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PLEASE REPLY TO SANTA FE

September 10, 1999

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Post Office Box 1276
Albuquerque, New Mexico 87103

Re: NMOCC Case No. 12086; Application of Hanley Petroleum, Inc. and Yates
Petroleum Corporation for Allowable Reduction, Lea County, New Mexico

Dear Counsel:

Enclosed is a copy of our Pre-Hearing Statement.

Sincerely,


Amanda Olsen, CLA
Paralegal

/ao

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

APPLICATION OF YATES PETROLEUM
CORPORATION, HANLEY PETROLEUM, INC.
AND ENERGEN RESOURCES CORPORATION
(Consolidated) FOR ALLOWABLE REDUCTION
AND ESCROW OF PRODUCTION PROCEEDS,
WEST LOVINGTON STRAWN POOL, LEA COUNTY,
NEW MEXICO,

*Received by
OCD
9-10-99*

CASE NO. 12,086

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Energen Resources Corporation, through its counsel of record, Miller, Stratvert & Torgerson, P.A. (J. Scott Hall, Esq.) as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Energen Resources Corporation

Yates Petroleum Corporation
Hanley Petroleum, Inc.

OPPOSITION OR OTHER PARTY

Charles B. Gillespie, Jr.
Gillespie Oil, Inc.

ATTORNEY

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STATEMENT OF CASE

APPLICANT

(Please make a concise statement of what is being sought with this application and the reasons therefore.)

Applicant seeks the issuance of an order temporarily reducing the allowable for all existing or planned wells in the West Lovington Strawn Pool, both inside and outside the existing boundaries of West Lovington Strawn Unit, until the affected working interest owners can resolve the long-standing and continuing impasse over the expansion of the West Lovington Strawn Unit. The reduction is necessary, for among other reasons, to prevent the ongoing violation of correlative rights by the Gillespie Oil Snyder "C" No. 4 (Unit A, Sec. 6, T-16-S, R-36-E) and the Snyder "EC" Com No. 1 wells (Lot 2, Sec. 6, T-16-S, R-36-E). The Applicant further seeks to have all production proceeds from these two wells (less royalties and taxes) placed into escrow until the expansion of the West Lovington Strawn Unit is finalized. Any such order issuing from this proceeding should also provide for a maximum three-month temporary exemption from the reduced allowable sufficient to allow the accumulation of bottom hole pressure and production data from the Beadle No. 1 well recently drilled by Energen in Unit M, Sec. 35, T-15-S, R-36-E, in order determine whether the well is in communication with the unitized interval.

The original Application in this matter was filed by Yates Petroleum Corporation and Yates Petroleum, Inc. on October 8, 1998. It was followed by a substantially identical Application filed by Energen Resources Corporation on March 4, 1999. The two Applications were then consolidated by the Commission for hearing. With the filing of

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Case No. 12171 (Application of Gillespie Oil, Inc. for Unit Expansion), these consolidated cases were remanded back to the Division on April 8, 1999

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

PROPOSED EVIDENCE

APPLICANT

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
Ken Gray, Landman	15	2
Jim Piewitz, Petroleum Engineer	15	2
Barney Kahn, Reservoir Engineer	20	4

OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
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PROCEDURAL MATTERS
(Please identify any procedural matters which
need to be resolved prior to the hearing)

T. Swartzall

Signature

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application was sent this 10 day of September, 1999 to the following counsel of record:

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