

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. 11,738

APPLICATION OF YATES PETROLEUM)
 CORPORATION FOR COMPULSORY POOLING,)
 DIRECTIONAL DRILLING AND UNORTHODOX)
 LOCATION, LEA COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

April 3rd, 1997

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, April 3rd, 1997, 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.

* * *

I N D E X

April 3rd, 1997
Examiner Hearing
CASE NO. 11,738

PAGE

REPORTER'S CERTIFICATE

5

* * *

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
2040 South Pacheco
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE and SHERIDAN, P.A.
Suite 1 - 110 N. Guadalupe
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 8:25 a.m.:

3 EXAMINER STOGNER: This hearing will come to
4 order. Please note, I'm Michael Stogner, appointed Hearing
5 Examiner for today's cases. Today's date is April 3rd,
6 1997.

7 First issue I will take and call at this time
8 Case Number 11,738.

9 MR. CARROLL: Application of Yates Petroleum
10 Corporation for compulsory pooling, directional drilling
11 and unorthodox location, Lea County, New Mexico.

12 EXAMINER STOGNER: Call for appearances.

13 MR. CARR: May it please the Examiner, my name is
14 William F. Carr with the Santa Fe law firm Campbell, Carr,
15 Berge and Sheridan. We represent Yates Petroleum
16 Corporation in this matter.

17 As the Examiner will recall, the case was
18 presented four weeks ago today, and at that time there were
19 representations that three parties -- Harle, Inc., Mr.
20 Larry Hunnicutt and Marathon Oil Company -- had agreed to
21 either participate or be pooled, but there was nothing in
22 writing to evidence that. The Examiner requested that
23 those individuals be contacted, and I have today and can
24 present waiver letters from each of those parties.

25 EXAMINER STOGNER: Okay, you said there were four

1 parties or three?

2 MR. CARR: Three: Harle, Hunnicutt and Marathon.

3 EXAMINER STOGNER: -- Marathon, all right.

4 MR. CARR: And I have waiver letters that I can
5 present from each of those, waiving objection to the
6 Application. And with that, we would request that this
7 matter be taken under advisement.

8 EXAMINER STOGNER: Okay. So it appears that the
9 Hunnicutt has elected to participate, and Marathon wishes
10 just to go under the compulsory pooling, and it looks like
11 the Harle interest has agreed; is that correct?

12 MR. CARR: Yes, sir, that's correct.

13 EXAMINER STOGNER: So it is my understanding at
14 this time that Marathon will be one -- Is it the only one,
15 or are there other parties that --

16 MR. CARR: There were other parties subject to
17 the pooling, but these are the parties that there was no
18 written evidence of negotiations.

19 EXAMINER STOGNER: Okay. If there's nothing
20 further in Case 11,738, then this matter will be taken
21 under advisement.

22 Thank you, Mr. Carr.

23 (Thereupon, these proceedings were concluded at
24 8:27 a.m.)

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 April 7th, 1997.



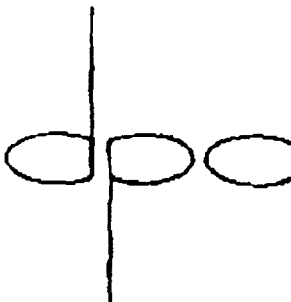
STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 11738, heard by me on 3 April 1997.


 Examiner
 Oil Conservation Division

MAR-13-1997 10:43 FROM PXC LDM



Post-It Fax Note	7871	Date	3/13/97	# of pages	1
To	Bill Owen	From	Dave Harle		
Co./Dept.		Co.			
Phone #		Phone #			
Fax #	505-623-1801	Fax #			

March 13, 1997

VIA FAX TRANSMITTAL
503-245-0825

Harle, Inc.
1504 Hess Creek Court
Newberg, OR 97132

Attention: Dave Harle, President

Re: Shell Lusk ANB #1
T-16-S, R-35-E, NMPM
Section 11: E/2NW/4, SW/4NW/4
Lea County, New Mexico
Net Acres: .1625

Dear Dave:

As you recall, we contacted you last summer pertaining to your referenced mineral interest. At that time and in subsequent conversations, you indicated you would either join in the drilling of a well or give us a short-term lease covering your mineral interest.

We recently had our hearing before the Oil Conservation Division in Santa Fe for pooling and a possible unorthodox location. An AFE for the drilling of the Shell Lusk ANB #1 well was sent to you when you were notified about the hearing. In a effort to finalize your election, please indicate below whether you wish to join in the drilling of the well or lease your interest.

Please forward one copy of this letter to us at your earliest convenience. Should you have any questions, please do not hesitate to give me a call.

Sincerely,



Bill Owen
Land Manager

X I hereby elect to participate in the drilling of the
Shell Lusk ANB #1 well. My interest in the well will be .05%.

 I hereby elect to lease my .1625 mineral acre interest.

HARLE, INC.

By Dave S. Harle
Dave Harle, President

Date: 3-13-97

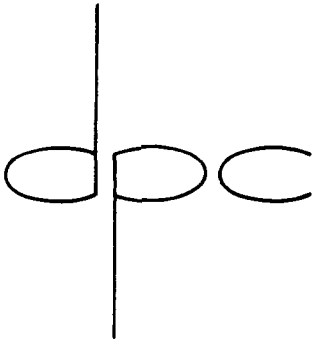
cc: Bill Carr
Michael Stogner

DAVID PETROLEUM CORP.
EDWARD N. DAVID, VICE PRESIDENT
Professional Landman
Off. 505/622-0050
Fax. 505/623-1801
Res. 505/624-0550
116 West First
Roswell, New Mexico 88201

TOTAL P.02

MAR-13-1997 13:08

P.01



March 13, 1997

Mr. Larry Hunnicutt
200 West First Street, Suite 200
Roswell, NM 88201

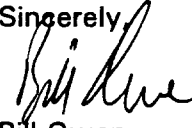
Re: Shell Lusk ANB #1
T-16-S, R-35-E, NMPM
Section 11: E/2NW/4, SW/4NW/4
Lea County, New Mexico
Net Acres: .1625

Dear Larry:

As you recall, we contacted you last summer pertaining to your referenced mineral interest. At that time and in subsequent conversations, you indicated you would either join in the drilling of a well or give us a short-term lease covering your mineral interest.

We recently had our hearing before the Oil Conservation Division in Santa Fe for pooling and a possible unorthodox location. An AFE for the drilling of the Shell Lusk ANB #1 well was sent to you when you were notified about the hearing. In a effort to finalize your election, please indicate below whether you wish to join in the drilling of the well or lease your interest.

Please forward one copy of this letter to us at your earliest convenience. Should you have any questions, please do not hesitate to give me a call.

Sincerely,

Bill Owen
Land Manager

I hereby elect to participate in the drilling of the
Shell Lusk ANB #1 well. My interest in the well will be .05%.

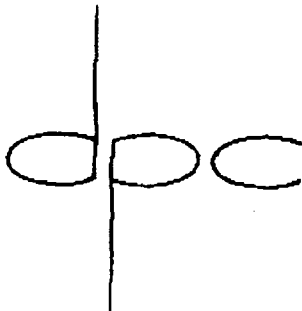
✓ _____
I hereby elect to lease my .1625 mineral acre interest.


Larry Hunnicutt

Date: 3-13-97

cc: Bill Carr
Michael Stogner

DAVID PETROLEUM CORP.
EDWARD N. DAVID, VICE PRESIDENT
Professional Landman
Off. 505/622-8850
Fax: 505/623-1801
Res. 505/624-0558
116 West First
Roswell, New Mexico 88201



RECEIVED

MAR 28 1997

CAMPBELL, CARR, et. al.

March 20, 1997

VIA FAX TRANSMITTAL
915-687-8883

Marathon Oil Company
P. O. Box 552
Midland, TX 79702

Attention: Joe Rusnak

Re: Verlon Hilburn Interest
T-16-S, R-35-E, NMPM
Section 11: NW/4NW/4
Lea County, New Mexico
Net acres: 4

Dear Joe:

Pursuant to my recent conversations with Mr. Clay Johnson and you, I am writing pertaining to the referenced interest.

As was discussed, Mr. Johnson advised me several days ago that he acquired the Hilburn interest on behalf of Marathon Oil Company. You are aware that we have proposed the drilling of a Morrow test well and had a hearing before the New Mexico Oil Conservation Division (NMOCD) in Santa Fe on March 6, 1997. The hearing was to ask for a possible unorthodox location and to force pool several small interests, including your leasehold ownership of the referenced mineral interest.

Pursuant to our conversation, enclosed is an AFE for the drilling of our proposed Shell Lusk ANB #1. Although we were only made aware on March 18, 1997 that Marathon owned the interest, we would like to advise NMOCD as soon as possible of the decision Marathon wishes to make pertaining to its interest.

Therefore, would you please indicate below your election and return one copy of this letter at your earliest convenience.

RECEIVED

MAR 24 1997

MARATHON OIL COMPANY
MCR LAND DEPARTMENT

DAVID PETROLEUM CORP.
EDWARD N. DAVID, VICE PRESIDENT
Professional Landman
OIL: 505/622-8650
Fax: 505/623-1801
Res: 505/624-0558
116 West First
Roswell, New Mexico 88201

Marathon Oil Company
March 20, 1997
Page 2

Please feel free to call me if you have any questions or wish to discuss this matter further.

Very truly yours,


Bill Owen
Land Manager

X

We hereby elect to participate in the drilling of the Shell
Lusk ANB #1 well. Our interest in the well will be 1.25%.

We hereby elect to sell our leasehold interest.

We hereby elect to allow our leasehold interest to be force
pooled.

MARATHON OIL COMPANY

BY Joseph J Madron

DATE: March 26, 1997

cc: Michael Stogner
Bill Carr