

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. 14610

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

DOCKET NO. 6-11

BEFORE: DAVID K. BROOKS, Hearing Examiner
WILLIAM V. JONES, Technical Examiner

MARCH 3, 2011

9:28 AM

Santa Fe, New Mexico

This matter came on for hearing before the
New Mexico Oil Conservation Division, DAVID K. BROOKS,
Hearing Examiner, and WILLIAM V. JONES, Technical
Examiner, on THURSDAY, MARCH 3, 2011, at the New Mexico
Energy, Minerals and Natural Resources Department, 1220
South Street Francis Drive, Room 102, Santa Fe,
New Mexico.

REPORTED BY: Lisa Reinicke
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102

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A P P E A R A N C E S

For the Applicant Yates Petroleum Corporation:

HINKLE, HENSLEY, SHANOR & MARTIN, L.L.P.
 218 Montezuma
 Santa Fe, New Mexico 87504
 (505) 982-4554
 By: Gary W. Larson, Attorney at Law

I N D E X

PAGE

NO WITNESSES TESTIFIED

CERTIFICATE OF COMPLETION OF HEARING

7

EXHIBITS

MARKED/IDENTIFIED

1. Affidavit of John Amiet

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1 EXAMINER BROOKS: Okay. At this time we'll
2 call Case Number 14610, application of Yates Petroleum
3 Corporation for approval of the unit agreement, Lea
4 County, New Mexico.

5 Call for appearances.

6 MR. LARSON: Good morning, Mr. Examiner.
7 Gary Larson of Hinkle, Hensley, Shanor & Martin for
8 Yates Petroleum Corporation.

9 EXAMINER BROOKS: Any other appearances?
10 Very well. Do you have witnesses?

11 MR. LARSON: I'm doing the case by
12 affidavit.

13 EXAMINER BROOKS: Very good. You may
14 proceed.

15 MR. LARSON: Thank you. Mr. Examiner, this
16 case involves an application by Yates for approval of
17 the Gambler State Exploratory Unit. The proposed unit,
18 which comprises a total of 1,920 acres is located in all
19 or parts of Sections 28, 29, 32, and 33, Township 11
20 South, Range 32 East in Lea County approximately 23
21 miles northwest of Tatum. And the proposed unit is
22 entirely on state land.

23 Yates proposes to test all formations from the
24 surface into the lower Mississippian limestone. The
25 primary target for its initial test well will be the

1 continuation of a Morrow sand channel. And under its
2 unit plan Yates intends to extend deep Morrow gas
3 production into an area where currently there is no oil
4 and gas production.

5 I've marked as Exhibit 1 the affidavit of John
6 Amiet, who is the Yates petroleum geologist responsible
7 for the proposed unit. And in his affidavit Mr. Amiet
8 describes the horizontal and vertical limits of the
9 proposed unit area. We have seven exhibits to
10 Mr. Amiet's affidavit, all of which are true and correct
11 copies as Mr. Amiet attests.

12 Exhibit A to Mr. Amiet's affidavit is a copy of
13 the unit agreement, which is the standard state line
14 office form for unit agreements.

15 Exhibit B is a map depicting the unit area.
16 Yates' initial test well, a vertical well, to be called
17 the Gambler State Unit Number 1 will be drilled at a
18 standard location 750 feet from the south line and
19 1500 feet from the east line of Section 32 and will be
20 drilled to the top of the Mississippian with an
21 approximate total depth of 11,350 feet.

22 Exhibit C to the affidavit is Yates' AFE for the
23 initial test well. The AFE shows a dry hole cost of
24 1,949,000 and a completed well cost of \$2,753,500.

25 Exhibit D is a list identifying the state leases

1 and all of the working interests in the unit area.

2 Exhibit E is a letter from the state land office
3 granting preliminary approval of the unit agreement.

4 Exhibit F is a Morrow Channel Isochore Map, which
5 shows the Morrow Sand Channel, the proposed location of
6 the unit test well, and the locations of off-site wells.

7 As Mr. Amiet states in his affidavit, with this
8 unit, initial unit test well, Yates will evaluate the
9 sand channel between 11,120 and 11,200 feet.

10 And the final exhibit, Exhibit G, is a structural
11 cross section, which shows the potentially productive
12 Morrow sand zones highlighted in yellow.

13 In his affidavit Mr. Amiet offers his opinion
14 that the Morrow sand channel makes a good oil and gas
15 reservoir. Mr. Amiet also offers his opinions that
16 approval of Yates' application will result in the
17 efficient recovery of hydrocarbons and that the approval
18 will serve in the interest of conservation, prevention
19 of waste, and protection of correlative rights.

20 And I move the admission of Yates' Exhibit
21 Number 1.

22 EXAMINER BROOKS: Yates' Exhibit Number 1 is
23 admitted.

24 [Exhibit 1 admitted.]

25 MR. LARSON: And because three of the six

1 leases in the proposed units expire on April 1st, I
2 request that Yates' application be given expedited
3 consideration.

4 EXAMINER BROOKS: Okay. Well, I will attend
5 to this before I attend to other things that have an
6 April 1 date. So that can be accommodated.

7 MR. LARSON: Thank you, Mr. Examiner.

8 EXAMINER BROOKS: I have no questions.

9 Do you have any questions, Mr. Jones?

10 EXAMINER JONES: No questions.

11 EXAMINER BROOKS: Very good. Case Number
12 14610 will be taken under advisement.

13 MR. LARSON: Thank you.

14 [Case 14610 was taken under advisement at 9:34 AM.]

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14610,
heard by me on 3-3-11
David K. Brooks, Examiner
Oil Conservation Division

REPORTER'S CERTIFICATE

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3 I, Lisa Reinicke, New Mexico Provisional Reporter,
4 License #P-405, working under the direction and direct
5 supervision of Paul Baca, New Mexico CCR License #112,
6 Official Court Reporter for the US District Court,
7 District of New Mexico, do hereby certify that I
8 reported the foregoing proceedings in stenographic
9 shorthand and that the foregoing pages are a true and
10 correct transcript of those proceedings and was reduced
11 to printed form under my direct supervision.

12 I FURTHER CERTIFY that I am neither employed by nor
13 related to any of the parties or attorneys in this case
14 and that I have no interest whatsoever in the final
15 disposition of this case in any court.

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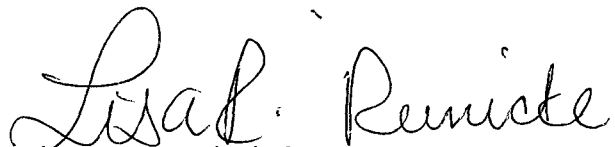
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22 Ex count:

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Lisa R. Reinicke,
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