

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

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

CASE NO. 14081

FEBRUARY 21, 2008

1220 South St. Francis Drive
Santa Fe, New Mexico

EXAMINER: WILLIAM L. JONES

LEGAL ADVISOR: David Brooks

OCEAN MUNDS-DRY, ESQ.
Holland & Hart, LLC
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501

EXHIBITS 1 - 2

REPORTED BY: JOYCE D. CALVERT, P-03
Paul Baca Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico 87102

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1 EXAMINER JONES: Let's call Case No. 14081, the
2 application of Yates Petroleum Corporation for approval of a
3 unit agreement, Eddy County, New Mexico. Call for appearances.

4 MS. MUNDS-DRY: Ocean Munds-Dry from the law firm of
5 Holland & Hart representing applicant in this case. I'm
6 presenting this case by affidavit.

7 EXAMINER JONES: Okay.

8 MS. MUNDS-DRY: Mr. Examiner, I've handed you a
9 packet. And Yates seeks approval of the Thurman Draw
10 Exploratory Unit. This unit, proposed unit, has been comprised
11 of 5780.38 acres and includes federal, state and fee land. And
12 it's located approximately 14 miles southwest of White City,
13 New Mexico.

14 Yates Exhibit No. 1 is the affidavit of David Prose,
15 who is the petroleum geologist identifying the project.
16 Attachment A to the affidavit is a copy of the unit agreement
17 for the Thurman Draw Unit.

18 MR. BROOKS: It's not in Texas, is it?

19 MS. MUNDS-DRY: It's close, but not quite.

20 MR. BROOKS: 14 miles south of White City, I would
21 have thought it would be real close.

22 MS. MUNDS-DRY: Very close. This unit agreement
23 conforms to the state and federal office forms. Yates proposes
24 to test all formations from the surface to the Barnett Shale
25 formation. So it is very close to Texas.

1 The initial test well is to be located at a standard
2 location 1200 feet from the north line and 1850 feet from the
3 west line of Section 16, Township 26S, Range 23E, to test all
4 formations from the surface to an approximate total depth of
5 8750 feet.

6 Attachment B to the affidavit is a copy of the plats,
7 the unit agreements, which identify the unit boundary. You
8 will note the interest owners are shown on each of the tracts
9 including the Yates acreage. And it also identifies the
10 federal, state and fee portions.

11 Attachment C to the affidavit is a copy of the
12 ownership breakdown. 99 percent of the working interest is
13 committed to the unit. There's a small fee owner who has not
14 yet committed their acreage. But, like I said, 99 percent of
15 the working interest is committed.

16 Attachment D to the affidavit is a letter from the
17 Bureau of Land Management designating the unit. And behind
18 that is a letter from the Commissioner of Public Lands giving
19 their preliminary approval to the formation of this unit.

20 Attachment E to the affidavit is a top of structure
21 map which shows the lower formation. It shows the proposed
22 unit outlining and encompassing a south plunging structural
23 nose.

24 And Attachment F to the affidavit is a cross section
25 which shows two wells to the east of the proposed unit that

1 penetrated the Barnett. And as I noted, Mr. Prose discusses
2 both of those exhibits in his affidavit.

3 And then, finally, Yates Exhibit No. 2 is the
4 affidavit of publication that was given. Mr. Prose testifies
5 that the development of this unit area is pursuant to the unit
6 plan, is in the best interest of conservation, the prevention
7 of waste and the protection of relative rights.

8 And with that, we would ask that Yates Exhibit No. 1
9 and all of its attachments and Exhibit No. 2 be admitted into
10 evidence.

11 EXAMINER JONES: Exhibit No. 1 and Exhibit No. 2.

12 MS. MUNDS-DRY: Yes.

13 EXAMINER JONES: Into evidence?

14 MS. MUNDS-DRY: And with that we would ask that the
15 matter be taken under advisement.

16 MR. BROOKS: This is a federal exploratory unit, I
17 take it.

18 MS. MUNDS-DRY: Yes. A little bit of all, but I
19 think it's mostly federal land.

20 MR. BROOKS: It's got federal, state, and fee lands.
21 You say there are uncommitted tracts -- fee tracts?

22 MS. MUNDS-DRY: Yes, there's one uncommitted fee
23 tract of, I think, a 40-acre tract. They're still hoping to
24 get them to commit to the unit.

25 MR. BROOKS: You have a unit agreement here. You

1 don't have the unit operating agreement; is that correct?

2 MS. MUNDS-DRY: We do not, but we would be glad to
3 provide it if you'd like it.

4 MR. BROOKS: I don't think that we'll need it. This
5 is just curiosity; what does the unit operating agreement
6 provide with regard to the division of working interest?

7 MS. MUNDS-DRY: You know, I haven't seen the
8 operating agreement, so I can't speak to that.

9 MR. BROOKS: I don't think it's important. Go ahead.

10 EXAMINER JONES: This is in the basin and it's south
11 and west so it's still in the Delaware Basin. It's south of
12 the Reed. It's not off in the Otero area. We're Eddy County.

13 MS. MUNDS-DRY: No. We are far, far away from Otero.

14 EXAMINER JONES: Let's take Case No. 14081 under
15 advisement.

16 [Hearing concluded.]

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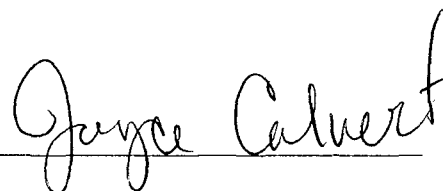
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I do hereby certify that the foregoing is
a complete and correct transcript of the proceedings in
the Examiner hearing of Case No. _____
heard by me on 4-11-83
_____, Examiner
Oil Conservation Division

REPORTER'S CERTIFICATE

I, JOYCE D. CALVERT, Provisional Court Reporter for the State of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this proceeding.



JOYCE D. CALVERT
New Mexico P-03
License Expires: 7/31/08

1 STATE OF NEW MEXICO)
 2 COUNTY OF BERNALILLO)

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4 I, JOYCE D. CALVERT, a New Mexico Provisional
 5 Reporter, working under the direction and direct supervision of
 6 Paul Baca, New Mexico CCR License Number 112, hereby certify
 7 that I reported the attached proceedings; that pages numbered
 8 1-5 inclusive, are a true and correct transcript of my
 9 stenographic notes. On the date I reported these proceedings,
 10 I was the holder of Provisional License Number P-03.

11 Dated at Albuquerque, New Mexico, this 27th day of
 12 February, 2008.

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