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 NOS. 11,913
	)	11,914
APPLICATIONS OF YATES PETROLEUM CORPORATION FOR AUTHORIZATION TO DRILL WITHIN THE POTASH AREA AS DEFINED BY ORDER NO. R-111-P, EDDY COUNTY, NEW MEXICO	)	11,915
	)	11,916
	)	(Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

January 30th, 1998

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Friday, January 30th, 1998, 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.

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I N D E X

January 30th, 1998
Examiner Hearing
CASE NOS. 11,913, 11,914, 11,915 and 11,916 (Consolidated)

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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
2040 South Pacheco
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

LOSEE, CARSON, HAAS & CARROLL, P.A.
311 West Quay
Post Office Box 1720
Artesia, New Mexico 88210
By: ERNEST L. CARROLL

(Continued...)

A P P E A R A N C E S (Continued)

FOR MISSISSIPPI POTASH:

JENKENS & GILCHRIST, P.C.
1445 Ross Avenue, Suite 3200
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By: CHARLES C. HIGH, JR.
and
KEMP, SMITH, DUNCAN & HAMMOND, P.C.
2000 Norwest Plaza
El Paso, TX 79901-1441
BY: STEVEN J. BLANCO

FOR POGO PRODUCING COMPANY:

JAMES G. BRUCE, Attorney at Law
612 Old Santa Fe Trail, Suite B
Santa Fe, New Mexico 87501
P.O. Box 1056
Santa Fe, New Mexico 87504
and
HINKLE, COX, EATON, COFFIELD & HENSLEY, L.L.P.
400 Penn Plaza, Suite 700
P.O. Box 10
Roswell, New Mexico 88202
By: JAMES A. GILLESPIE

FOR PENWELL ENERGY, INC.:

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

* * *

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

EXAMINER STOGNER: This hearing will come to order. Please note today's date, January 18th, 1998 -- I'm sorry, January 30th, 1998.

This is a special hearing today to consider four particular cases that have appeared on the January 18th docket, Docket Number 2-98, and they're continued to today's date for special consideration or special hearing to accommodate all the parties' concerns.

And for the record, I'm Michael Stogner, appointed Hearing Examiner for today.

At this time I will call Cases 11,913, 11,914, 11,915 and 11,916 at this time.

MR. RAND CARROLL: Application of Yates Petroleum Corporation for authorization to drill within the Potash Area as defined by Order Number R-111-P, Eddy County, New Mexico.

EXAMINER STOGNER: At this time I will call for appearances.

MR. ERNEST CARROLL: Mr. Stogner, I'm Ernest Carroll of the Artesia law firm of Losee, Carson, Haas and Carroll, and I'm here appearing on behalf of the Applicant, Yates Petroleum.

MR. HIGH: Good morning. My name is Charlie

High. I'm with the Jenkens and Gilchrist law firm in Dallas. Also appearing in the case, although not present today, is Stephen J. Blanco, of the Kemp Smith in El Paso. We're appearing on behalf of Mississippi Potash.

EXAMINER STOGNER: Other appearances?

MR. CARR: May it please the Examiner, my name is William F. Carr with the Santa Fe law firm Campbell, Carr, Berge and Sheridan. We represent Penwell Energy, Inc. We're entering our appearance in support of Yates Petroleum Corporation.

MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe, representing Pogo Producing Company. We're also in support of Yates' Applications.

MR. GILLESPIE: And, Mr. Stogner, Jim Gillespie with the law firm of Hinkle, Cox, Eaton, Coffield and Hensley in Roswell, also on behalf of Pogo.

EXAMINER STOGNER: Other appearances?

Okay. At this time is there any need for any opening remarks at this point?

MR. ERNEST CARROLL: Mr. Stogner, one housekeeping matter. I would officially like to move the consolidation of the four cases to be heard as one case for the presentation of any evidence if necessary, or any argument or any orders. They are all related, and all the issues and witnesses would be identical.

MR. HIGH: We have no objection to consolidation, Mr. Stogner.

We would also inform you at this time that we are withdrawing our objection to these four wells, and we would simply ask the State to require that they be drilled as close as possible to the west section line of Section 34. They are currently within the buffer zone of an LMR on file with the State Land Office, but we nevertheless are withdrawing our objection and would ask the State to move them as far as it can to that west section line of Section 34.

MR. RAND CARROLL: Well, Mr. High, it sounds like you're objecting to the proposed locations.

MR. HIGH: We're asking the State to determine the bottomhole location. If this bottomhole location is acceptable to the State, it's up to the State. That's all we're doing.

MR. ERNEST CARROLL: Mr. Carroll, I was only advised of this development a few moments ago. I have had a quick chance to visit with my client, the representatives and what have you, but I'm a little unsure myself. I would suggest that we might take a recess and let the lawyers -- let us kind of discuss how we want to proceed and then go from there, because I'm not sure how -- what your position and Mr. Stogner's position is going to be relative to this.

I personally feel that there is probably no need to waste Mr. Stogner's time and your time with the presentation of evidence. But there is these issues.

And I would also put on the record that Yates stands by the locations as they are presently listed in their four Applications. I would point out to you that we are at the low -- the closest legal distance.

They are all -- well, all four of these -- And there's one problem I would point to you. The Number 1 well, the Number 2 well and the Number 4 well are along the west line. The are all 330 feet off of that west line, which is the closest legal distance that you can get to that line without asking for an unorthodox.

We will not ask for an unorthodox location, for any closer. We would oppose any such, because the Pogo wells are 330 off that same line, and we believe that it would cause waste, it would be a situation for interference.

The Number 3 well is due west of the Number 1 -- excuse me, due east of the Number 1 well. It is 330 feet off of the south line. I'm not sure what that means, what Mr. High's position is with -- to that one well.

But again, we would oppose -- and I would also point out for the record that, as advertised, we couldn't even consider the unorthodox position, and I would sure --

I would believe that Pogo, for certain, would have an objection to moving these wells any closer than the legal distance now allowed by the rules of the Commission.

MR. RAND CARROLL: Well, Mr. High, you're -- these wells are as close as possible under OCD rules. Are you asking for an exception to the rules for an unorthodox location?

MR. HIGH: No, we're not. We are withdrawing our objection to these APDs. We're not agreeing the wells can be safely drilled. All we're saying is, we're going to leave that up to the State. If under State rules these locations are acceptable, we'll live with that.

We are withdrawing our objection, but we're not -- We're not agreeing to where they ought to be. We will agree that the four wells can be drilled along the west side of Section 34. Where they should be placed, we're going to leave to the State.

So we are withdrawing our objection, and if the State wants to approve these APDs at the location proposed, that's up to the State. That's all we're saying.

(Off the record)

EXAMINER STOGNER: We're going to take a ten-minute -- I'm sorry, before we get started, Mr. --

MR. BRUCE: Mr. Examiner, Jim Bruce on behalf of Pogo again. I would concur with Mr. Carroll, these cases

were advertised for specific legal locations, and we think that's what these cases should consider.

If there is any attempt to move them to the -- the wells, to the south, further to the south or further to the west, they wouldn't be unorthodox, and of course Pogo as the offset operator would have to reconsider its position in this case.

We don't think there's any need geologically or for land reasons to move the well locations, and we would support the Yates Applications as they stand right now.

EXAMINER STOGNER: Thank you, Mr. Bruce.

MR. RAND CARROLL: Mr. High, we're a little confused. Since these are legal locations and you don't object to these wells being drilled -- If somebody's drilling a legal location, we really don't decide otherwise. If it's an unorthodox location, we'd take a look at it.

MR. HIGH: Yeah, and I have no problem with that. If you want to approve these wells at these proposed locations, that's fine with us. We don't have the information necessary to determine where they ought to be, so we can't say they ought to be here, they ought to be there.

From a mining standpoint, we're saying we have no objection to four wells along the west side of Section 34,

and we're leaving it up to the State to decide where that bottomhole location ought to be.

EXAMINER STOGNER: We'll take a five-minute recess at this time.

(Thereupon, a recess was taken at 8:35 a.m.)

(The following proceedings had at 8:46 a.m.)

EXAMINER STOGNER: This hearing will come to order again.

I've been in conference with my legal counsel. I'll turn it over to him at this point.

MR. RAND CARROLL: Well, it appears to the Division Yates has filed its Application for four wells in the Potash Area. Mississippi Potash objected in all four cases but withdrew their objection and asked the Division to select the proper location.

Since these are orthodox locations, the Division will approve these locations, and we're dismissing the case unless we hear objections or argument to overturn that determination.

MR. ERNEST CARROLL: You won't hear an objection from Yates.

EXAMINER STOGNER: Does anybody else have anything further, then?

MR. RAND CARROLL: Mr. High, do you have anything to say?

MR. HIGH: I have no objection. I've stated as clearly as I can, Mr. Carroll, our position. If the State thinks those are the locations where the wells ought to be, then that's up to the State. We don't want to be a party to the selection of locations of oil and gas wells.

MR. RAND CARROLL: Neither do we. If they're orthodox locations, we'd only be second-guessing the operator.

MR. HIGH: Well, then, that's up to the State. We withdraw our objection to these APDs.

MR. RAND CARROLL: Okay.

EXAMINER STOGNER: Then in that case, Cases 11,913 through -16 are hereby dismissed.

Hearing adjourned.

(Thereupon, these proceedings were concluded at 8:48 a.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 11913, 11914, 11915 and 11916 heard by me on Jan. 30, 1998.

Oil Conservation Division, Examiner

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 January 30th, 1998.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998