

ATWOOD, MALONE, MANN & TURNER

A PROFESSIONAL ASSOCIATION
LAWYERS

JEFF D. ATWOOD [1883-1960]
ROSS L. MALONE [1910-1974]

P. O. DRAWER 700
SUNWEST CENTRE
ROSWELL, NEW MEXICO 88202
[505] 622-6221

CHARLES F. MALONE
RUSSELL D. MANN, P. A.
BOB F. TURNER
JOHN W. BASSETT
ROBERT E. SABIN
BRIAN W. COPPLE
ROBERT H. STRAND
STEVEN L. BELL
WILLIAM P. LYNCH
RODNEY M. SCHUMACHER
JOHN S. NELSON
R. TRACY SPROULS
FREDDIE J. ROMERO
—
LEE M. ROGERS, JR.
TIMOTHY A. LUCAS
ARTHUR P. BROCK
SUSAN ZELLER

March 23, 1987

State of New Mexico
Energy & Minerals Department
Oil Conservation Division
Post Office Box 9086
Santa Fe, New Mexico 87504

ATTN: Mr. David R. Catanach
Examiner

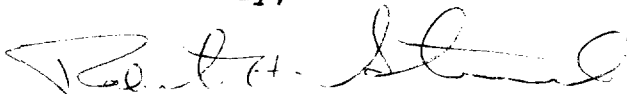
RE: Case No. 9086
Application of Harvey E. Yates Company
for Compulsory Pooling

Gentlemen:

As requested at the conclusion of the hearing in the above referenced case on March 18, 1987, I am enclosing on behalf of the applicant, a proposed Order to be entered in this matter.

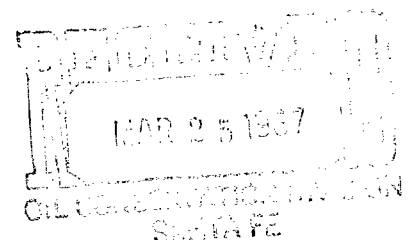
If you have any questions, please let me know.

Yours truly,



Robert H. Strand

RHS:meg
Enclosure
xc: Harvey E. Yates Company
W. Thomas Kellahin, Esquire



KELLAHIN, KELLAHIN AND AUBREY

Attorneys at Law

W. Thomas Kellahin
Karen Aubrey

El Patio - 117 North Guadalupe

Post Office Box 2265

Santa Fe, New Mexico 87504-2265

Telephone 982-4285

Area Code 505

Jason Kellahin
Of Counsel

March 23, 1987

RECEIVED

MAR 24 1987

Mr. David R. Catanach
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

OIL CONSERVATION DIVISION

"Hand Delivered"

Re: Application of Harvey E. Yates Co.
for Compulsory Pooling of two
40-acre Spacing Units
NMOCD Case 9086

Dear Mr. Catanach:

On March 18, 1987, you heard the referenced case which was the application of HEYCO to compulsory pool two 40-acre spacing units, each of which involved an interest of Chevron, USA, Inc.

At the conclusion of that hearing you granted me the opportunity to prepare two possible orders:

(1) First Proposal: This draft will grant the drilling of the first well but would deny the application as to the second well based upon the fact that the applicant failed to provide notice to Chevron as to the second well; and

(2) Alternative Proposal: This draft grants the drilling of both wells and sets forth an election period after the completion of the first well. The advantage of this order is that it grants the pooling of both units while also protecting Chevron's ability to make an informed election about the second well. This is accomplished within the 180 day drilling obligation of Heyco.

Of the two proposals, Chevron prefers the alternative proposal.

Very truly yours,

W. Thomas Kellahin

WTK:ca
Enc.

cc: Mickey Cohlma
Robert Strand, Esq.

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

THE APPLICATION OF HARVEY
E. YATES COMPANY OPERATOR
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 9086

CHEVRON, USA, INC'S FIRST
PROPOSED ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 18, 1987, at Santa Fe, New Mexico before Examiner David R. Catanach.

NOW, on this ____ day of April, 1987, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Harvey E. Yates Company (Heyco) seeks an order pooling two separate 40-acre tracts with the first being the NE/4SW/4 of Section 12 for its 12-1 well and the second being for the SE/4NW/4 of Section 12 for its 12-2 well, to pool all mineral interest from the base of the Queen formation at 3595 feet into the top 300 feet of the Wolfcamp formation at 9500 feet all in T18S, R31E, NMPM, Eddy County, New Mexico.

(3) Heyco has formed its Taylor Deep Working Interest Unit for the exploration and development of Bone Springs/Wolfcamp oil production which is a 1280 acre unit consisting of Section 12 and 13, T18S, R31E.

(4) That with the exception of Chevron, USA, Inc. Heyco has obtained the voluntary agreement of all parties to the joining of the working interest unit.

(5) Heyco has previously offered to Chevron, USA, Inc., an opportunity to voluntarily join the two section unit but Chevron has refused.

(6) Chevron, USA, Inc. ("Chevron") is opposed to the application.

(7) While Heyco has offered Chevron an opportunity to join the two-section working interest unit and has proposed an initial well for the unit, Heyco has failed to offer to Chevron the opportunity to participate in either of the 40-acre spacing units for the subject wells without first joining the working interest unit.

(8) In addition, prior to hearing, Heyco has not previously submitted to Chevron an AFE for that second well nor provided Chevron an opportunity to participate in that second well or second 40-acre spacing unit.

(9) Section 70-2-17(c) NMSA-1978 pertains only to two or more separately owned tracts embraced within a spacing or proration unit and authorizes compulsory pooling for a single unit and does not contemplate the compulsory pooling of multiple spacing units.

(10) Heyco has failed to demonstrate any compelling or urgent need to compulsory pool more than one unit and should not be allowed to pool multiple units at the same hearing based upon the same testimony.

(11) Heyco has failed to demonstrate that it has made a good faith effort to obtain the participation of Chevron concerning the drilling of the second well (Heyco's 12-2 well) and the application should be denied as to the second well.

(12) Heyco has failed to afford Chevron an opportunity to reach a voluntary agreement as to the second well and the application concerning the second well should be denied.

(13) That to avoid the drilling of unnecessary wells, to prevent waste, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in any pool thereunder, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(14) That Heyco should be designated the operator of the subject well and unit.

(15) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(16) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(17) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(18) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(19) That upon the failure of the operator of either of said pooled units to commence drilling of the well to which said unit is dedicated on or before the expiration of 120 days from the effective date of this order, the order pooling said unit should become null and void and of no effect whatsoever.

(20) Heyco has requested that the risk factor penalty for both wells be the maximum of 200% despite the fact that the results of the first well will determine the percentage of risk for the second well.

(21) There is insufficient information available at this time to determine how to set a risk factor penalty for the second well that is appropriate and will not violate chevron's correlative rights.

(22) That the industry standards for overhead costs for a producing well and a drilling well as set forth in the Ernst & Whinney 1985 Survey for wells of this depth are \$3,753 drilling rate per month and \$392 producing well rate per month.

(23) That the applicant has failed to provide sufficient evidence to show that its requested rates of \$5,374 and \$538 are fair and reasonable and therefore its requested rates should not be used in this case.

IT IS THEREFORE ORDERED:

(1) That all mineral interests in the Bone Springs formation underlying the NE/4SW/4 of Section 12, T18S, R31E, Eddy County, New Mexico are hereby pooled to form a standard 40-acre spacing and proration unit dedicated to the Heyco 12-1 well.

(2) That applicant's request for the compulsory pooling of the SE/4NW/4 of Section 12, T18S, R31E, NMPM, Eddy County, New Mexico is hereby DENIED.

(3) That within 30 days from the date the schedule of estimated well costs is furnished, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(4) That should each said well not be completed, or abandoned, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why this order should not be rescinded.

(5) That Heyco is hereby designated the operator of the subject wells and units.

(6) That the operator shall furnish the Division and each known working interest owner an accounting of oil and gas sales to date with gross and net values and an itemized schedule of actual well costs within 90 days following completion of each well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45 day period the Division will determine reasonable well costs after public notice and hearing.

(7) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(8) That the operator is hereby authorized to withhold the following costs and charges from production:

(a) the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and

(b) as a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(9) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(10) That \$3753.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$392.00 per month is hereby fixed as a reasonable charge for supervision while producing, provided that this rate shall be adjusted on the first day of January of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings Crude Petroleum and Gas Production Workers for the last calendar year compared to the proceeding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(11) That each unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(12) That any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(13) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in an interest bearing escrow account in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(14) That 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

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

THE APPLICATION OF HARVEY
E. YATES COMPANY OPERATOR
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 9086

CHEVRON, USA, INC'S ALTERNATIVE
PROPOSED ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 18, 1987, at Santa Fe, New Mexico before Examiner David R. Catanach.

NOW, on this ____ day of April, 1987, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Harvey E. Yates Company (Heyco) seeks an order pooling two separate 40-acre tracts with the first being the NE/4SW/4 of Section 12 for its 12-1 well and the second being for the SE/4NW/4 of Section 12 for its 12-2 well, to pool all mineral interest from the base of the Queen formation at 3595 feet into the top 300 feet of the Wolfcamp formation at 9500 feet all in T18S, R31E, NMPM, Eddy County, New Mexico.

(3) Heyco has formed its Taylor Deep Working Interest Unit for the exploration and development of Bone Springs/Wolfcamp oil production which is a 1280 acre unit consisting of Section 12 and 13, T18S, R31E.

(4) That with the exception of Chevron, USA, Inc. Heyco has obtained the voluntary agreement of all parties to the joining of the working interest unit.

(5) Heyco has previously offered to Chevron, USA, Inc., an opportunity to voluntarily join the unit but Chevron has refused.

(6) Chevron, USA, Inc. ("Chevron") is opposed to the application.

(7) While Heyco has offered Chevron an opportunity to join the two-section working interest unit and has proposed an initial well for the unit, Heyco has failed to offer to Chevron the opportunity to participate in either of the 40-acre spacing units for the subject wells without first joining the working interest unit.

(8) In addition, prior to hearing, Heyco has not previously submitted to Chevron an AFE for that second well nor provided Chevron an opportunity to participate in that second well or second 40-acre spacing unit.

(9) Heyco provided geologic evidence that after the drilling and completion of the first well, it would then have sufficient data to evaluate the reservoir and determine whether to drill the second well.

(10) With the exception of Chevron, all other working interest owners in the 40-acre units will be afforded the opportunity to evaluate the results of the first well, before making an election concerning participation in the second well.

(11) Heyco is required by certain contracts to commence the second well within 180 days of the completion of the first well.

(12) Heyco has requested that the compulsory pooling order not provide Chevron with an election for the second well after completion of the first well.

(13) Heyco desires an order that will require Chevron to make its election on both wells prior to the drilling of the first well.

(14) Because a maximum risk factor penalty is being set now for the second well and in order to avoid the violation of Chevron's correlative rights, Chevron must be provided an election period for participation in the second well after the completion of the first well.

(15) That to avoid the drilling of unnecessary wells, to prevent waste, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in any pool thereunder, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(16) That Heyco should be designated the operator of the subject well and unit.

(17) That the industry standards for overhead costs for a producing well and a drilling well as set forth in the Ernst & Whinney 1985 Survey for wells of this depth are \$3,753 drilling rate per month and \$392 producing well rate per month.

(18) That the applicant has failed to provide sufficient evidence to show that its requested rates of \$5,374 and \$538 are fair and reasonable and therefore its requested rates should not be used in this case.

(19) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(20) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(21) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(22) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(23) That upon the failure of the operator of either of said pooled units to commence drilling of the well to which said unit is dedicated on or before the expiration of 120 days from the effective date of this order, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests in the Bone Springs formation underlying the NW/4SW/4 of Section 12, T18S, R31E, Eddy County, New Mexico are hereby pooled to form a standard 40-acre spacing and proration unit dedicated to the Heyco 12-1 well.

(2) That within 30 days from the date the schedule of estimated well costs for the 12-1 well is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs for the Heyco 12-1 well to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(3) That all mineral interests in the Bone Springs formation underlying the SE/4NW/4 of Section 12, T18S, R31E, NMPM, Eddy County, New Mexico are hereby pooled to form a standard 40-acre spacing and proration unit dedicated to the Heyco 12-2 well. Provided however, that the operator of said unit shall after completion of the Heyco 12-1 well and within 60 days prior to commencing said Heyco 12-2 well, furnish the Division and each known working interest owner in the subject Heyco 12-2 well the following.

(a) An itemized schedule of estimated well costs for the Heyco 12-2 well.

(b) The following data from the Heyco 12-1 well:

1. Daily Drilling and Completion Reports.
2. Initial Bottom Hole Pressure Survey.
3. Initial Gas Oil Ratio Test.
4. Initial Gas Analysis.
5. Initial Formation Water Analysis.
6. Computer Processed Log.
7. Reservoir Fluid Analysis.
8. Daily Production Reports.
9. Subsequent Bottom Hole Pressure Tests.
10. Subsequent Production Tests.
11. Mudlog Report.
12. Dipmeter
13. Division of Working Interest and Net Revenue Interest.

(c) Failure of the operator to comply with the foregoing shall be deemed an assumption by the

operator of the entire risk of drilling the subject well and for that particular well, Chevron, USA shall pay its proportionate share of the well costs out of its share of production, but shall not be subject to any risk factor penalty.

(d) PROVIDED FURTHER, that in order to provide for prudent operations and to afford Chevron, USA with an adequate notice and to protect correlative rights, there shall not less than 120 days between the completion of one well and the commencement of the second well.

(e) That within 30 days from the date the schedule of estimated well costs and data set forth in order paragraph (3) is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs for the Heyco 12-2 well to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(4) That should each said well not be completed, or abandoned, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why this order should not be rescinded.

(5) That Heyco is hereby designated the operator of the subject wells and units.

(6) That the operator shall furnish the Division and each known working interest owner an accounting of oil and gas sales to date with gross and net values and an itemized schedule of actual well costs within 90 days following completion of each well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45 day period the Division will determine reasonable well costs after public notice and hearing.

(7) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs

exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(8) That the operator is hereby authorized to withhold the following costs and charges from production:

(a) the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and

(b) as a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(9) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(10) That \$3753.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$392.00 per month is hereby fixed as a reasonable charge for supervision while producing, provided that this rate shall be adjusted on the first day of January of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings Crude Petroleum and Gas Production Workers for the last calendar year compared to the proceeding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(11) That each unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(12) That any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(13) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in an interest bearing escrow account in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(14) That 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

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

KELLAHIN, KELLAHIN AND AUBREY
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

SEP 29 1987
September 28, 1987

Mr. William J. LeMay
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87504

Re: DeNovo Case 9086
Order R-8433-A

Dear Mr. LeMay:

By letter dated July 9, 1987, I requested the correction of Order R-8433-A to reflect the agreement of the parties that the Commission enter an order voiding Order R-8433.

I have not received any response to my request and would appreciate knowing if I should request a hearing in order to bring this matter to a resolution.

Very truly yours,


W. Thomas Kellahin

WTK:ca
Enc.

cc: Micky Cohlma
Chevron, U.S.A.
15 Smith Road
Midland, Texas 79701

Robert H. Strand, Esq.
Atwood, Malone, Mann & Turner
P. O. Drawer 700
Roswell, New Mexico 88202

June 18

KELLAHIN, KELLAHIN AND AUBREY

Attorneys at Law

W. Thomas Kellahin
Karen Aubrey

El Patio - 117 North Guadalupe

Post Office Box 2265

Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

Jason Kellahin
Of Counsel

May 7, 1987

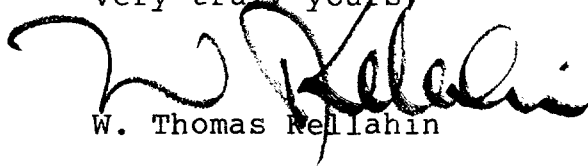
Mr. William J. LeMay
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Re: Application of Chevron, USA,
for DeNovo Commission Hearing
Case 9086, Order R-8433

Dear Mr. LeMay:

Please set the enclosed application for a DeNovo
Hearing on the next available Commission docket.

Very truly yours,



W. Thomas Kellahin

WTK:ca
Enc.

cc: Mr. Mickey F. Cohlma
Chevron, USA
15 Smith Road
Midland, Texas 79701

Robert Strand, Esq.
Atwood, Malone, Mann & Turner
P. O. Drawer 700
Roswell, New Mexico 88202

RECEIVED
MAY 7 1987
OIL CONSERVATION DIVISION

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

APPLICATION OF HARVEY E. YATES
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE: 9086
ORDER R-8433

APPLICATION OF CHEVRON, USA
FOR
DENOVO COMMISSION HEARING

Comes now Chevron, USA, Inc., ("Chevron"), by and through its attorneys, Kellahin, Kellahin & Aubrey, and pursuant to Rule 1220 of the Rules of the Oil Conservation Division hereby applies to the New Mexico Oil Conservation Division for a hearing DeNovo before the Oil Conservation Commission, and in support thereof states:

1. That on April 17, 1987, the Division entered Order R-8433.
2. That Chevron is a party of record having appeared at the Examiner hearing of the referenced case held on March 18, 1987.
3. That Chevron is adversely affected by the Examiner Order.

4. That, within the thirty day period required by Division rules, Chevron has requested a DeNovo Commission Hearing by written application filed as of the 7th day of May, 1987.

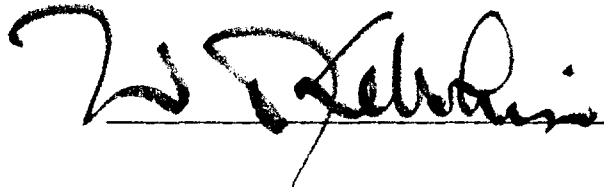
Respectfully submitted:



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

CERTIFICATE OF MAILING

I hereby certify that on the 7th day of May, 1987, I mailed a copy of the foregoing application to Mr. Robert Strand, Esq., Atwood, Malone, Mann & Turner, P. O. Drawer 700, Roswell, New Mexico 88202, attorney for Harvey E. Yates Company.



KELLAHIN, KELLAHIN AND AUBREY

Attorneys at Law

El Patio - 117 North Guadalupe

Post Office Box 2265

Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

June 15, 1987

RECEIVED
RECORDED

JUN 11 36 1987

OIL CONSERVATION DIVISION

"Hand Delivered"

Mr. William J. LeMay
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87504

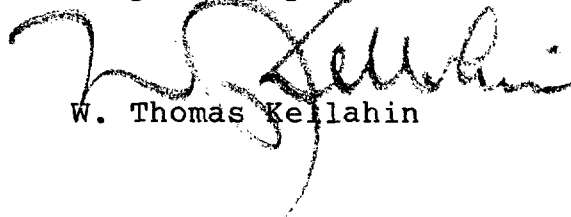
Re: Harvey E. Yates Application
for Compulsory Pooling
Case 9086 (DeNovo)
Order R-8433

Dear Mr. LeMay:

Our firm, on behalf of Chevron, USA, and Mr. Strand, on behalf of Harvey E. Yates Company, respectfully submit the enclosed joint stipulation requesting that the Commission vacate the Examiner order and cancel the DeNovo Hearing which is now set for June 18, 1987.

Please call me if you have any questions.

Very truly yours,



W. Thomas Kellahin

WTK:ca
Enc.

cc: Robert Strand, Esq.
Mr. Mickey F. Cohlma (Chevron)

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

APPLICATION OF HARVEY E. YATES
COMPANY FOR COMPULSORY POOLING
EDDY COUNTY, NEW MEXICO.

CASE: 9086
ORDER: R-8433

JOINT STIPULATION FOR DISMISSAL
AND MOTION TO VOID ORDER


Comes now Harvey E. Yates Company, by and through its attorney, Robert Strand, and Chevron, USA, by and through its attorney, W. Thomas Kellahin, and hereby jointly stipulate that the parties in the referenced Oil Conservation Division Case 9086 have resolved and settled their controversy and that Division Order R-8433 may be voided.

Based upon said settlement, the parties move the Commission for the following:

1. That the Commission enter its order vacating and voiding Order R-8433; and
2. That Case 9086 DeNovo, now set for Commission hearing on June 18, 1987 shall be dismissed with prejudice.

Respectfully submitted:


W. Thomas Kellahin


Robert Strand