

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 INTERCOAST OIL AND
GAS COMPANY FOR COMPULSORY POOLING
AND AN UNORTHODOX GAS WELL LOCATION
EDDY COUNTY, NEW MEXICO

CASE NO. 11666

APPLICATION OF YATES PETROLEUM CORPORATION CASE NO. 11677
FOR COMPULSORY POOLING AND AN UNORTHODOX
GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO

ORDER NO. R-10731

MOTION OF
YATES PETROLEUM CORPORATION
FOR
RECONSIDERATION
OF
DIVISION ORDER DENYING
STAY OF
DIVISION ORDER NO. R-10731

YATES PETROLEUM CORPORATION ("Yates"), through its attorneys, Kellahin & Kellahin, hereby moves the Oil Conservation Division and the Oil Conservation Division to **reconsider** its Order dated January 30, 1997 in which it denied Yates' Motion for a Stay of Oil Conservation Division Order No. R-10731 pending **de novo** review by the Commission, and as ground therefore states:

Motion for Stay of Order R-10731
Case Nos. 11666 & 11677

(1) On January 28, 1997, in Response to Yates' Motion for a Stay, InterCoast asserted that it had a Farmout which would expire on February 18, 1997.

(2) On January 30, 1997, the Division Director **denied** Yates' Motion for a Stay because "(4) Granting the "Stay" would delay the drilling of the well which would risk the loss [by InterCoast] of valuable farmout rights".

(3) Contrary to the assertion of InterCoast, Yates has been advised that InterCoast obtained another extension of its Farmout which is now not due to expire until March 20, 1997. **See Exhibit 1 attached.**

(4) InterCoast is moving a rig onto the location and intends to spud this disputed well tomorrow unless this Stay is granted.

(5) InterCoast's actions are an attempt to pre-empt Yates from having a DeNovo hearing before the Commission.

(6) The Division refused to grant Yates' Stay based upon grounds that are not true;

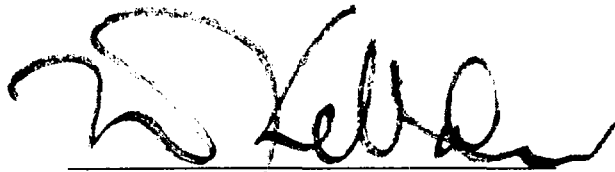
(7) Yates has a right to have these issues reviewed DeNovo by the Commission. Without a stay, before the DeNovo hearing, the time for Yates to make an election to avoid a risk penalty will have run, the well will be drilling, and Yates' rights to a hearing denovo will in fact have been denied.

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(8) A stay of Order R-10731 until the De Novo review in February, 1997 will protect the rights of the interest owners in this spacing unit and afford them the DeNovo hearing as guaranteed by the Oil and Gas Act.

WHEREFORE, Yates Petroleum Corporation request that Oil Conservation Division Order R-10731 be stayed in its entirety pending a DeNovo review by the Oil Conservation Commission.

Respectfully submitted,

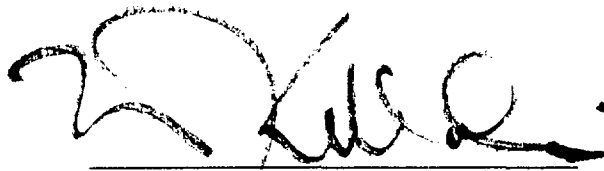


W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

ATTORNEYS FOR YATES PETROLEUM CORPORATION

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Motion for Stay was hand-delivered this 7th day of February, 1997 to James Bruce, Esq., Santa Fe, New Mexico 87501



W. Thomas Kellahin

MARTIN YATES, III
1912 - 1988
FRANK W. YATES
1938 - 1988



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S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

February 7, 1997

Attention: Thomas Kellahin
Kellahin and Kellahin
Attorneys at Law
P.O. Box 2285
Santa Fe, New Mexico 87504-2285

Via Facsimile

RE: NMOCD Cases 11868 and 11877
Order R-10731

Dear Mr. Kellahin:

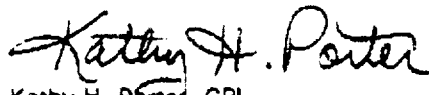
This morning, Mecca Mauritsen of our office talked to Ken Gray with Devon (successor in interest to Kerr McGee) concerning their Farmout Option to InterCoast. Ken informed her, Devon had granted the 1st. extension on the Farmout Option to February 18, 1997. A second extension was set up, if needed, to extend the time to March 20, 1997.

I personally spoke with Ken Gray this afternoon, and while Mr. Gray declined to send a letter, he told me he didn't mind informing us that Devon has extended the date under the Farmout Option to InterCoast to March 20, 1997.

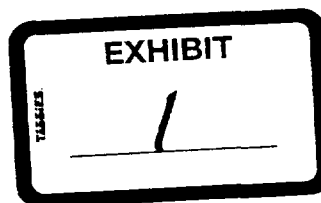
Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION


Kathy H. Porter, CPL
Landman

KHP/dc



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ORDER NO. R-10731

**ORDER OF THE DIVISION
STAYING ORDER NO. R-10731**

BY THE DIVISION:

This matter having come before the Division upon the request of Yates Petroleum Corporation for a Stay of Division Order R-10731 and the Division Director having considered the request and being fully advised in the premises,

NOW, on this ____ day of February, 1996, the Division Director:

FINDS THAT:

(1) Division Order No. R-10731 was entered on January 12, 1997, upon the competing applications of Yates Petroleum Corporation (Yates) in Case 11677 and InterCoast Oil and Gas Company (InterCoast) for compulsory pooling of the E/2 of Section 20, T20S, R28E, NMPM, Eddy County, New Mexico.

(2) On January 21, 1997, Yates filed a request for a DeNovo hearing wit the

Motion for Stay of Order R-10731
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Oil Conservation Commission, which case is now set for hearing on February 13, 1997.

(3) Division Order R-10731 designates InterCoast as the operator of the well to be drilled and provides the well shall be commenced by April 15, 1997.

(4) Yates has complied with the provision of Division Memorandum 3-85 and has filed its request for a stay of Division Order R-10731 on January 24, 1997.

(5) Allowing InterCoast to drill the well pursuant to Division Order R-10731 prior to the February 13, 1997 De Novo hearing would effectively deny much of Yates' request for a hearing DeNovo because InterCoast would be the operator for purposes of drilling the subject well.

IT IS THEREFORE ORDERED THAT:

(1) Division Order No. R-10731 is hereby stayed in its entirety until the Commission rules on the evidence presented at the February 13, 1997 DeNovo hearing.

(2) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

S E A L