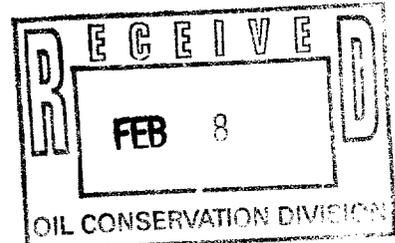


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING)
CALLED BY THE OIL CONSERVATION)
DIVISION FOR THE PURPOSE OF)
CONSIDERING:)
APPLICATION OF YATES ENERGY)
CORPORATION)

CASE NO. 10,748



REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

February 2nd, 1995

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, February 2nd, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

February 2nd, 1995
 Examiner Hearing
 CASE NO. 10,748

PAGE

REPORTER'S CERTIFICATE

8

* * *

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
 State Land Office Building
 Santa Fe, New Mexico 87504

FOR YATES PETROLEUM CORPORATION:

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

FOR MARATHON OIL COMPANY AND
 NEARBURG PRODUCING COMPANY:

KELLAHIN & KELLAHIN
 117 N. Guadalupe
 P.O. Box 2265
 Santa Fe, New Mexico 87504-2265
 By: W. THOMAS KELLAHIN

FOR SANTA FE ENERGY OPERATING PARTNERS, L.P.:

HINKLE, COX, EATON, COFFIELD & HENSLEY
 218 Montezuma
 P.O. Box 2068
 Santa Fe, New Mexico 87504-2068
 By: JAMES G. BRUCE

* * *

1 WHEREUPON, the following proceedings were had at
2 9:18 a.m.:

3 EXAMINER CATANACH: Okay, at this particular time
4 let's call Case 10,748, which I understand is sort of
5 misrepresented there. It's not really -- This is actually
6 supposed to be a re-opened case. Go ahead and call it
7 anyway.

8 MR. CARROLL: Application of Yates Energy
9 Corporation -- I've been told that it should be Yates
10 Petroleum Corporation -- for pool creation, classification
11 of the new pool as an associated pool and for special pool
12 rules, Eddy County, New Mexico.

13 EXAMINER CATANACH: It's my understanding that
14 this was originally supposed to be the re-opened case for
15 pool rules for the Indian Basin Upper Penn Associated Pool,
16 which was created sometime back.

17 So are there appearances in this case at this
18 time?

19 MR. CARR: May it please the Examiner, my name is
20 William F. Carr with the Santa Fe law firm Campbell, Carr,
21 Berge and Sheridan.

22 I'm entering my appearance on behalf of Yates
23 Petroleum Corporation, the original Applicant in this
24 matter, and I have a brief statement.

25 EXAMINER CATANACH: Are there any additional

1 appearances?

2 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
3 the Santa Fe law firm of Kellahin and Kellahin, appearing
4 on behalf of Marathon Oil Company and Nearburg Producing
5 Company.

6 MR. BRUCE: Mr. Examiner, Jim Bruce from the
7 Hinkle law firm in Santa Fe, representing Santa Fe Energy
8 Operating Partners, L.P.

9 EXAMINER CATANACH: Okay. Mr. Carr, you may
10 proceed.

11 MR. CARR: May it please the Examiner, on July
12 6th, 1993, the Division entered Order Number R-9922,
13 granting the application of Yates Petroleum Corporation for
14 pool creation, classification of a new pool as an
15 associated pool, and for special pool rules in Eddy County,
16 New Mexico.

17 The special pool rules include provisions for
18 320-acre spacing and proration units, designated well-
19 location requirements, a limit of no more than one well per
20 quarter section, a special depth-bracket allowable of 1400
21 barrels of oil per day for wells on 320-acre units and
22 administrative procedures for approval of unorthodox
23 locations and nonstandard spacing or proration units.

24 These rules were promulgated on a temporary basis
25 for an 18-month period of time. Operators were given this

1 18 months to accumulate additional data to present to you
2 at this time so you could determine whether or not these
3 pool rules should be continued on a permanent basis.

4 An environmental audit, however, consumed
5 approximately one year of the 18 months, and although
6 operators are now going forward developing data, there
7 simply is no information to be reported to you at this time
8 upon which you could make a determination as to whether or
9 not the rules should be continued on a permanent basis.

10 Accordingly, Yates Petroleum Corporation requests
11 that these temporary rules be extended for an additional
12 one-year period of time.

13 In essence, what we're doing is asking that we be
14 allowed the 18 months that were authorized under the
15 original order so that we can go forward with our data
16 gathering and come back to you as soon as we have
17 information upon which a final determination can be made.

18 We've contacted the other operators in the pool,
19 Nearburg, Santa Fe and Marathon. They're represented by
20 counsel here today, and it is our understanding that we all
21 agree that the rules should be extended for a one-year
22 period of time.

23 EXAMINER CATANACH: Mr. Carr, do you know if this
24 environmental audit affected just Yates or the other
25 operators as well?

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.

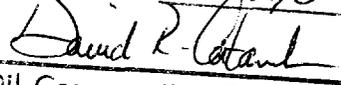
WITNESS MY HAND AND SEAL February 7th, 1995.



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. 10748, heard by me on February 2, 1995.


David R. Gant, Examiner
Oil Conservation Division



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

December 21, 1993

CAMBELL, CARR, BERGE
& SHERIDAN
Attorneys at Law
P. O. Box 2208
Santa Fe, New Mexico 87504

RE: CASE NO. 10748
ORDER NO. R-9922-A

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Sally Martinez
Sally E. Martinez
Administrative Secretary

cc: BLM Carlsbad Office
James Bruce

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

IN THE MATTER OF CASE
NO. 10748 BEING
REOPENED UPON THE
APPLICATION OF
YATES PETROLEUM
CORPORATION

Case No. 10748 (Reopened)

MOTION FOR CONTINUANCE

Nearburg Producing Company hereby moves for a continuance of the above case until the January 6, 1994 Examiner hearing, and in support thereof states that two of its witnesses (Tim McDonald and Robert Shelton) will be unavailable on December 16, 1993, due to annual budget meetings, per the attached memo.

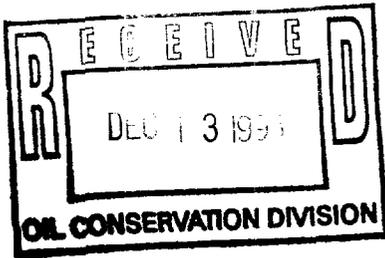
Respectfully submitted,

HINKLE, COX, EATON,
COFFIELD & HENSLEY



James Bruce
Post Office Box 2068
Santa Fe, New Mexico 87504-2068
(505) 982-4554

Attorneys for Nearburg Producing
Company



CERTIFICATE OF SERVICE

I hereby that the foregoing **Motion for Continuance** was sent by facsimile transmission this 10th day of December, 1993, to:

William F. Carr, Esq.
CAMPBELL, CARR, BERGE & SHERIDAN, P.A.
Post Office Box 2208
Santa Fe, New Mexico 87504

W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
Post Office Box 2265
Santa Fe, New Mexico 87504



James Bruce

To: Mr Jim Bruce

From: Bob Shelton

Subject: OGD Hearing December 14,
1993; Case 70748 Re-organized
Field Rule Hearing; Indian
Basin Upper Pennsylvanian
Associated Pool.

Please Request an extension to
the above hearing to the next Docket
I have just learned that I must be
in Dallas that week for a Budget
Meeting. There is also a conflict
on Friday with a meeting in
Culbuck with the SRMA on this
area.

Please call me on Monday
in Dallas at (214) 739-1278
to discuss.

CAMPBELL, CARR, BERGE

& SHERIDAN, P.A.

LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY

PATRICIA A. MATTHEWS
MICHAEL H. FELDEWERT
DAVID B. LAWRENZ
TANYA M. TRUJILLO

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

December 10, 1993

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

DEC 10

m.s.

Re: Oil Conservation Division Case No. 10748:
In the matter of Case No. 10748 being reopened upon application of Yates Petroleum Corporation to amend the spacing requirements for the Indian Basin-Upper Pennsylvanian Associated Pool established by Order No. R-9922, Eddy County, New Mexico

Dear Mr. LeMay:

Yates Petroleum Corporation respectfully requests that the above-referenced cases which are currently set on the December 16, 1993 Division docket be dismissed.

Your attention to this request is appreciated.

Very truly yours,



WILLIAM F. CARR
WFC:mlh

cc: Randy Patterson
Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

OK -
James B...
12/13/93

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

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY

PATRICIA A. MATTHEWS
MICHAEL H. FELDEWERT
DAVID B. LAWRENZ
TANYA M. TRUJILLO

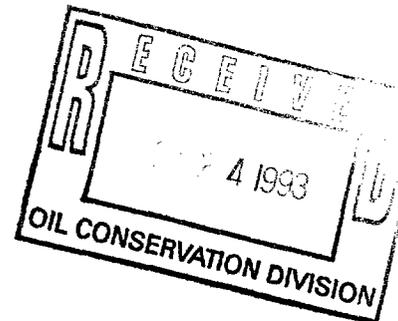
JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

November 24, 1993

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503



Re: Oil Conservation Division Case No. 10748:
In the matter of Case No. 10748 being reopened upon the application of
Yates Petroleum Corporation to amend the spacing requirements for the
Indian Basin-Upper Pennsylvanian Associated Pool established by Order No.
R-9922, Eddy County, New Mexico

Dear Mr. LeMay:

Yates Petroleum Corporation respectfully requests that this matter which is currently set on
the Division docket for the December 2, 1993 hearings be continued to the December 18,
1993 Examiner docket.

Your attention to this matter is appreciated.

Very truly yours,

WILLIAM F. CARR
WFC:mlh

cc: Mr. Randy Patterson
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210