 12  
18 miles northeast of Elkins, which is near Acme, New Mexico,  
19 in case you were wondering.

20 EXAMINER CATANACH: Okay.

21 MS. MUNDS-DRY: Yates Exhibit Number 1 is the  
22 affidavit of Tim Miller, who is the petroleum geologist  
23 identifying the project.

24 If you turn to Attachment A, it's a copy of the  
25 unit agreement, and you will see that this conforms to the

1 State Land Office form.

2 Attachment B to the affidavit is a copy of the  
3 plat to the unit agreement, which identifies the unit  
4 boundary. Yates proposes to test all formations from the  
5 surface to the top of the Precambrian formation. The  
6 initial test well is to be located at a standard location  
7 1980 feet from the north line and 660 feet from the west  
8 line in Section 28, Township 5 South, Range 26 East, and it  
9 plans to test all formations from the surface to an  
10 approximate total depth of 6165 feet.

11 A second location will be proposed to a similar  
12 total depth in Section 6, 7 or 18. Mr. Hearing Examiner,  
13 this is a two-well commitment on this proposed unit.

14 Attachment C to the affidavit is a copy of the  
15 ownership breakdown. One hundred percent of the working  
16 interest is committed to the unit. Reliance Energy,  
17 Incorporated, is a partner with Yates in this proposed  
18 unit, and 100 percent of the royalty is owned by the State.

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 the affidavit is a structural  
23 seismic time map. This map reveals a series of downward  
24 slopes to the Basin, which are fault blocks, in the  
25 proposed unit area. The proposed location, as you see in

1 Section 28, is on one of these faulted structural blocks  
2 that have similar structural features. The map shows the  
3 proposed location is updip and near the crest of the  
4 structure from El Paso's Buried Canyon Number 1 well, which  
5 is in Section 33.

6 Attachment F to the affidavit is what Yates calls  
7 the Cisco-Biplane zone. That's their in-house reference to  
8 this particular zone, and it's a net-porosity map. This  
9 depicts there's a thicker part of porosity, 11 feet or  
10 more, that trends north through Section 17, 20, 29 and 32.  
11 Yates's proposed location in Section 28 would encounter,  
12 Mr. Miller believes, between eight to nine feet of  
13 porosity.

14 Attachment G to the affidavit is a structural  
15 cross-section which trends from north to south and shows  
16 the Cisco-Biplane zone in blue on the map. Mr. Miller  
17 discusses each of these wells in more detail on his  
18 affidavit. I'd point out to you the Yates Buried Canyon  
19 well produces from this Cisco-Biplane zone on the crest of  
20 a structure, and it produces 159 MCF and 61 barrels of  
21 water per day, and it has produced 87 MMCF and 36,000  
22 barrels of water since August of 2003. Also the Warbird  
23 well produces 35 MCF and 88 barrels of water per day.

24 Finally, Yates Exhibit Number 2 is an affidavit  
25 of publication showing that proper notice was given for

1 this proposed unit, and Mr. Miller testifies that the  
2 development of this unit area is in the best interest of  
3 conservation, the prevention of waste and the protection of  
4 correlative rights.

5 And with that, we would ask that Yates Exhibits  
6 Number 1 and its attachments and Number 2 be admitted into  
7 evidence.

8 EXAMINER CATANACH: Yates Exhibits Number 1 with  
9 attachments and Exhibit 2 will be admitted as evidence.

10 MS. MUNDS-DRY: And I have nothing further, Mr.  
11 Catanach.

12 EXAMINER CATANACH: Okay, there being nothing  
13 further in this case, Case 13,592 will be taken under  
14 advisement.

15 (Thereupon, these proceedings were concluded at  
16 8:32 a.m.)

17 \* \* \*

18  
19 I do hereby certify that the foregoing is  
20 a complete record of the proceedings in  
21 the Examiner hearing of Case No. 13592,  
heard by me on November 17, 2005.

22 David R. Catanach, Examiner  
23 Oil Conservation Division  
24  
25

## 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 November 18th, 2005.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2006