

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. 13,091

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

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

RECEIVED

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Oil Conservation Division

June 19th, 2003

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, June 19th, 2003, 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
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* * *

A P P E A R A N C E S

FOR THE DIVISION:

DAVID K. BROOKS, JR.
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Assistant General Counsel
1220 South St. Francis Drive
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FOR THE APPLICANT:

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Santa Fe, New Mexico 87504-2208
By: MICHAEL H. FELDEWERT

* * *

1 WHEREUPON, the following proceedings were had at
2 8:31 a.m.:

3 EXAMINER JONES: Continuing, we'll call Case
4 13,091, Application of Yates Petroleum Corporation for
5 approval of a unit agreement, Eddy County, New Mexico.

6 Call for appearances in this case.

7 MR. FELDEWERT: May it please the Examiner, my
8 name is Michael Feldewert with the Santa Fe office of
9 Holland and Hart, appearing on behalf of the Applicant,
10 Yates Petroleum Corporation, and I have no witnesses here
11 today.

12 EXAMINER JONES: Any other appearances?

13 There being none, Mr. Feldewert?

14 MR. FELDEWERT: Mr. Examiner, if I may approach,
15 I have an affidavit.

16 EXAMINER JONES: Okay.

17 MR. FELDEWERT: Mr. Examiner, Yates is here to
18 present this matter by affidavit in seeking approval of its
19 proposed Humidor State Exploratory Unit, which is comprised
20 of 2444 acres in Eddy County, New Mexico. Yates seeks to
21 be designated the operator of the unit and proposes to test
22 all formations from the surface to the base of the Morrow,
23 with the primary objective of the initial test well to be
24 the middle Morrow sands. This entire unit area is
25 comprised of state land, and Yates is the only lessee.

1 Now, in support of this Application, they have
2 marked as Exhibit Number 1 the affidavit of Raymond W.
3 Podany. He is the geologist at Yates that's responsible
4 for putting this project in place, and he has attached to
5 his affidavits a number of exhibits.

6 Exhibit A to his affidavit is the standard state
7 form unit agreement for this proposed Humidor State
8 Exploratory Unit.

9 Exhibit B is a copy of the plat to the unit
10 agreement that shows the boundaries of the unit area and as
11 well the location of the initial test well.

12 Exhibit C is a copy of the schedule to the unit
13 agreement that identifies the working interest and then the
14 State's royalty interest in this area.

15 And then Exhibit D was supposed to be the
16 approval letter from the State Land Office. I was on the
17 phone with Pete Martinez yesterday. He indicated that the
18 State has everything that it needs, that I could represent
19 that they have given preliminary approval. The only
20 problem is, Jami Bailey is on vacation and will not be back
21 until tomorrow. So I hope to have a letter in hand
22 tomorrow, and with your permission I'd like to supplement
23 the record tomorrow with that letter.

24 And then Exhibit E is a net sand isopach map for
25 the middle Morrow sands which project the sand trends

1 throughout this area.

2 And Exhibit F is a north-south cross-section of
3 the middle Morrow sands.

4 We believe this affidavit and the exhibits
5 demonstrate that the unit covers an area that can be
6 reasonably developed under a unit plan, we believe that
7 approval of this unit will result in the efficient recovery
8 of hydrocarbons, the prevention of waste and the protection
9 of correlative rights, so we ask that Exhibit 1 be admitted
10 into evidence and that the Division allow me to supplement
11 with the State's letter tomorrow, and then take this matter
12 under advisement and issue its order approving the unit.

13 EXAMINER JONES: Okay, there's some -- within
14 Exhibit 1 you have Exhibit E, which shows the unit outline,
15 and it has a bunch of wells already in the unit. Is that
16 okay with the State Land Office, that there will be --
17 their letter will show that these are...

18 MR. FELDEWERT: You're on Exhibit E?

19 EXAMINER JONES: Yes.

20 MR. FELDEWERT: Yeah, I'm not sure the status of
21 these wells.

22 EXAMINER JONES: Okay.

23 MR. FELDEWERT: I know they were used to develop
24 the cross-section. I'm not sure of the status of these
25 wells.

1 EXAMINER JONES: Okay, but Exhibit D will clarify
2 the land department's position on this --

3 MR. FELDEWERT: State Land Office, yes.

4 EXAMINER JONES: State Land Office.

5 MR. FELDEWERT: See, Yates actually had a meeting
6 with the State Land Office. They explained the proposed
7 development, provided the information that the State Land
8 Office requested, and like I said, I was on the phone
9 yesterday with Mr. Martinez, who indicated that they had
10 everything they needed and would be issuing preliminary
11 approval.

12 EXAMINER JONES: Okay, thank you.

13 Exhibit 1, which includes Exhibits 1 through E
14 will be admitted into evidence.

15 And I have no further questions.

16 Mr. Brooks?

17 MR. BROOKS: No questions.

18 EXAMINER JONES: Thank you very much.

19 MR. FELDEWERT: Thank you, Mr. Examiner.

20 EXAMINER JONES: With that, Case 13,091 will be
21 taken under advisement.

22 (Thereupon, these proceedings were concluded at
23 8:35 a.m.)

24 I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 13091
heard by me on 6/19/93 2:19 PM

25 *Will Jones*
_____, Examiner

Oil Conservation Division

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

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 June 19th, 2003.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006