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

IN THE MATTER OF:)
APPLICATION OF YATES PETROLEUM CORPORATION)
FOR A UNIT AGREEMENT, CHAVES COUNTY, NEW) CASE NO. 10223
MEXICO.)
-----)

IN THE MATTER OF:)
APPLICATION OF YATES PETROLEUM CORPORATION)
FOR A UNIT AGREEMENT, CHAVES COUNTY, NEW) CASE NO. 10224
MEXICO.)
-----)

IN THE MATTER OF:)
APPLICATION OF YATES PETROLEUM CORPORATION)
FOR A UNIT AGREEMENT, CHAVES COUNTY, NEW) CASE NO. 10225
MEXICO.)
-----)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: Michael E. Stogner, Examiner

February 7, 1991
10:02 a.m.
Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on February 7, 1991, at 10:02 a.m. at the Oil Conservation Conference Room, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Susan G. Ptacek, a Certified Court Reporter No. 124, State of New Mexico.

FOR: OIL CONSERVATION BY: SUSAN G. PTACEK
DIVISION Certified Court Reporter
CCR No. 1224

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February 7, 1991
 Examiner Hearing
 Case No. 10223, 10224, 10225

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A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
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Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87504

FOR YATES PETROLEUM CORPORATION: FISK & VANDIVER
Attorneys at Law
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* * *

1 EXAMINER STOGNER: Call Case No. 10223.

2 MR. STOVALL: Applications of Yates Petroleum
3 Corporation for a unit agreement, Chaves County, New
4 Mexico.

5 EXAMINER STOGNER: Call for appearances.

6 MR. VANDIVER: Mr. Examiner, my name is David Vandiver
7 of the Artesia law firm of Fisk & Vandiver appearing on
8 behalf of the applicant Yates Petroleum Corporation, and I
9 have two witnesses, one of whom I believe has previously
10 been sworn. One who has not been sworn.

11 EXAMINER STOGNER: Will the one witness who hasn't
12 been sworn today please stand?

13 (Whereupon the witnesses were duly
14 sworn.)

15 EXAMINER STOGNER: For the record, Mr. Vandiver, your
16 other witness who has been sworn?

17 MR. VANDIVER: Denise Fly.

18 EXAMINER STOGNER: Let the record show that she was
19 previously sworn in Case 10103.

20 Mr. Vandiver.

21 MR. VANDIVER: Mr. Examiner, as a preliminary matter,
22 I would request that this case be consolidated for purposes
23 of the hearing with Cases 10224 and 10225.

24 EXAMINER STOGNER: Are there any objections? Then I
25 will call Cases 10223 and 10224 at this time.

1 MR. STOVALL: Mr. Examiner, I think it's 10224 and
2 10225.

3 EXAMINER STOGNER: That's what I meant to say,
4 Mr. Stovall.

5 MR. STOVALL: Both of which are the application of
6 Yates Petroleum Corporation for a unit agreement, Chaves
7 County, New Mexico.

8 EXAMINER STOGNER: Call for appearances other than the
9 applicant. Mr. Vandiver, you may proceed.

10 MR. VANDIVER: Mr. Examiner, I might also point out
11 with regard to the exhibits that I have separate exhibits
12 that Mr. Bullock will be referring to for each unit, but
13 the geological exhibits are only attached to or marked with
14 regard to Case 10223. So we will use the same geological
15 exhibits for all three cases.

16 EXAMINER STOGNER: Thank you, Mr. Vandiver.

17 MR. VANDIVER: May I proceed?

18 EXAMINER STOGNER: Please.

19 ROBERT BULLOCK,
20 the Witness herein, having been first duly sworn, was
21 examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. VANDIVER:

24 Q. Mr. Bullock, please state your name, by whom you
25 are employed and in what capacity?

1 A. My name is Robert Bullock. I'm employed as a
2 petroleum landman by Yates Petroleum Corporation.

3 Q. Have you previously testified before the New
4 Mexico Oil Conservation Division as a petroleum landman,
5 had your qualifications as such accepted and made a matter
6 of record?

7 A. Yes, I have.

8 Q. Are you familiar with the title to the lands
9 within the proposed Cowboy Draw, Salt Creek and Blackwater
10 Units in Chaves County?

11 A. Yes, I am.

12 Q. Have you prepared certain exhibits to illustrate
13 your testimony today?

14 A. Yes, we have.

15 MR. VANDIVER: Mr. Examiner, I tender Mr. Bullock as
16 an expert in petroleum land matters.

17 MR. STOVALL: Mr. Bullock is so qualified.

18 Q. (By Mr. Vandiver) To facilitate your testimony,
19 Mr. Bullock, why don't we take each of the three units one
20 at a time and go through your testimony instead of dividing
21 it up. First I'd ask you to briefly summarize the purpose
22 of Yates's application in Case No. 10223 on the Cowboy Draw
23 Unit?

24 A. We're making application to form an exploratory
25 unit consisting of federal, states and fee lands in the

1 Cowboy Draw Unit, Chaves County, New Mexico.

2 Q. If you would refer to the Applicant's Exhibit 1
3 in this case and identify that exhibit and describe what
4 information is contained in it.

5 A. Exhibit 1 is a unit agreement for development
6 and operation of the Cowboy Draw Unit abiding by the BLM
7 and state land office requirements.

8 Q. Mr. Bullock, if I could ask you who owns the
9 minerals within the proposed unit area of the Cowboy Draw
10 Unit?

11 A. The minerals are owned by federal, state and fee
12 mineral owners, a combination.

13 Q. And if I could ask you to refer to Exhibit A of
14 the proposed unit agreement and describe the information
15 depicted on that exhibit, the type of information?

16 A. Exhibit A sets out tract numbers, differentiates
17 between the federal lands, state lands and fee lands and
18 attempts to show all ownership involved within the
19 boundaries of the unit.

20 Q. And this unit is approximately 79 percent
21 federal lands, 15 percent state lands and almost 5 percent
22 fee lands?

23 A. That's correct.

24 Q. If I could ask you, what formations are proposed
25 to be unitized under the terms of this unit agreement?

1 A. It will be all formations.

2 Q. That is set forth in Section 3 on page 3 of the
3 proposed unit agreement?

4 A. That's correct.

5 Q. As required, because there is more than 10
6 percent federal land, this is on a -- the form established
7 under the regulations of the Bureau of Land Management?

8 A. That is correct.

9 Q. Who is designated as unit operator under this
10 unit agreement?

11 A. Yates Petroleum Corporation.

12 Q. And inasmuch as this is on a federal form, the
13 production obtained under this unit will be allocated among
14 the leases within participating areas established according
15 to the procedure set forth in Section 11 of the unit
16 agreement?

17 A. That is correct.

18 Q. Now Mr. Bullock, if you would refer to Exhibit B
19 of the unit agreement and tell the examiner what type of
20 information is contained in that exhibit?

21 A. All right. We have attempted to match up
22 Exhibit B with Exhibit A. Exhibit B sets out the tract
23 numbers. We describe each tract number in depth; the
24 numbers of acres involved in that tract, identified by the
25 serial number and the expiration date of the lease; the

1 ownership, be it federal, state or fee; the lessee of
2 record, overriding royalty owners and the working interest
3 persons in that lease.

4 Q. And this proposed unit contains a total of
5 29,471 acres?

6 A. That is correct.

7 Q. Yates has had conferences with the Bureau of
8 Land Management in connection with this unit agreement?

9 A. Yes, we have.

10 Q. How many -- how many wells will they require you
11 to drill under this unit agreement?

12 A. This unit has a one-well obligation.

13 Q. Among the leases to be committed to the unit,
14 what's the earliest expiration date?

15 A. 3-1-91.

16 Q. So it would be your request that you obtain
17 approval of this unit agreement by the Oil Conservation
18 Division prior to March 1 of this year?

19 A. That is correct.

20 Q. So that you could commence drilling operations?

21 A. What is the status of joinder of the working
22 interest owners and unleased fee owners in this proposed
23 unit? Have you submitted it?

24 A. We have submitted it to the parties involved,
25 and have yet to receive everybody's intentions at this

1 point in time.

2 Q. All right. Now, identify Applicant's Exhibit 2
3 and describe the information contained in that exhibit.

4 A. Exhibit 2 is the operating agreement to the
5 Cowboy Draw Unit setting out the obligations of the parties
6 involved, contractual obligations that is.

7 Q. This is a divided-type unit, is it not?

8 A. That is correct.

9 Q. And such that the costs of exploration and the
10 shares of production will be owned by the parties owning
11 interest in a particular participating area?

12 A. That is correct.

13 Q. Does the unit operating agreement contain the
14 customary contractual provisions of the joint operating
15 agreement?

16 A. We feel it does, yes.

17 Q. And this unit operating agreement will be
18 submitted to the other working interest owners and your
19 leased mineral owners for their approval?

20 A. Yes, it will.

21 Q. Now, refer to Exhibit A of the unit operating
22 agreement and review the manner in which the initial test
23 well will be paid for?

24 A. Initial test well will be drilled by the Yates
25 entities only, Yates Petroleum Corporation 40 percent;

1 Yates Drilling Company, 20 percent; Abo Petroleum
2 Corporation, 20 percent; Myco Industries, Inc., 20 percent.

3 Q. If you would refer to Article 6 of the unit
4 operating agreement and describe the location of the
5 initial test well?

6 A. The initial test well for the Cowboy Draw Unit
7 will be Township 5 South, Range 20 East, Section 4, 1980
8 from the east line, 990 from the south line.

9 Q. That's different -- that's a different location
10 than that set forth in the unit operating agreement?

11 A. That's correct. We were informed yesterday that
12 for topo reason that location was moved and we haven't had
13 an opportunity to change it at this point in time.

14 Q. That will be changed prior to submission for
15 final approval to the Bureau of Land Management and
16 Commissioner of Public Lands?

17 A. Yes, it will.

18 Q. Now, identify Applicant's Exhibit 3 and describe
19 what that is, please?

20 A. That is a letter applying to the Bureau of Lands
21 for designation -- excuse me -- to the Commissioner of
22 Public Lands for preliminary approval of the Cowboy Draw
23 Unit.

24 Q. One of the requirements of the Commissioner of
25 Public Lands prior to approval of a unit agreement is that

1 Yates obtain an order by the Oil Conservation Division
2 approving the unit; isn't that correct?

3 A. That is correct.

4 Q. Now, I will ask you to turn to Applicant's 4,
5 identify that and describe what it contains.

6 A. That is an application to the Bureau of Land
7 Management for designation and approval of the Cowboy Draw
8 Unit.

9 Q. It requests that the Bureau of Land Management
10 designate the lands as logically subject to unit
11 development, does it not?

12 A. That is correct.

13 Q. Have you had indications from the Bureau of Land
14 Management as to how they're going to act on this unit?

15 A. The Bureau of Land Management has indicated that
16 they will approve this unit. They have given verbal
17 preliminary approval.

18 Q. You have not received a letter designating the
19 lands as logically subject to unit development, but they
20 have indicated that they will approve it?

21 A. That is correct.

22 Q. And the state of New Mexico, Commissioner of
23 Public Lands, what has been their response to your request
24 for preliminary approval?

25 A. Their initial response was that they did not

1 think they could go along with us. However, Mr. Randy
2 Patterson, our land manager met with Floyd Prando and
3 Bruce Stockton this morning and they indicated that there
4 can be some kind of deal worked out. We don't know exactly
5 what it is at this point in time, but it's our belief that
6 some kind of deal can be worked out and they can approve
7 it.

8 Q. Mr. Bullock, were Exhibits 1 through 4 prepared
9 by you or under your direction or supervision?

10 A. Yes, they were.

11 MR. VANDIVER: Mr. Examiner, I would move the
12 admission of Applicant's Exhibits 1 through 4 in Case
13 No. 10223.

14 EXAMINER STOGNER: Exhibits 1 through 4 in Case 10223
15 will be admitted into evidence.

16 (Yates Petroleum Exhibits 1 through 4
17 in Case 10223 were admitted in
18 evidence.)

19 Q. (By Mr. Vandiver) Now, Mr. Bullock, I will ask
20 you to turn to Case No. 10224 and ask you to briefly
21 summarize the purpose of Yates's application in that case?

22 A. That's the Salt Creek?

23 Q. That's the Blackwater Unit.

24 A. All right. Yates is making application to
25 designate the Blackwater Unit as an exploratory-type unit.

1 That unit is located also in Chaves County, New Mexico.

2 Q. If you would turn to Applicant's Exhibit 1 in
3 Case No. 10224 and identify that exhibit and describe
4 what's contained in it?

5 A. That is a unit agreement for the development and
6 operation of the Blackwater Unit on an appropriate unit
7 form as set out by the BLM and Commissioner of Public
8 Lands.

9 Q. As with the Cowboy Draw Unit, what formations
10 are to be unitized under that unit agreement?

11 A. It will be all four formations.

12 Q. Who is designated as the operator?

13 A. Yates Petroleum Corporation.

14 Q. And if you would turn to Exhibit A of that unit
15 agreement and describe what information that is contained
16 in that exhibit?

17 A. Exhibit A again is the map setting out on a
18 tract-by-tract basis the -- each of the -- covering all the
19 lands and attempting to set out the ownership, whether it
20 be state, fee or federal or fee mineral ownership.

21 Q. As reflected on Exhibit A, the United States
22 owns 72 percent of the minerals; the State 15.2 percent,
23 and 12.76 percent are fee lands?

24 A. That is correct.

25 Q. And as with the Cowboy Draw Unit, since its bulk

1 of the land is federal land, it's on a federally approved
2 form as provided in federal regulations?

3 A. That is correct.

4 Q. And since this is a federal unit, production
5 will be allocated among the leases with an anticipated area
6 established according to the procedures set forth in
7 paragraph 11 of the unit agreement?

8 A. That's correct.

9 Q. Now, refer to Exhibit B of the unit agreement
10 and describe the type of information depicted in that
11 exhibit?

12 A. That is, again, an attempt to match up Exhibit B
13 with Exhibit A, setting out each tract; the description of
14 the lands involved; the number of acres within each tract;
15 the serial number, expiration date; the ownership, state
16 federal or fee mineral ownership; lessee of record; the
17 overriding royalty owners and the working interest of that
18 particular tract.

19 Q. What's the earliest expiration date of the
20 leases to be committed to this proposed unit?

21 A. Again it's 3-1-91.

22 Q. I believe there are two leases that have that
23 expiration date?

24 A. That's correct.

25 Q. Yates is seeking approval of the unit prior to

1 March 1, '91, so you can commence drilling operations under
2 an approved unit agreement?

3 A. Yes.

4 Q. What is the status of joinder of the other
5 working interest owners and unleased mineral owners, fee
6 mineral owners.

7 A. At this point in time that is -- they're
8 still -- we have no responses from the outside parties.

9 Q. Now, identify Applicant's Exhibit 2, which is
10 the unit operating agreement, and describe what information
11 is depicted on that exhibit.

12 A. Again, it sets out the contractual rights and
13 obligations of the working interest parties to the
14 Blackwater Unit. It contains the Exhibit B, which again
15 identifies all the leases involved.

16 Q. And as with the Cowboy Draw Unit, this is
17 divided interest-type unit?

18 A. That is correct.

19 Q. And this unit operating agreement will be
20 submitted to all the working interest owners and unleased
21 mineral owners for their approval along with -- for their
22 ratification, along with ratification of the unit
23 agreement; is that not correct?

24 A. Yes, it will.

25 Q. Refer to Exhibit A of the unit operating

1 agreement and review the manner in which the initial test
2 well in the Blackwater Unit will be paid?

3 A. Again, it will drilled and paid for by the Yates
4 companies; Yates Petroleum Corporation, 40 percent; Yates
5 Drilling Company, 20 percent; Abo Petroleum Corporation, 20
6 percent; and Myco Industries, Inc., 20 percent.

7 Q. And all customary contractual provisions of the
8 joint operating agreement are contained in this unit
9 operating agreement?

10 A. Yes.

11 Q. Now, identify Applicant's Exhibit 4 and --
12 excuse me -- Exhibit 3, which is the letter requesting
13 preliminary approval from the Commissioner of Public Lands
14 and describe what that is, please.

15 A. It is a letter submitted January 28 to the
16 Commissioner of Public Lands for preliminary approval of
17 the Blackwater Unit.

18 Q. And one of the requirements is, for the
19 commissioner to approve the unit, is that an order be
20 obtained from the Oil Conservation Division approving the
21 unit?

22 A. That is correct.

23 Q. Now, identify Applicant's Exhibit 4 in this case
24 and describe what it is, please.

25 A. That is a letter dated January 28 to the Bureau

1 of Land Management for application on behalf of Yates
2 Petroleum for designation of the Blackwater Unit as an
3 exploratory unit, Chaves County.

4 Q. With regard to responses from the Commissioner
5 of Public Lands and the Bureau of Land Management, same
6 types of responses as with the Cowboy Draw Unit as
7 previously indicated?

8 A. That is correct.

9 Q. I might also ask you. There's been -- with
10 regard to the Commissioner of Public Lands, there's been no
11 commitment that they will approve the unit agreements; is
12 that not correct?

13 A. That is correct.

14 Q. But we have a meeting scheduled with them next
15 week to discuss approval?

16 A. Yes.

17 Q. Now, if we could turn to the Salt Creek Unit,
18 which is Case No. 10225, and if I could ask you briefly the
19 purpose of Yates's application in that case?

20 A. Is to form a federal exploratory unit in Chaves
21 County, New Mexico, the Salt Creek Unit.

22 Q. And the lands in this proposed unit are also
23 largely federal, are they not?

24 A. That is correct.

25 Q. Excuse me. I suppose I could raise this in the

1 geological testimony, but I didn't have you indicate the
2 location of the initial test well on the Blackwater Unit as
3 shown in Article 6 A of the unit operating agreement.

4 A. That initial well is to be located Township 9
5 South, Range 22 East, Section 19, 660 from the north and
6 west.

7 Q. Now, returning to the Salt Creek Unit, if I
8 could ask you to identify Applicant's Exhibit 1 in this
9 case and describe the unit agreement in that case.

10 A. It is the unit agreement for the development and
11 operation of the Salt Creek Unit.

12 Q. And as with the other two units, all
13 formations -- all lands and all formations are to be
14 unitized?

15 A. Yes.

16 Q. You have met with the Bureau of Land Management
17 with regard to the Salt Creek Unit?

18 A. Yes, we have.

19 Q. How many wells are they requiring under the
20 terms of this unit agreement?

21 A. This unit will have a two-well obligation.

22 Q. And it contains a total -- the lands within the
23 unit boundary contain a total of 98,219 acres?

24 A. That is correct.

25 Q. And Yates Petroleum Corporation, as with the

1 others, is designated unit operator?

2 A. That can.

3 Q. And production will be allocated among the
4 leases within the participating areas established according
5 to the procedures set forth in that unit agreement?

6 A. Yes.

7 Q. Now, refer to Exhibit A of the unit agreement
8 and describe the information in that exhibit in the unit
9 agreement?

10 A. Again it is a land plat map that outlines the
11 unit and sets out the federal lands, state lands and fee
12 lands on a tract basis and the numbers of those tracts.

13 Q. And what's the earliest expiration date of the
14 leases to be committed to that proposed unit?

15 A. Again, it's 3-1-91.

16 Q. And you seek approval of this unit agreement
17 prior to March 1 of this year?

18 A. That is correct.

19 Q. What's the status of joinder of the working
20 interest owners and unleased mineral owners in this unit?

21 A. The ratifications have been sent out and we're
22 pending -- are not still back in at this point in time.

23 Q. Now, identify Exhibit 2, Yates Exhibit No. 2, in
24 Case No. 10225 and describe what that is, please.

25 A. That is the operating agreement for the Salt

1 Creek Unit setting out contractual rights and obligations
2 of the working interest parties.

3 Q. And this exhibit again is a
4 divided-interest-type unit?

5 A. That is correct.

6 Q. And the unit operating agreement will be
7 approved along with the unit agreement by those parties who
8 seek to commit their interest to the unit area?

9 A. That is correct.

10 Q. Refer to Exhibit A of this unit agreement and
11 describe the manner in which payment will be made for the
12 costs of drilling the initial test well?

13 A. It is the same basis as the other two units. It
14 will be drilled and paid for; Yates Pet Corporation, 40
15 percent; Yates Drilling Company, 20; Abo Petroleum
16 Corporation, 20 percent; Myco Industries, Inc., 20 percent.

17 Q. And the Salt Creek Unit is between the Cowboy
18 Draw and Blackwater Units?

19 A. Yes.

20 Q. Running north to south?

21 A. That is correct.

22 Q. And the initial test well is 1980 from the south
23 and west lines of Section 21, Township 6 South, Range 21
24 East?

25 A. That's correct.

1 Q. What's the location of the second obligation
2 well? If I could refer you to Section 9 of the unit
3 agreement, third paragraph, where it states multiple well
4 requirements.

5 A. The second well is to be located Township 8
6 South, Range 21 East, Section 1, 1980 from the north and
7 east lines.

8 Q. Now, if I could refer you to Applicant's Exhibit
9 3 in Case No. 10225 and describe what that is, please, sir.

10 A. Letter dated January 28, 1991, on behalf of the
11 Yates Pet seeking application for preliminary approval of
12 the Salt Creek Unit to the -- addressed to the Commissioner
13 of Public Lands.

14 Q. And the commissioner will require an order by
15 the OCD approving this unit prior to its approval?

16 A. That's correct.

17 Q. Now, if you could refer to Exhibit 4 in this
18 case and describe what that exhibit is.

19 A. Letter dated January 28, 1991, to the Bureau of
20 Land Management on behalf of Yates Petroleum Corporation
21 seeking application for preliminary approval of the Salt
22 Creek Unit, Chaves County, New Mexico.

23 Q. As with the other unit the Bureau of Land
24 Management has indicated verbally that they will likely
25 approve this unit?

1 A. That's correct.

2 Q. Mr. Bullock, were exhibits 1 through 4 in Case
3 No. 10225 prepared by you or under your direction or
4 supervision?

5 A. Yes, they were.

6 MR. VANDIVER: Mr. Examiner, I move the admission of
7 Applicant's Exhibits 1 through 4 in Case No. 10225. And if
8 I have not already done so, move the admission of Exhibits
9 1 through 4 in Case No. 10224 and that concludes my direct
10 examination of this witness.

11 EXAMINER STOGNER: Exhibits 1 through 4 in Case 10224
12 and Exhibits 1 through 4 in 10225 will be admitted at this
13 time.

14 (Yates Petroleum Exhibits 1 through 4
15 in Case 10224 and Case 10225 were
16 admitted in evidence.)

17 MR. VANDIVER: That concludes my examination.

18 EXAMINER STOGNER: Thank you, Mr. Vandiver.

19 EXAMINATION

20 BY EXAMINER STOGNER:

21 Q. Mr. Bullock, you mentioned that the BLM has
22 given preliminary approval to these orders verbally?

23 A. Verbally.

24 Q. Who with, when and were these conversations
25 taken place and with whom?

1 A. Armando Lopez with the BLM office in Roswell,
2 and I believe -- I don't have the exact date written down,
3 but it was sometime last week. Isn't that right, David?

4 Q. You had these conversations or a member of your
5 staff?

6 A. No. Mr. Vandiver representing us did.

7 Q. And as far as your verbal commitments or verbal
8 communications with the Public Land Commissioner, those
9 took place, I believe you mentioned in case 10223, this
10 morning?

11 A. That is correct. With respect to all three of
12 these units, that is right.

13 Q. That with Mr. Stockton and Mr. Floyd Prando?

14 A. That's correct.

15 EXAMINATION

16 BY MR. STOVALL:

17 Q. In your discussions with both the BLM and State
18 Land Office, did they raise any questions with respect to
19 the aerial size of any of the unit?

20 A. The BLM originally -- we went to the BLM wanting
21 to put all this in one unit, and their initial reaction was
22 no, they didn't want a unit of that size and they suggested
23 if we could break it down into approximately three units
24 they could probably go along with us on it; and that's what
25 we attempted to do. That's how we arrived geologically

1 along with their recommendations to the number of units.

2 Q. And I assume the geologist is going to testify
3 as to the geologic basis for creating each unit?

4 A. That is correct.

5 (Pause.)

6 EXAMINER STOGNER: In that case I have no further
7 questions.

8 MR. STOVALL: I've got a couple more questions.

9 Q. (By Mr. Stovall) Just out of curiosity how long
10 have you been trying to get these units together?

11 MR. VANDIVER: I think the geologist would be better
12 to answer that question.

13 MR. STOVALL: I'm concerned particularly about the
14 land and regulatory aspect of that effort, not the
15 geologic. We're now down to a 21 days from a lease
16 expiration. Sounds like you got a lot of stuff you need to
17 get done in 21 days. I'd like to know how we got to this
18 point.

19 A. We've been working on it pretty hard for about
20 three months. The size of these things and the complexity
21 of the ownership has just taken a long time to get it done.

22 Q. (By Mr. Stovall) What about commitment
23 ratification of the various interests; what's the status
24 and likelihood of getting that done within the next 21
25 days?

1 A. Well, the -- there's not that many outside
2 companies. There's quite a few fee mineral owners involved
3 in these things, and we are probably going to get
4 ratifications from quite a few of them. We don't know
5 exactly how many. I can make all efforts I need to --
6 we've got addresses for all these people. I've got
7 telephone numbers. I can get all the loose ends tied up
8 here in the amount of time I have left we feel.

9 Q. Have you had any indication on the part of any
10 of the fee owners that they are unwilling to participate?

11 A. We've had a couple of responses from them
12 indicating that they were not wanting to commit their fee
13 minerals to the units.

14 Q. What happens if it gets down towards the end of
15 the month and you haven't got the commitments on the dotted
16 line; what's the status of your project at that point?

17 A. It's our belief that we have enough of the --
18 what is under lease, committed, which is our belief
19 somewhere between 80 and 85 percent of the people that are
20 leased have committed to this unit. And that is our
21 understanding of the way these units should be worked.
22 That probably most of these unleased fee mineral owners
23 will not be willing to commit their minerals to the unit,
24 but we feel we can proceed on without that commitment.

25 Q. How will you treat those fee owners, as a

1 land -- from the land perceptive participation?

2 A. They would not be subject to the unit in my
3 belief. Is that correct, David?

4 Q. It's your understanding their royalty interest
5 will be treated as a tract royalty interest rather than a
6 unit -- participating unit?

7 A. That's correct.

8 MR. VANDIVER: If they don't join the unit, then
9 they're not subject to the unit. Just because their
10 interest is within the unit boundaries they're not subject
11 at all to the unit if they're not joined. If they do join,
12 production is -- costs of production are shared on the
13 basis of participating areas established by the procedures
14 set forth in the unit; and it's a divided-interest-type
15 unit so it wouldn't be spread as a state unit would anyway.
16 It's not spread throughout the entire area. It's just --

17 Q. (By Mr. Stovall) Are all the fee interests
18 under lease? In other words, when we're talking about fee
19 interests, are we talking about just a royalty interest,
20 which is not a cost-bearing interest?

21 A. As a matter of fact most of them are not under
22 lease.

23 Q. Is that right?

24 A. Yes.

25 Q. There is a working interest element of the fee

1 minerals that you're talking about? Assuming that a fee
2 interest is somewhere between a royalty and a working
3 interest, there is no committed lease interest that is
4 owned by the fee owners; is that correct?

5 A. That's correct.

6 Q. So I guess my question, addressing
7 Mr. Vandiver's statement that -- with respect to the
8 allocation costs, those fee owners could be responsible for
9 some costs?

10 MR. VANDIVER: If they commit to the unit, yes.

11 MR. STOVALL: I have no further questions.

12 EXAMINER STOGNER: Any other questions of Mr. Bullock?

13 MR. VANDIVER: I have one, Mr. Examiner.

14 REDIRECT EXAMINATION

15 BY MR. VANDIVER:

16 Q. With regard to the period of time that you have
17 been involved in putting this unit together, is it not true
18 that preliminarily the geology is worked up before the land
19 is worked up?

20 A. Yes, that's right.

21 Q. And you need to have an indication that -- from
22 the Bureau of Land Management that approval is possible
23 before you commence work on that; is that not correct?

24 A. That's correct.

25 Q. So geology was working on this before you?

1 A. Oh, yeah.

2 MR. VANDIVER: That's all I have.

3 EXAMINER STOGNER: I there anything further of
4 Mr. Bullock? If not, he may be excused.

5 DENISE FLY,
6 the Witness herein, having been first duly sworn by the
7 Notary Public, was examined and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. VANDIVER:

10 Q. Miss Fly, please state your name and by whom you
11 are employed and in what capacity?

12 A. I'm Denise Fly. I'm a geologist employed by
13 Yates Petroleum Corporation.

14 Q. And you previously testified this morning in
15 another case and had your qualifications as a petroleum
16 geologist accepted?

17 A. That is correct.

18 Q. Are you familiar with the -- have you made a
19 study of the available geological data with regard to the
20 Cowboy Draw, Salt Creek and Blackwater Units which are the
21 subject of Yates's application in Cases 10223, 10224 and
22 10225?

23 A. Yes, sir, I have.

24 Q. Are you familiar with the geological basis for
25 the formation of those proposed units?

1 A. Yes.

2 MR. VANDIVER: Mr. Examiner, I tender Miss Fly as an
3 expert petroleum geologist.

4 EXAMINER STOGNER: Miss Fly is so qualified.

5 Q. (By Mr. Vandiver) Miss Fly, if you could,
6 please summarize for the examiner very briefly the
7 geological factors which dictate the formation of these
8 three units?

9 A. Well, what we're trying to do is just explore
10 the westernmost facies of the Pecos Slope Abo, and we have
11 worked with the BLM in trying to position the wells in a
12 advantageous position with respect to the northeastward
13 trending buckles.

14 Q. So the principal -- primary formation you are
15 seeking to test in all these units is, of course, the Abo
16 formation?

17 A. That is correct.

18 Q. If I could ask you to refer to what's been
19 marked for identification as Applicant's Exhibit 5 in Case
20 No. 10223 and ask you to describe what's contained in that
21 exhibit.

22 A. Can I work with Exhibits 5 and 6 together?

23 Q. Yes.

24 A. Exhibit 5 is a tectonic facies map of the Pecos
25 Slope area. It's a regional map showing the main Pecos

1 Slope in blue, the West Pecos Slope in red, and the
2 projected -- what we call West of West Abo facies in
3 yellow. Our three proposed units are outlined in blue and
4 there is a cross section from B to B prime running from the
5 west to the east.

6 And then Exhibit 6 is a regional cross section,
7 stratigraphic cross section corresponding with the
8 previously tectonic map. The West of West -- excuse me --
9 the main Pecos Slope facies are in blue. The West of West
10 are red -- the West Pecos Slope are in red, and the West of
11 West channel facies are in yellow.

12 Q. When you refer to West of West, you're referring
13 to the area encompassed by all three of these proposed
14 units?

15 A. Right.

16 Q. Go ahead.

17 A. I'd like to speak of these instead of the three
18 units -- breaking them a part right now, I would like to
19 try to explain the regional geology since it's very similar
20 for all three units.

21 Using Exhibits 5 and 6 the Abo formulation,
22 which is Permian Leonard in age in the Pecos Country was
23 deposited as a fluvial classic wedge on the northwestern
24 limits of the stable Northwestern Shelf. The
25 siliciclastics derived from the Pedernal Uplift were

1 deposited downslope by fluvial processes as a response to a
2 drop in the main sea level. Exhibit 6 shows that as the
3 sea began its encroachment from the east, the main
4 depositional center for the meandering channel facies moved
5 laterally to the west from the present day location of the
6 Pecos Slope to the West Pecos Slope field and on toward the
7 West of West area. The westward movement of fluvial
8 processes continued in early Yeso time as indicated by the
9 facies climbing higher stratigraphically to the west.
10 Ultimately the entire clastic interval wedged out against
11 the buried Pedernal Uplift.

12 Production in the Abo formation from the Pecos
13 Slope and West Pecos Slope occurs from the distal end of
14 each respective clastic wedge on the lower reaches of the
15 meandering channel system. On the upper reaches of each
16 system, as the overall depositional slope increases, the
17 channels change into a braided channel sequence. These
18 braided channels are almost always water productive.

19 The data, however, strongly suggests a larger
20 more regional trapping mechanism than stratigraphy alone.
21 Bottomhole pressures are subnormal and constant throughout
22 the Pecos Slope and West Pecos Slope, even though depths
23 vary as much as 2,000 feet. This indicates that tectonic
24 induced fracturing may also be responsible for the large
25 accommodation of gas. The most significant structural

1 features as seen in Exhibit 5 are a series of long, narrow
2 northeast-trending buckles, named: Serrano, Border, Six
3 Mile and Y-O. As described by Kelley, 1971, "the buckles
4 are right-wrench fold faults which are undoubtedly
5 Precambrian rooted and show evidence of activity at least
6 as old as Permian." In addition to the buckles described
7 by Kelley, there are numerous smaller parallel faults that
8 exhibit right-lateral movement. Production in the Pecos
9 Slope and West Pecos Slope coincide with these structural
10 features and it is believed they contribute to the
11 accumulation of gas in the Pecos Slope area.

12 Q. Would you -- do you have anything further with
13 regard to Exhibits 5 and 6 or will you refer back to them?

14 A. I think that's it right now. It's just kind of
15 to introduce the overall setting.

16 Q. Now, would you like to turn to what's been
17 marked for identification as Applicant's Exhibits 7 and 8
18 or just --

19 A. I'd like to talk about both of those together.

20 Q. 7 and 8 in Case No. 10223.

21 A. To explain the regional -- I mean the local
22 geology. First, I will go over the legend in Exhibit 7.
23 The solid contour lines are based on a total intensity
24 aeromagnetic map, which are contoured in 50 gammas. This
25 data was brought to our purchase buyer company through the

1 National Uranium Resource Evaluation. The perforated
2 lines, small perforated lines, are structure top --
3 structure contour lines on top of the Abo formation in
4 50-foot increments. And the large prograding from yellow
5 to orange to a darker orange is the isopach map of the West
6 of West Abo facies in 100-foot contours with the outer
7 limit being a 100-foot contour, the next one 200 and the
8 upper one 300. There is also a cross section running
9 north-south marked on this map, and the proposed locations
10 are circled and highlighted in red.

11 The proposed unit outlines are in the larger
12 perforated areas, and they're highlighted green. The large
13 red area to the right is the West Pecos Slope field, not
14 the facies. And the structural buckles are highlighted by
15 a slanted perforated line and also labeled.

16 Then Exhibit 8 I will run through. This is a
17 structural cross section running north-south with a small
18 map in the bottom right-hand corner here showing this with
19 the proposed locations worked in and also the Serrano and
20 Border buckle along with a small parallel fault that I
21 found while doing my contouring. The West of West Abo
22 channel facies highlighted in yellow with the West Pecos
23 slope facies is highlighted in red.

24 I would like to elaborate on these two just a
25 little bit. The proposed West of West Abo units, Cowboy

1 Draw, Salt Creek and Blackwater, were initiated to test the
2 only significant sandstone deposition west of the West
3 Pecos Slope field. These units will test the lowermost
4 reaches of the meandering channel facies stratigraphically
5 higher than the productive West Pecos Slope facies. The
6 West of West facies is believed to be early Yeso in age.

7 Structurally the units are situated in close
8 proximity to the Serrano buckle and the Border buckle.
9 These two faults are in a series of parallel
10 right-lateral-wrenched faults. The faults probably induced
11 a system of tectonic fractures that helped define the
12 trapping mechanism. Since well control in the unit area is
13 sparse, the magnetic map indicating basement topography was
14 used to construct the Abo structure map where data was
15 not -- where I had no control in that area.

16 The Abo structure closely mimics the basement
17 structure. The magnetic map also provides evidence that
18 the wrench faults are routed in the Precambrian. In
19 addition to aiding the entrapment of gas, the faults may
20 have also provided a conduit for the migration of gas. The
21 Abo being a continent redbed sequence, gas was obviously
22 generated elsewhere, possibly in the underlying
23 Wolfcampian-Pennsylvanian formations. Structural cross
24 section A to A prime gives credence that suitable source
25 sediments underlie the unit areas. The

1 Wolfcampian-Pennsylvanian sediments trend to the west and
2 eventually terminate against the Pedernal Uplift much like
3 the Abo.

4 Q. Anything further in regard to those exhibits?

5 A. Not at this moment.

6 Q. What is the significance of the faults in
7 relation to the three units?

8 A. We feel like they play a role in fracturing and
9 helping the migration of gas.

10 Q. Are your proposed wells located near the faults?

11 A. Yes, we've tried -- in working with BLM we have
12 tried to position the locations of the wells where we would
13 test north of the Serrano buckle, south of the Serrano
14 buckle, north of the Border buckle and south of the Border
15 buckle.

16 Q. Has that been your experience in wells drilled
17 in the Pecos Slope and West Pecos Slope, that the better
18 wells are drilled near the faults?

19 A. Yes. A lot of times these smaller faults are
20 not seen until the well is drilled and you have more
21 control. These are surface -- these larger ones are
22 surface faults that have been mapped.

23 Q. Now, if I could -- if we could turn to the
24 Cowboy Draw Unit, and if I could ask you do describe the
25 reasoning for the formation of the unit and the location of

1 the initial well and your objectives with regard to that
2 unit?

3 A. Well, the primary objective of the test well
4 within the proposed Cowboy Draw is to establish new
5 production from the Abo formation north of the Serrano
6 buckle at approximately 2400 feet. The initial test well
7 location is to be 990 from the south and 1980 from the east
8 of Section 4, Township 5 South, Range 20 East with
9 projected total depth of 2800 feet.

10 Would you like for me to talk about the geology
11 of this right now?

12 Q. Yes.

13 A. The proposed Cowboy Draw Unit is situated in the
14 northern portion of the West of West Abo facies. It is
15 positioned to test the Abo formation to the north of the
16 Serrano buckle and southwest of the Esperanza XP Fed No. 2
17 located in Section 26 of Township 4 South, Range 20 East.
18 The Esperanza well has good channel sand development with
19 net sands at 70 feet. These sands are tabulated off the
20 gamma ray log from the reading of less than 70 API units.
21 Water was encountered during completion of this well,
22 limiting the production to 170 MCF gas per day. The
23 Esperanza XP Fed No. 2 proves that the West of West Abo
24 facies is well developed within the Cowboy Draw Unit, and
25 that future exploration is needed to evaluate this

1 reservoir.

2 Q. From your review of the strata with regard to
3 the Cowboy Draw Unit, what conclusions have you drawn?

4 A. I feel that the proposed Cowboy Draw Unit is
5 situated to test fluvial channels in the northern portion
6 of the West of West Abo facies. Yates Petroleum proposes
7 to drill the test well in the Cowboy Draw Unit to the north
8 of the Serrano buckle and west of the Abo production in the
9 West Pecos Slope field. The extant data provides adequate
10 justification for the formation of an exploration area as
11 outlined by the Cowboy Draw Unit.

12 Q. Now moving from the northerly most unit, which
13 is the Cowboy Draw, if we could turn to the Salt Creek
14 Unit, which is the middle unit in the West of West area,
15 and if I could ask what your primary objectives are and the
16 basis for the unit outline and location of your initial
17 test well?

18 A. The primary objective of the test wells within
19 the proposed Salt Creek Unit is to establish new production
20 in the Abo formation south of the Serrano buckle at
21 approximately 2,350 feet and north of the Border buckle at
22 approximately 2600 feet. The initial test well locations
23 are 1980 from the south and 1980 from the west of Section
24 21, Township 6 South, Range 21 East, and 1980 from the
25 north and 1980 from the east lease of Section 1, Township 8

1 South, Range 21 East, with projected total depths of 3100
2 feet for each.

3 Q. Now, if you could address the geology in the
4 area of this -- of the Salt Creek Unit.

5 A. All right. The proposed Salt Creek Unit is
6 situated in a central portion of the West of West Abo
7 facies. It is positioned to test the Abo formation south
8 of the Serrano buckle and north of the Border buckle. The
9 northern proposed test will be drilled south of the Serrano
10 buckle in an untested area. The closest Abo production is
11 five miles to the east in the West Pecos Slope field. The
12 southern proposed test well to be drilled in the Salt Creek
13 Unit will be located north of the Border buckle and
14 approximately three miles to the northwest of the Rock
15 House VF State No. 1, located in Section 16 of Township 8
16 south, Range 22 East.

17 The Rock House well has fair channel sands
18 developed with net sands at 24 feet. These sands were
19 tabulated off the gamma ray log from a reading of less than
20 70 API units. This low net sand package limited the
21 production of the Rock House to 170 MCF of gas per day.
22 This well falls in the western limits of the West Pecos
23 Slope facies and on the eastern edge of the West of West
24 Abo facies. The Rock House VF State No. 1 proves that the
25 West of West Abo is developed within the Salt Creek Unit

1 and that further exploration is needed to evaluate this
2 reservoir.

3 Q. Based upon your review of this data, what
4 conclusions have you drawn from your study of the proposed
5 Salt Creek Unit area?

6 A. The proposed Salt Creek Unit is situated to test
7 the fluvial channel in the central portion of this West of
8 West Abo facies. Yates Petroleum proposes to drill two
9 wells in the Salt Creek Unit; the first located to the
10 south of the Serrano buckle and the second to the north of
11 the Border buckle. Both of these locations are west Abo
12 production in the West Pecos Slope field, and the extant
13 data proves adequate justification for the formation of an
14 exploration area as outlined by the Salt Creek Unit.

15 Q. Now, if I could turn your attention to the
16 Blackwater Unit, which is the southern most of the three
17 units, and ask you to identify your primary objectives with
18 regard to formation of that unit?

19 A. The primary objective of the test well within
20 the proposed Blackwater Unit is to establish new production
21 from the Abo formation south of the Border buckle at
22 approximately 2,650 feet. The initial test well location
23 is 660 feet from the north line and 660 feet from the west
24 line of Section 19, Township 9 South, Range 22 East with
25 the projected total depth of 3,050 feet.

1 Q. If you could address the geology with this
2 proposed unit.

3 A. The proposed Blackwater Unit is situated in the
4 southern portion of the West of West Abo facies. This
5 position is to test the Abo formation south of the Border
6 buckle and northwest of the Corn Fed No. 1 located in
7 Section 33, Township 9 South, Range 22 East. The Corn well
8 has fair channel sand development, with net sands at 34
9 feet. These sands were tabulated off the gamma ray log
10 from a reading less than 70 API unit. This well was not
11 tested by Mesa Petroleum, yet gas effect and sands are seen
12 on the density neutron log in the Abo formation. This
13 shows that the Corn well proves that the West of West Abo
14 facies is developed within the Blackwater Unit and that
15 further exploration is needed to evaluate this reservoir.

16 Q. What conclusions have you drawn with regard to
17 your study of the proposed Blackwater Unit?

18 A. The proposed Blackwater Unit is situated to test
19 the fluvial channels in the southern portion of the West of
20 West Abo facies. Yates Petroleum proposes to drill the
21 test well in Blackwater Unit to the south of the Border
22 buckle and west of the Abo production in the West Pecos
23 Slope field. The extant data proves adequate justification
24 for the formation of an exploration area as outlined by the
25 Blackwater Unit.

1 Q. Now, some of the wells to which you have made
2 reference in the cross section, Exhibit 8 and in Exhibit 7,
3 are sort of the on the periphery but within the boundaries
4 of the proposed units, are they not?

5 A. That is correct.

6 Q. And some of them were dry holes and some were
7 completed and have been shut in ever since and there has
8 been no production history?

9 A. That is correct.

10 Q. In your opinion, will the approval of these
11 three units enable the parties to the unit agreement and
12 the owners of unleased minerals to more efficiently and
13 affectively explore for and develop the unit areas?

14 A. Yes.

15 Q. And in your opinion will approval of these unit
16 agreements be in the interest of conservation of oil and
17 gas, the prevention of waste and protection of correlative
18 rights?

19 A. Yes.

20 Q. When did you commence working on formation of
21 these unit agreements?

22 A. I started gathering the data about a year ago
23 trying to find whatever I could in this area; did a seismic
24 search; looked for the magnetic control that I could find.
25 By the summer I had accumulated quite a bit, and I think

1 our first meeting with BLM was in September or October of
2 1990.

3 Q. How many times have you met with the BLM?

4 A. I have met with them three times in Roswell.

5 Q. And based on your conversations with them they
6 have indicated that the lands designated and the locations
7 of the proposed wells are at this point probably acceptable
8 to them?

9 A. Yes, I've worked closely with them and a Mr. Joe
10 Lara spoke with Leslie Bents at Yates Petroleum and gave
11 her a verbal okay of these units.

12 MR. VANDIVER: Mr. Examiner, I would move admission of
13 Yates Exhibits 5, 6, 7 and 8 in Case No. 10223. I believe
14 that concludes my examination of this witness.

15 EXAMINER STOGNER: Exhibits 5 through 8 will be
16 admitted in these consolidated cases.

17 (Yates Exhibits 5 through 8 were
18 admitted in evidence.)

19 MR. STOVALL: Mr. Examiner, I think -- let me address
20 that. For the record, these have been marked in 10223.

21 MR. VANDIVER: Yes, sir.

22 MR. STOVALL: Are you going to ask that be --

23 MR. VANDIVER: Yes, sir.

24 MR. STOVALL: -- incorporated as part of the record?

25 MR. VANDIVER: Yes, sir.

1 MR. STOVALL: You're anticipating my question,
2 Mr. Vandiver. I hope the court reporter did.

3 MR. STOVALL: I have another preliminary question.

4 EXAMINATION

5 BY MR. STOVALL:

6 Q. Miss Fly, it appears that you are using
7 essentially some prepared notes in testimony to testify in
8 this case; is that correct?

9 A. Yes.

10 Q. Would you have any objection to permitting those
11 be copied and available for the court reporter? I think
12 that might help her.

13 A. That's fine. I have an extra copy.

14 MR. VANDIVER: We have a copy for her.

15 MR. STOVALL: Also for the case file.

16 MR. VANDIVER: Be happy to.

17 EXAMINER STOGNER: I just have a couple followup
18 questions.

19 EXAMINATION

20 BY EXAMINER STOGNER:

21 Q. Your meetings with BLM, you say started around
22 September or October?

23 A. Yes.

24 Q. Again, who or when was this suggested that this
25 area, West by West -- in fact, even in Exhibits 5 and 6

1 state that the West of West Unit area. When was this
2 suggested that bust these up into three units?

3 A. At the initial meeting.

4 Q. Who made that suggestion?

5 A. Armando Lopez -- Lopez I think was his last
6 name; is that correct? -- was there and Joe Lara was
7 there, and there was another man present that I'm not sure
8 of what his name was.

9 MR. VANDIVER: Jerry Dutchoven?

10 THE WITNESS: Jerry was not present at that one.

11 Q. (By Examiner Stogner) Again, what was the
12 reasoning that Armando Lopez suggested that you bust them
13 up?

14 A. We thought possibly we could form one large unit
15 since they were all the same regional geology, and possibly
16 have what they call a development contract. But that was
17 not applicable in this circumstance, and so he recommended
18 that we possibly try to make them up into three units that
19 would -- with us working together, we decided to break them
20 up into three units that would play around these major
21 features that we see here, since we have no control to
22 really work off of. We're working off the structural
23 features.

24 Q. You had two subsequent meetings with the BLM?

25 A. Yes. The initial meeting I presented them with

1 this regional tectonic map and this regional cross section.

2 Q. Exhibits 5 and 6?

3 A. Yes. But the units were not on there at that
4 time. Just to try to explain the regional geology and kind
5 of talk over how we could go about this, forming these
6 units.

7 Q. And then the second and third meeting?

8 A. The second meeting was in December, and I had
9 possibly some of this map done, asking them -- with the
10 units outlined, asking them if we were on the right track,
11 talking to them about the wells that fall within the
12 proposed units, and kind of just trying to get some
13 feedback if we were working on the right wave length.

14 Q. You are referring to the map as Exhibit 7?

15 A. Exhibit 7, that's right. And it was decided --
16 let's see. I think there was another meeting early part of
17 January then. It was decided at that point there was not
18 enough control to map the individual sand bodies to put a
19 limit on the boundaries for the units. There is not just
20 enough control there.

21 EXAMINER STOGNER: Are there any other questions of
22 this witness?

23 MR. STOVALL: None for me.

24 EXAMINER STOGNER: If not, Miss Fly may be excused.

25 Mr. Vandiver, do you have any further in these

1 cases?

2 MR. VANDIVER: How many copies of her notes would you
3 like?

4 MR. STOVALL: One for the file and one for the
5 reporter.

6 MR. VANDIVER: One for each file? I've got enough I
7 think.

8 EXAMINER STOGNER: If there is nothing else further in
9 any of these cases, all three of cases starting with 223,
10 224 and 225 will be taken under advisement.

11 Let's take another 10-minute recess.

12 (At 11:10 a.m. a recess was taken.)

13 EXAMINER STOGNER: This hearing will come to order.

14 We have a request to reopen the cases -- Yates
15 cases previously heard. Mr. Stovall.

16 MR. STOVALL: Mr. Examiner, Mr. Patterson from Yates
17 Petroleum advised me there may have been some ambiguity
18 about some testimony that was entered, and I think
19 Mr. Vandiver would like to call Mr. Patterson to clarify
20 some discussion.

21 MR. VANDIVER: Yes, sir, with your indulgence,
22 Mr. Examiner.

23 EXAMINER STOGNER: Mr. Patterson, if you will please,
24 raise your right hand and be sworn.

25 (Whereupon the witness was duly

1 sworn.)

2 EXAMINER STOGNER: Mr. Vandiver.

3 RANDY PATTERSON,

4 the Witness herein, having been first duly sworn, was
5 examined and testified as follows:

6 DIRECT EXAMINATION

7 BY MR. VANDIVER:

8 Q. Mr. Patterson, you're land manager for Yates
9 Petroleum Corporation?

10 MR. STOVALL: I didn't get the name in the record.

11 MR. VANDIVER: Excuse me.

12 Q. (By Mr. Vandiver) State your name, your
13 occupation and by whom you are employed, please?

14 A. I'm Randy Patterson. I'm land manager for Yates
15 Petroleum Corporation, Artesia, New Mexico.

16 Q. Mr. Patterson, there was previous testimony in
17 Cases 10223, 10224 and 10225 on the three units regarding
18 conversations that you had with staff with the Commissioner
19 of Public Lands office concerning approval of the proposed
20 unit, and I believe you wanted to clarify the record to
21 reflect the nature of your conversations with them.

22 A. Yes, sir, I would, Mr. Examiner. I would like
23 to clarify that the testimony regarding a meeting this
24 morning that I had with Mr. Prando, this meeting was merely
25 a social call; the subject of the units did come up. We

1 have set a meeting for Thursday next, the 14th of February,
2 to discuss these units with the state land office. And I
3 did not want the record to reflect or the examiner to infer
4 that any commitment was made by the state land office or
5 any indication that they had preliminarily approved these
6 units. We will be meeting with them next week, and we will
7 at that time seek their approval.

8 EXAMINER STOGNER: Anything else, Mr. Vandiver?

9 MR. VANDIVER: No, sir, that concludes my examination.

10 EXAMINER STOGNER: Are there any questions.

11 MR. STOVALL: Just a couple.

12 EXAMINATION

13 BY MR. STOVALL:

14 Q. Just a couple quick ones to clarify.

15 Mr. Patterson, you're actually the person who had the
16 conversations with Mr. Prando this morning?

17 A. Yes.

18 Q. It's your understanding that Mr. Bullock's
19 testimony was a reflection, albeit somewhat inaccurate in
20 the listening, if you will, of what you had mentioned about
21 that conversation; is that correct?

22 A. Mr. Bullock drew a conclusion from a comment
23 that I made that I believed that we can work something out,
24 and he drew a conclusion and . . .

25 Q. Your purpose here is simply you don't want the

1 record to imply that there is an approval when in fact you
2 need some --

3 A. That's absolutely right.

4 Q. -- discussion with the land office?

5 A. That's correct, yes, sir.

6 MR. STOVALL: I have no further questions.

7 EXAMINER STOGNER: If there are no other questions of
8 Mr. Patterson, he may be excused. Is there anything else
9 further in any of these cases?

10 MR. VANDIVER: No, sir.

11 EXAMINER STOGNER: We will once again take cases
12 10223, 10224 and 10225 under advisement.

13 MR. VANDIVER: Thank you very much.

14 (Whereupon, the hearing was concluded at the
15 approximate hour of 11:15 a.m.)

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1 STATE OF NEW MEXICO)
) ss.
 2 COUNTY OF SANTA FE)

3 REPORTER'S CERTIFICATE

4
 5 I, Susan G. Ptacek, a Certified Court Reporter and
 6 Notary Public, do HEREBY CERTIFY that I stenographically
 7 reported the proceedings before the Oil Conservation
 8 Division, and that the foregoing is a true, complete and
 9 accurate transcript of the proceedings of said hearing as
 10 appears from my stenographic notes so taken and transcribed
 11 under my personal supervision.

12 I FURTHER CERTIFY that I am not related to nor
 13 employed by any of the parties hereto, and have no interest
 14 in the outcome thereof.

15 DATED at Santa Fe, New Mexico, this 11th day of March,
 16 1991.

17
 18 My Commission Expires:
 19 December 10, 1993

Susan G. Ptacek

 SUSAN G. PTACEK
 Certified Court Reporter
 Notary Public

20
 21 I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case Nos. 10223, 10224, and 10225
 22 heard by me on 7 February 1991.
 23 *Michael E. Stover*, Examiner
 24 Oil Conservation Division
 25