

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:	)	
	)	
APPLICATION OF YATES PETROLEUM	)	CASE NOS. 13,200
CORPORATION FOR A UNIT AGREEMENT,	)	
LEA COUNTY, NEW MEXICO	)	
	)	
APPLICATION OF YATES PETROLEUM	)	and 13,201
CORPORATION FOR A UNIT AGREEMENT,	)	
LEA COUNTY, NEW MEXICO	)	
	)	(Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

January 8th, 2004

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, January 8th, 2004, 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.

\* \* \*

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

**RECEIVED**

JAN 22 2004

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

## I N D E X

January 8th, 2004  
Examiner Hearing  
CASE NOS. 13,200 and 13,201 (Consolidated)

	PAGE
EXHIBITS	3
APPEARANCES	3
STATEMENT BY MR. FELDEWERT	5
REPORTER'S CERTIFICATE	12

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## E X H I B I T S

Case No. 13,200

Applicant's	Identified	Admitted
Exhibit 1	6	11
Exhibit 2	8	11

\* \* \*

Case No. 13,200

Applicant's	Identified	Admitted
Exhibit 1	6	11

\* \* \*

## A P P E A R A N C E S

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: MICHAEL H. FELDEWERT

FOR PRIDE ENERGY COMPANY:

JAMES G. BRUCE  
 Attorney at Law  
 P.O. Box 1056  
 Santa Fe, New Mexico 87504

\* \* \*

1 WHEREUPON, the following proceedings were had at  
2 8:44 a.m.:

3 EXAMINER CATANACH: At this time I'll call Case  
4 13,200, which is the Application of Yates Petroleum  
5 Corporation for a unit agreement, Lea County, New Mexico.

6 Call for appearances in this case.

7 MR. FELDEWERT: May it please the Examiner,  
8 Michael Feldewert with the Santa Fe office of Holland and  
9 Hart, appearing on behalf of Yates Petroleum Corporation in  
10 this matter.

11 EXAMINER CATANACH: Additional appearances?

12 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,  
13 appearing on behalf of Pride Energy Company.

14 MR. FELDEWERT: Mr. Examiner, I would request  
15 that this case be heard in conjunction with the next case,  
16 13,201, which is also an Application for a unit agreement.  
17 The evidence in both cases are basically the same, and I  
18 think we can save a little time by handling them both at  
19 the same time.

20 EXAMINER CATANACH: Okay, in that case I will  
21 call Case 13,201, which is the Application of Yates  
22 Petroleum Corporation for a unit agreement, also in Lea  
23 County, New Mexico.

24 Additional appearances in this case?

25 Okay, do you have witnesses in this case, Mr.

1 Feldewert?

2 MR. FELDEWERT: Mr. Examiner, Yates is seeking  
3 approval of the Reba State Exploratory Unit in Case Number  
4 13,200 and the Willie State Exploratory Unit in Case Number  
5 13,201. These are unit areas that are adjacent to each  
6 other in Lea County. The area is approximately 10 miles  
7 northwest of Tatum. We are here today seeking approval of  
8 these proposed units by affidavit pursuant to the  
9 Division's policy.

10 The Reba State Unit, which is the subject of Case  
11 Number 13,200, is comprised of 3520 acres of state lands.  
12 95 percent of the working interest in these lands is owned  
13 by Yates and its affiliated companies. And the remaining  
14 five percent of this unit area, which comprises 160 acres,  
15 is held by Pride Energy.

16 With respect to the second case, Number 13,201  
17 involving the Willie State Unit, that case is comprised of  
18 2208 acres of state lands, and 100 percent of the working  
19 interest in these lands is owned by Yates and its  
20 affiliated companies.

21 In each case, Mr. Examiner, Yates proposes to  
22 test all formations from the surface to the lower  
23 Mississippian limestone.

24 And what we have done for you, Mr. Examiner, in  
25 each case is provided an affidavit of Mr. John Amiet. It's

1 Yates Exhibit Number 1 in each case. Mr. Amiet is a  
2 petroleum geologist for Yates.

3 And in each set of exhibits you have a Tab A to  
4 the affidavit, which is the fully executed copy of unit  
5 agreement, which conforms to the State Land Office form.

6 Exhibit B to each affidavit is the plat to the  
7 unit agreement, identifying the unit boundary. And just to  
8 orient you, Mr. Examiner, these units abut each other at  
9 Section 29 and 32 for the Reba State Unit, and the 30 and  
10 31 for the Willie State Unit.

11 The schedule -- or Tab C to each of these  
12 affidavits is, in essence, a schedule B to the executed  
13 unit agreement, which still is the ownership breakdown for  
14 each of these two proposed units.

15 Tab D in each of these affidavits is the letter  
16 from the Commissioner of Public Lands giving his  
17 preliminary approval to each of these units.

18 And then under Tab E to each of -- for each of  
19 these units, is the Austin limestone isopach for this unit  
20 area. It shows the Atoka-Morrow sands, which are the main  
21 producing objective for this unit, in blue. That's the --  
22 That's where Yates predicts the sand channel will have  
23 eroded into the underlying limestone in each of these  
24 proposed units. They project on each of these maps the  
25 sandstone interval, the thickest sandstone interval, in

1 yellow, and in each case the proposed test well is shown in  
2 red, on each of these maps. And I should point out that  
3 the initial test well for each unit is going to be at a  
4 standard location.

5 Then Tab F for each of these affidavits is a  
6 cross-section A-A' that Yates has developed of Morrow sands  
7 near these proposed unit area. When you look at them  
8 you'll see it demonstrates that there are differences  
9 between wells with respect to the sand deposition in each  
10 of these areas, and they show in yellow on these maps the  
11 potential sand channels that exist throughout each of these  
12 unit areas.

13 And then finally, Mr. Examiner, Tab G to each of  
14 these affidavits is the AFE for the initial test well.  
15 With respect to the Reba State Unit, the estimated cost is  
16 \$1,790,000. And for the Willie State Unit the estimated  
17 cost is \$1,779,000.

18 Now, in each of these affidavits, Mr. Examiner,  
19 Mr. Amiet testifies in more detail about the project and  
20 the geology involved. He also notes that this is a costly  
21 and risky project, as there is no Atoka-Morrow production  
22 in these unit areas, and in fact there are dry holes within  
23 these unit areas.

24 And in each case what Yates is essentially  
25 attempting to do is to develop Atoka-Morrow production in

1 acreage -- state acreage on which there has been no  
2 production.

3 Finally, Mr. Amiet testifies in each of these  
4 affidavits that given the cost and the risk that's involved  
5 and the absence of existing Atoka-Morrow production, the  
6 development of each of these areas pursuant to a unit plan  
7 is in the best interests of conservation, the prevention of  
8 waste and the correlative rights.

9 So we ask, Mr. Examiner, that Exhibit 1, which is  
10 Mr. Amiet's affidavit in each of these cases, be admitted  
11 into evidence for each respective case.

12 And then secondly, Mr. Examiner, with respect to  
13 the Reba State Case, which is Case Number 13,200, we have  
14 an additional exhibit, Yates Exhibit Number 2. As is  
15 pointed out in the affidavit, Pride Energy owns 160 acres  
16 in this unit area. They've been invited, as you'll see in  
17 Exhibit Number 2, to join this unit. We've marked the  
18 proposal letter and the information that was sent to Pride  
19 related to this project as Yates Exhibit Number 2 for Case  
20 Number 13,200.

21 Mr. Amiet also testifies in the affidavit for  
22 that particular case that they've been in contact with  
23 Pride Energy about this project. So with respect to Case  
24 Number 13,200 we ask that the additional exhibit, Exhibit  
25 Number 2, be admitted into evidence.



1           Finally, Mr. Examiner, we've been informed that  
2       with respect to both of these units there are leases that  
3       are going to expire on February 1st, so we ask that both of  
4       these matters be taken under advisement and that the -- and  
5       respectfully request that the Division expedite the entry  
6       of an order in each of these matters to avoid lease  
7       expiration.

8           Now, because of this request, Yates has sent Mr.  
9       Amiet here to Santa Fe today to be at this hearing, to  
10      answer whatever questions you may have with respect to this  
11      project, and he's prepared to be sworn in and answer  
12      whatever questions you may have.

13           But I think this is fairly straightforward and  
14      I'd be happy to do whatever we can to assist the Division  
15      in getting an order entered in each of these matters.

16           EXAMINER CATANACH: Okay. Mr. Bruce, did you  
17      have anything?

18           MR. BRUCE: No, Pride Energy does not object to  
19      the Application.

20           EXAMINER CATANACH: Okay, just a couple of things  
21      you may be able to answer, Mr. Feldewert.

22           Pride has not signed the agreement; is that  
23      correct?

24           MR. FELDEWERT: They have not, they have not, as  
25      of this time. It's my understanding that they've been in

1 contact, and we hope that they're going to join.

2 And one of the unique things, if you've got the  
3 Reba State Unit in front of you, Mr. Examiner --

4 EXAMINER CATANACH: Uh-huh.

5 MR. FELDEWERT: -- you look at Tab B, this is  
6 kind of interesting. You'll see their acreage down in  
7 Section 32. Look at the configuration, it's right in the  
8 middle. So it's a rather unique situation. Yates owns  
9 everything around their little square, 160-acre square  
10 there in the middle.

11 EXAMINER CATANACH: The only other question I  
12 have is, was the Willie State contracted somewhat? Because  
13 the advertisement has more acreage than what you guys are  
14 proposing now.

15 MR. FELDEWERT: Oh, I see, the advertisement says  
16 2240 rather than 2208.

17 EXAMINER CATANACH: Yeah, it looks like there was  
18 40 acres taken out of there for some reason.

19 MR. FELDEWERT: It looks like, yeah, 32. I'm not  
20 -- that could be a typo.

21 EXAMINER CATANACH: As far as you know, it wasn't  
22 contracted, then?

23 MR. FELDEWERT: No, it was not.

24 EXAMINER CATANACH: Okay. But these ads are  
25 correct, they do give a correct description of the lands?

1 MR. FELDEWERT: Yes, it does, they do, as does  
2 the Application. And I will say that -- I'm checking the  
3 unit agreement, and it is 2208 acres, more or less. I  
4 think it's 2028.57.

5 EXAMINER CATANACH: Okay. I don't think it's  
6 necessary to have Mr. Amiet testify.

7 MR. FELDEWERT: Thank you.

8 EXAMINER CATANACH: Mr. Bruce, did you have  
9 anything further?

10 MR. BRUCE: No, sir.

11 MR. FELDEWERT: That concludes our presentation  
12 in each of these matters.

13 EXAMINER CATANACH: Okay. Exhibits 1 and 2 in  
14 Case Number 13,200 will be admitted as evidence, and  
15 Exhibit Number 1 in Case Number 13,201 will be admitted.

16 And there being nothing further, Case 13,200 and  
17 Case 13,201 will be taken under advisement.

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

19 EXAMINER CATANACH: Thank you.

20 (Thereupon, these proceedings were concluded at  
21 8:57 a.m.)

22 I do hereby certify that the foregoing is  
23 a complete record of the proceedings in  
24 the Examiner hearing of Case No. 13601361  
25 heard by me on April 8, 2008  
David P. Catnach, Examiner  
Oil Conservation Division

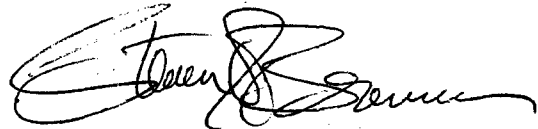
## CERTIFICATE OF REPORTER

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 January 8th, 2004.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2006