

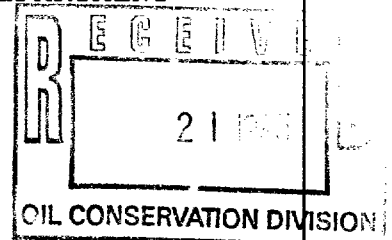
NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date SEPTEMBER 7, 1995 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
<i>Ernest L. Arnold</i>	<i>Loose Law Firm</i>	<i>Artesia</i>
<i>Q) Loose</i>	<i>"</i>	<i>"</i>
<i>Brian C. May</i>	<i>Yates Pet.</i>	<i>Artesia</i>
<i>Kathy H. Porter</i>	<i>Yates Petroleum</i>	<i>Artesia</i>
<i>Bob Funt</i>	<i>Yates</i>	<i>Artesia</i>
<i>Payton Davis</i>	<i>"</i>	<i>"</i>
<i>DAVE BONEAU</i>	<i>YATES PETROLEUM</i>	<i>ARTESIA</i>
<i>William F. Farn</i>	<i>Temple, Jan & Jurg</i>	<i>Santa Fe</i>
<i>Jerry Elger</i>	<i>Nearburg Prod</i>	<i>Midland</i>
<i>Joe MRAZ</i>	<i>State Land Office</i>	<i>Santa Fe</i>
<i>Mike Gray</i>	<i>Nearburg Expl Co</i>	<i>Midland</i>
<i>Tim W. Glem</i>	<i>NM OCD</i>	<i>Artesia</i>
<i>Jim Brun</i>	<i>Hinkle Law Firm</i>	<i>SF</i>
<i>W. Kellin</i>	<i>Kellin & Kellin</i>	<i>Santa Fe</i>
<i>Brad Burks</i>	<i>Damar Energy Co.</i>	<i>Tulsa, OK</i>
<i>Brandon Nadrash</i>	<i>ANADARKO PETROLEUM CORP</i>	<i>MIDLAND, TX</i>

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 HARVEY E. YATES)
COMPANY)

CASE NO. 11,373

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

September 7th, 1995

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, September 7th, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, 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

I N D E X

September 7th, 1995
 Examiner Hearing
 CASE NO. 11,373

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* * *

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Legal Counsel to the Division
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Santa Fe, New Mexico 87505

FOR THE APPLICANT:

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P.O. Box 2068
Santa Fe, New Mexico 87504-2068
By: JAMES G. BRUCE

* * *

1 WHEREUPON, the following proceedings were had at
2 8:15 a.m.:

3 EXAMINER STOGNER: This hearing will come to
4 order for Docket Number 26-95. Please note today's date,
5 September 7th, 1995. I'm Michael Edward Stogner, appointed
6 Hearing Examiner for today's cases.

7 At this time I'll call Case Number 11,373.

8 MR. CARROLL: Application of Harvey E. Yates
9 Company for a unit agreement, Lea County, New Mexico.

10 EXAMINER STOGNER: Call for appearances.

11 MR. BRUCE: Mr. Examiner, Jim Bruce from the
12 Hinkle law firm in Santa Fe, representing the Applicant. I
13 have two witnesses to be sworn.

14 EXAMINER STOGNER: Any other appearances?

15 Will both witnesses please stand to be sworn at
16 this time?

17 (Thereupon, the witnesses were sworn.)

18 SHARI A. DARR,
19 the witness herein, after having been first duly sworn upon
20 her oath, was examined and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. BRUCE:

23 Q. Would you please state your name and city of
24 residence?

25 A. Shari Darr, in Artesia, New Mexico.

1 Q. What is your occupation and who are you employed
2 by?

3 A. I'm the land manager for Harvey Yates Company.

4 Q. Have you previously testified before the
5 Division?

6 A. Yes, I have.

7 Q. And were your credentials as a landman accepted
8 as a matter of record?

9 A. Yes, they were.

10 Q. And are you familiar with the land matters
11 involved in this Application?

12 A. Yes, I am.

13 MR. BRUCE: Mr. Examiner, I tender Ms. Darr as an
14 expert petroleum landman.

15 EXAMINER STOGNER: Ms. Darr is so qualified.

16 Q. (By Mr. Bruce) What is it that Heyco seeks in
17 this case?

18 A. We seek approval for our proposed Flint Unit,
19 which covers 8446.5 acres in Lea County, New Mexico.

20 Q. And what type of land is in this unit?

21 A. All state.

22 Q. Referring to Exhibit 1, what lands are in the
23 unit?

24 A. This plat shows acreage in Township 18 South,
25 Range 36 East, Sections 4, 5, 6, 7, 8, 9, 16, 17 and 18,

1 all of those sections; and in 18-35, in Section 1, the
2 southwest quarter and the east half; then in Township 17
3 South, Range 36 East, all of Sections 28, 33 and 32, as
4 well as the south half of 31.

5 Q. And the second page is a legal description of all
6 that property; is that correct?

7 A. It is, yes, sir.

8 Q. What is Exhibit 2?

9 A. Exhibit 2 is the proposed unit agreement, which
10 is the standard exploratory unit agreement approved by the
11 Commissioner of Public Lands.

12 Q. And this is a common form used for these type of
13 agreements?

14 A. Yes, sir.

15 Q. Who are the working-interest owners in the unit?
16 And I'd refer you to your Exhibit 3.

17 A. Exhibit 3 lists all of the owners, and those
18 owners are Harvey E. Yates Company; Spiral, Inc.; Explorers
19 Petroleum Corporation; Heyco Employees, Limited; Santa Fe
20 Energy Resources; Maralo, Inc.; Mitchell Energy
21 Corporation; Yates Petroleum Corporation; Yates Drilling
22 Company; Abo Petroleum; MYCO Industries; Mobil Petroleum;
23 Phillips; Catron; Chevron; ORYX Energy and Arco.

24 Q. There are some checks beside certain of the
25 names. Are these the people who have so far committed

1 their interest to the unit?

2 A. Yes, it is, as well as -- I don't believe you
3 have Mobil checked on that list, but Mobil is --

4 Q. Mobil has also joined?

5 A. Yes.

6 Q. What is the total percentage of the working
7 interest owners who've ratified the unit, as of today's
8 date?

9 A. We have right around 92 percent.

10 Q. Okay, and that's sufficient for the Commissioner
11 to finally approve the unit?

12 A. Yes.

13 Q. Has the Commissioner preliminarily approved the
14 unit?

15 A. Yes, he has.

16 Q. And is Exhibit 4 his letter of preliminary
17 approval?

18 A. Yes.

19 Q. What is Exhibit 5?

20 A. Exhibit 5 is our proposed operating agreement for
21 the unit, which is on the standard AAPL Form 610-1982.

22 Q. And it has the standard attachments to it?

23 A. It does.

24 Q. And who is the operator under the agreement?

25 A. Harvey E. Yates Company.

1 Q. What is Exhibit 6?

2 A. Exhibit 6 is the AFE for the Flint Unit Number 1
3 well.

4 Q. What is the estimated completed cost of this
5 well?

6 A. Estimated completed cost for a producing well is
7 \$705,945.

8 Q. And this is for a Bone Spring test, is it not?

9 A. Yes, it is.

10 Q. Does Heyco request expedited approval of this
11 Application?

12 A. Yes, we do. There are two leases that will be
13 expiring September 30th of this year.

14 Q. And so you need approval so you can get final
15 approval from the Commissioner?

16 A. That's right.

17 Q. In your opinion, is the granting of this
18 Application in the interests of conservation and the
19 prevention of waste?

20 A. Yes, sir.

21 Q. And were Exhibits 1 through 6 prepared by you or
22 under your direction or compiled from company records?

23 A. Yes, they were.

24 MR. BRUCE: Mr. Examiner, I move the admission of
25 Heyco's Exhibits 1 through 6 at this time.

1 EXAMINER STOGNER: Exhibits 1 through 6 will be
2 admitted into evidence at this time.

3 EXAMINATION

4 BY EXAMINER STOGNER:

5 Q. Now, your preliminary zone of interest is the
6 Bone Spring, but the unitized formation and the unit
7 agreement refers to what?

8 A. All depths.

9 Q. Okay, Exhibit Number 3, you have listed several
10 operators --

11 A. Yes.

12 Q. -- and then you have them checked on the side.

13 A. Right.

14 Q. Is that the ones that have agreed so far?

15 A. They are, but also check line 20, which is Mobil.
16 I talked to Mobil yesterday.

17 Q. And Phillips, Catron, Chevron, ORYX and Arco have
18 not joined at this time?

19 A. They have not made a decision yet, except
20 Phillips did make a decision and they are not joining.

21 Q. They are not going to join?

22 A. Right.

23 Q. But the others may, or they haven't indicated to
24 you that they're not going to join?

25 A. That's correct.

1 EXAMINER STOGNER: I have no other questions of
2 Ms. Darr. You may be excused.

3 MR. BRUCE: Call Mr. Brooks to the stand.

4 LARRY BROOKS,
5 the witness herein, after having been first duly sworn upon
6 his oath, was examined and testified as follows:

7 DIRECT EXAMINATION

8 BY MR. BRUCE:

9 Q. Would you please state your name for the record?

10 A. Larry Brooks.

11 Q. And where do you reside?

12 A. Artesia, New Mexico.

13 Q. And what is your occupation?

14 A. Geologist.

15 Q. And who are you employed by?

16 A. Harvey E. Yates Company.

17 Q. Have you previously testified before the Division
18 as a petroleum geologist?

19 A. Yes, I have.

20 Q. And were your credentials as a geologist accepted
21 as a matter of record?

22 A. They were.

23 Q. And are you familiar with the geology affecting
24 this Application?

25 A. I am.

1 MR. BRUCE: Mr. Examiner, I tender Mr. Brooks as
2 an expert petroleum geologist.

3 EXAMINER STOGNER: Mr. Brooks is so qualified.

4 Q. (By Mr. Bruce) What is the primary zone of
5 interest for the -- Mr. Brooks?

6 A. The primary zone of interest is the Bone Spring
7 "B" zone carbonate.

8 Q. Would you identify your Exhibit Number 7 and
9 discuss its contents?

10 A. Exhibit Number 7 is a structure map at the top of
11 the second Bone Spring sand. And what it shows basically
12 is a generalized strike from northeast to southwest, 45
13 degrees.

14 It shows structure at the top of the second sand,
15 steeper on the west side than on the east, which would
16 indicate a flattening of the slope across the unit,
17 allowing for thicker debris-flow accumulations. And it's
18 also generally the top of a major low stem system strike.

19 Q. Is the red mark on this exhibit the approximate
20 location of the initial unit well?

21 A. That's correct.

22 Q. Would you then move on to your Exhibit 8, and
23 would you discuss the Bone Spring geology a little further?

24 A. Okay, this particular exhibit is an isopach map
25 of net "B" zone carbonate. What it shows is the basic zone

1 of interest.

2 There are two debris flows, what we call D1 and
3 D2. To the western half that's not in the unit you can see
4 a narrow trend, strike-oriented trend, of debris-flow
5 carbonates of which there is production in Section 9 and
6 also Section 11 from these carbonate detrital reservoirs.

7 Across our unit, this map infers a thickening and
8 a much larger area which could be prospective for the "B"
9 zone carbonate based on wells in Section 6 of 18-36, 8 of
10 18-36, and also wells that are in Section 17-36, in
11 Sections 27 and 26.

12 Q. Does this map serve as the basis for the outline
13 of the unit boundary?

14 A. It does.

15 Q. Let's move on to your cross-section, Exhibit 9.
16 Could you discuss its contents for the Examiner?

17 A. This is a structural cross-section, A to A',
18 running from the Vacuum edge in Section 4 of 18-35, across,
19 as well control will allow, into Section 8 of 18-36.

20 The two dark boundaries here identify the top of
21 the first Bone Spring sand and the top of the second Bone
22 Spring sand.

23 The two reservoirs which we are looking for in
24 this unit are D1 and D2, the lower Bone Spring -- or the
25 Bone Spring "B" carbonate reservoirs.

1 In our Buckeye 11 State 1 well, we are producing
2 from the uppermost reservoir, and we have a thick, porous,
3 debris flow of the base which is structurally low and wet.
4 However, we did have shows in sidewall cores.

5 Buckeye 12 also had a thick D2, too close to the
6 shelf edge. It had a lot of anhydrite filing.

7 But what this cross-section shows is basically
8 the surface at which these debris flows deposited on the
9 onlap of the surface and onto the shelf, and a series of 12
10 debris flows within the Bone Spring unit that prograde
11 basinward across the unit.

12 Q. In your opinion, will the formation of the unit
13 facilitate the orderly development of the Bone Spring "B"
14 zone carbonate?

15 A. It will.

16 Q. Are there any secondary zones of interest in this
17 area?

18 A. Yes, the second Bone Spring sand has potential in
19 this area. In fact, our initial test well will penetrate
20 into the third Bone Spring carbonate, or "C" zone
21 carbonate, through the second Bone Spring sand. We've had
22 shows in both the Buckeye 11 well and the Buckeye 12 well,
23 and there are other shows in the area.

24 Q. Is the granting of this Application in the
25 interests of conservation and the prevention of waste?

1 A. Yes.

2 Q. And were Exhibits 7 through 9 prepared by you?

3 A. They were.

4 MR. BRUCE: Mr. Examiner, I tender Exhibits 7
5 through 9 into evidence.

6 EXAMINER STOGNER: Exhibits 7, 8 and 9 will be
7 admitted into evidence at this time.

8 MR. BRUCE: Nothing further.

9 EXAMINER STOGNER: I have no other questions for
10 this witness. You may be excused.

11 Anything further in Case Number 11,373?

12 MR. BRUCE: No, sir.

13 EXAMINER STOGNER: Then this case will be taken
14 under advisement.

15 (Thereupon, these proceedings were concluded at
16 8:28 a.m.)

17 * * *

18
19
20 I do hereby certify that the foregoing is
21 a complete record of the proceedings in
the Examiner hearing of Case No. 11373,
22 heard by me on 7 September 1995.
23 Michael E. Stogner, Examiner
24 Oil Conservation Division
25

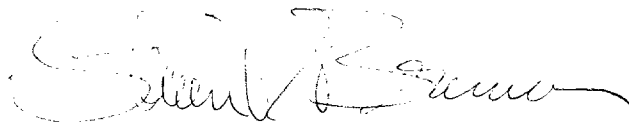
CERTIFICATE OF REPORTER

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 September 8th, 1995.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998