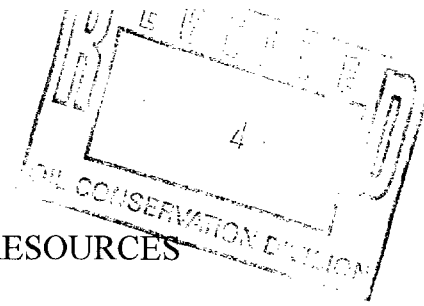


STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION



IN THE MATTER OF THE APPLICATION OF
YATES PETROLEUM CORPORATION FOR
RESCISSION OF ADMINISTRATIVE ORDER
NO. SWD-657 PERTAINING TO THE APPLICATION
OF MANZANO OIL CORPORATION FOR A
SALT WATER DISPOSAL WELL,
LEA COUNTY, NEW MEXICO.

CASE 11900

APPLICATION FOR HEARING ON MANZANO OIL CORPORATION'S
STATE "22" WELL NO. 1 DISPOSAL WELL APPLICATION
AND FOR AN ORDER RESCINDING ADMINISTRATIVE ORDER NO. SWD-657

COMES NOW YATES PETROLEUM CORPORATION ("Yates"), by their attorneys
Campbell, Carr, Berge & Sheridan, P. A., and in support of this application state:

1. Yates is the owner of the Oil and Gas Lease which covers the SE/4 of Section 22, Township 10 South, Range 37 East, NMPM, Lea County, New Mexico on which Manzano Oil Corporation ("Manzano") has completed a salt water disposal well for the injection of Devonian water into the San Andres formation.

2. On March 17, 1997, Manzano sent a copy of an application on Oil Conservation Division Form C-108 to Yates in which it sought authorization to convert the State "22" Well No. 1 to a disposal well for the injection of produced Devonian water into the San Andres formation.

3. On March 19, 1997, Yates advised Manzano that it opposed their application. A check of Division records revealed that no application for the conversion of the State "22" Well No. 1 had been filed with the Division at that time. See Affidavit of Jim Brown, paragraph 3, attached hereto as Exhibit A.

4. On March 28, 1997, Yates prepared and mailed a letter to the Division with a copy to Manzano stating its objection to this proposed disposal application. Yates' March 28, 1997 letter is attached hereto as Exhibit B. See Affidavit of David F. Boneau, paragraph 3, attached hereto as Exhibit C.

5. On April 3, 1997, representatives of Manzano and Yates discussed this proposed disposal well and Yates again advised Manzano of its objection to this proposal. Yates agreed to review the application again and Manzano advised it would contact Yates on or about May 1, 1997 to see what Yates had decided. See Boneau Affidavit, paragraph 4.

6. On May 5, Yates called Manzano and advised that they had reviewed this application again and that they were going to oppose the conversion of the State "22" Well No. 1 to salt water disposal. Manzano stated it would review the matter and decide what it was going to do. See Affidavit of Mecca Mauritsen, paragraph 3, attached hereto as Exhibit D.

7. Thereafter, Yates heard nothing further from Manzano or the Division

APPLICATION FOR HEARING ON MANZANO OIL CORPORATION'S STATE "22" WELL NO. 1 DISPOSAL WELL APPLICATION AND FOR AN ORDER RESCINDING ADMINISTRATIVE ORDER NO. SWD-657

concerning this proposal and there was no case docketed for a Division hearing concerning this well. Accordingly, Yates assumed that Manzano had decided not to pursue this matter further. See Boneau Affidavit, paragraph 5.

8. In September, 1997, Yates discovered that Manzano had converted the State "22" Well No. 1 to disposal and was injecting produced Devonian water into the San Andres formation. See Boneau Affidavit, paragraph 6.

9. Yates has checked the Division's file on this well and has learned that Manzano did not file its application until March 27, 1997. This was ten days after Manzano sent a copy of its application to Yates, two days after Yates had checked the Division records to determine if Manzano had filed an application for this well and discovered that no application had been filed and the day before Yates mailed its letter of objection to this proposal. The Division file does not contain the March 28, 1997 objection letter from Yates. See Boneau Affidavit, paragraph 7.

10. At the time it filed its application, Manzano knew Yates opposed the proposed conversion of the State "22" Well No. 1 to disposal.

11. The delay in filing the application, the representations by Manzano during the discussions with Yates concerning this proposal and the absence of any hearing on Yates' objection, caused Yates to assume that Manzano had decided not to proceed with this application.

12. The disposal of produced water into the San Andres formation in the State "22" Well No.1 impairs the ability of Yates to enter the wellbore and return it to production thereby causing waste and impairs the correlative rights of Yates by interfering with future efforts to drill to deeper horizons to produce oil and gas pursuant to its Oil and Gas Lease covering the subject lands.

WHEREFORE, Yates Petroleum Corporation prays:

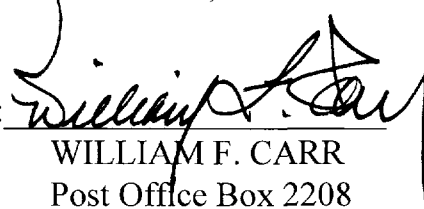
A. That this application be set for hearing before an Examiner of the Oil Conservation Division on December 18, 1997 and that notice of this hearing be provided as required by law and the rules of the Division;

B. That following the hearing, the Division enter its order rescinding Administrative Order No. SWD-657; and

C. For such other relief as may be just in the premises.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 
WILLIAM F. CARR
Post Office Box 2208

Santa Fe, New Mexico 87504-2208

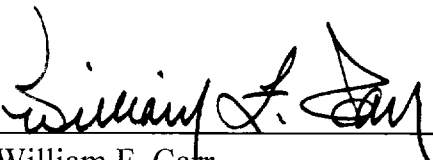
ATTORNEYS FOR YATES
PETROLEUM CORPORATION

APPLICATION FOR HEARING ON MANZANO OIL CORPORATION'S STATE "22" WELL NO. 1 DISPOSAL WELL APPLICATION AND FOR AN ORDER RESCINDING ADMINISTRATIVE ORDER NO. SWD-657

CERTIFICATE OF SERVICE

I hereby certify that I have caused a true and correct copy of the foregoing Application for Hearing on Manzano Oil Corporation's State "22" Well No. 1 Disposal Well Application and for an Order Rescinding Administrative Order No. SWD-657 to be mailed on this 14th day of November, 1997 to the following:

Mr. Ken Barbe
Manzano Oil Corporation
1802 West Second Street
Roswell, New Mexico 88201



William F. Carr