

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 OCEAN ENERGY RESOURCES,)	CASE NOS. 12,567
INC., FOR COMPULSORY POOLING AND FOUR)	
NONSTANDARD OIL AND GAS SPACING AND)	
PRORATION UNITS, LEA COUNTY, NEW MEXICO)	
)	
APPLICATION OF OCEAN ENERGY RESOURCES,)	12,535
INC., FOR COMPULSORY POOLING AND FOUR)	
NONSTANDARD OIL AND GAS SPACING AND)	
PRORATION UNITS, LEA COUNTY, NEW MEXICO)	
)	
AMENDED APPLICATION OF YATES PETROLEUM)	
CORPORATION FOR COMPULSORY POOLING AND)	
A NONSTANDARD GAS SPACING AND PRORATION)	
UNIT, LEA COUNTY, NEW MEXICO)	
)	
APPLICATION OF YATES PETROLEUM)	and 12,569
CORPORATION FOR COMPULSORY POOLING AND)	
A NONSTANDARD GAS SPACING AND PRORATION)	
UNIT, LEA COUNTY, NEW MEXICO)	
)	
)	(Consolidated)

01 FEB 22 AM 8:02
12,590

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

February 8th, 2001
Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, February 8th, 2001, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, 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 8th, 2001
 Examiner Hearing
 CASE NOS. 12,567, 12,535, 12,590, 12,569 (Consolidated)

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* * *

E X H I B I T S

Ocean	Identified	Admitted
Exhibit A	8	9
Exhibit B	8	9

* * *

Yates	Identified	Admitted
Exhibit A	9	9
Exhibit B	9	9

* * *

A P P E A R A N C E S

FOR OCEAN ENERGY RESOURCES:

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FOR YATES PETROLEUM CORPORATION
and DAVID H. ARRINGTON OIL AND GAS:

HOLLAND & HART, LLP, and CAMPBELL & CARR
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Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

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

1 WHEREUPON, the following proceedings were had at
2 8:20 a.m.:

3 EXAMINER STOGNER: This hearing will come to
4 order for Docket Number 4-01. Please note today's date,
5 Thursday, February the 8th, 2001. I'm Michael Stogner,
6 appointed Hearing Examiner for today's cases.

7 And the first order of business will be to call
8 Case Number 12,567, which is the Application of Ocean
9 Energy Resources, Inc., for compulsory pooling and four
10 nonstandard oil and gas spacing and proration units in Lea
11 County, New Mexico.

12 I'll call for appearances.

13 MR. BRUCE: Mr. Examiner, I'm James Bruce of
14 Santa Fe, representing the Applicant.

15 MR. CARR: May it please the Examiner, my name is
16 William F. Carr with the Santa Fe office of Holland and
17 Hart. We represent Yates Petroleum Corporation.

18 MR. BRUCE: Mr. Examiner, I think there are
19 related cases: 12,535, which is also an Application of
20 Ocean Energy Resources, Inc.; 12,569, which is the
21 Application of Yates Petroleum Corporation, which should be
22 consolidated; and I believe Mr. Carr has a request
23 regarding 12,590 also.

24 MR. CARR: May it please the Examiner, Case
25 Number 12,590 is a new Application of the Yates Petroleum

1 Corporation addressing pooling the same acreage, and we
2 request that case also be consolidated with the other three
3 and that the record made four weeks ago be incorporated
4 into that matter so that all issues raised in these cases
5 can be addressed in this one case or one hearing, and that
6 an appropriate order can be entered.

7 EXAMINER STOGNER: Okay, just for the record, at
8 this time I'm calling Case Number 12,535, which is the
9 Application of Ocean Energy Resources, Inc., for compulsory
10 pooling and four nonstandard oil and gas spacing and
11 proration units, Lea County.

12 I'll also call Case 12,590, which is the
13 Application of Yates Petroleum Corporation for compulsory
14 pooling and a nonstandard gas spacing and proration unit,
15 Lea County.

16 And Case 12,569, which is an amended Application
17 of Yates Petroleum Corporation for compulsory pooling and a
18 nonstandard gas spacing and proration unit, Lea County, New
19 Mexico.

20 Other than Mr. Carr for Yates and Mr. Jim Bruce
21 for Ocean Energy Resources, are there any appearances in
22 any of these four consolidated matters?

23 MR. CARR: Mr. Stogner, I also need to enter an
24 appearance in all cases for David H. Arrington Oil and Gas,
25 who appeared in the original proceedings for Arrington.

1 EXAMINER STOGNER: Okay. Are there going to be
2 any witnesses today?

3 MR. BRUCE: No, sir.

4 EXAMINER STOGNER: Okay. Well, who would like to
5 go first?

6 MR. BRUCE: I'll go first, Mr. Examiner. I
7 simply have today marked as Exhibit A -- If you'll recall,
8 these cases were, all of them except for the recently filed
9 Yates case, were all filed for pooling to the base of the
10 Morrow, and in fact the parties were all seeking to test
11 the Mississippian, and therefore the cases were
12 readvertised.

13 All I have today are notice affidavits showing
14 that new notice letters went out to the interest owners in
15 the well units, showing that the pooling Applications were
16 amended, my clients' pooling Applications were amended to
17 show that they would test the base -- or would test the
18 Mississippian formation.

19 Other than that, I believe by Monday Mr. Carr and
20 I are to file proposed orders. I will also be filing a
21 Motion to Dismiss the Yates cases with my proposed orders.

22 MR. CARR: Ma it please the Examiner, as you will
23 recall when the cases were presented four weeks ago, all of
24 us were seeking orders pooling only to the Morrow, and it
25 became apparent we needed to go down to the Mississippian.

1 All of us filed amended or new Applications that
2 address taking the well to the Mississippian. We have
3 provided notice to all affected interest owners, and I like
4 Mr. Bruce have notice affidavits to provide to you
5 confirming that we have properly notified all affected
6 parties of the amended Applications. We will be filing
7 proposed orders on Monday.

8 EXAMINER STOGNER: I believe at the close of --
9 Let's see, this matter was originally heard on January
10 11th; is that right?

11 MR. CARR: Yes, sir.

12 EXAMINER STOGNER: I believe there was also
13 mention at that time of -- bring a status or an update on
14 any further negotiations, if any. Do either one of you
15 know the status of those?

16 MR. BRUCE: The parties did correspond back and
17 forth, and I believe they also spoke over the phone, but
18 they have not been able to reach agreement on a well
19 location for this -- testing this unit.

20 MR. CARR: Following the hearing, Mr. Robert
21 Bullock from Yates did write -- contact Ocean, and they
22 have talked by phone and they have still been unable to
23 reach agreement for the voluntary development of the
24 acreage.

25 Yates has continued to propose that they even

1 approach the Division about each developing the 160 with a
2 well, trying to be consistent with a well, trying to be
3 consistent with the State's current, in fact, development
4 pattern, but no agreement has been reached.

5 I could provide copies of the correspondence, if
6 that would be helpful, for the file.

7 EXAMINER STOGNER: I think that would be helpful.

8 MR. CARR: I don't have it marked, but I will
9 provide it.

10 EXAMINER STOGNER: Just make it a part of the
11 record in this matter --

12 MR. CARR: Yes, sir.

13 EXAMINER STOGNER: -- if you would. And that
14 will be filed Monday, along with --

15 MR. CARR: Yeah, I will file it with the proposed
16 order, and Mr. Bruce --

17 EXAMINER STOGNER: Does anybody else have
18 anything further in any of these four cases? Then the
19 fourth case is --

20 MR. BRUCE: Mr. Examiner, we would like to submit
21 our --

22 EXAMINER STOGNER: I'm sorry.

23 MR. BRUCE: -- notice affidavits.

24 MR. BRUCE: Mine are marked Ocean Exhibits A and
25 B.

1 EXAMINER STOGNER: Okay, I've been handed
2 Exhibits A and B, Ocean.

3 MR. CARR: I will mark mine also Yates A and B,
4 to keep it consistent.

5 EXAMINER STOGNER: I'll take Ocean's Exhibits A
6 and B, accepted and made a part of the record.

7 MR. CARR: And I move the admission of Yates A
8 and B.

9 EXAMINER STOGNER: And Yates' Exhibits A and B in
10 these consolidated matters are accepted.

11 Also gentlemen, it just dawned on me too, at that
12 time I believe there was mention of a previous order and a
13 previous memorandum concerning contested cases?

14 MR. BRUCE: I did mail to you -- I forget the
15 order numbers -- R-10,731-B and -- I will submit additional
16 copies, Mr. Examiner.

17 EXAMINER STOGNER: I probably have that in here,
18 but if you would.

19 MR. BRUCE: R-10,977. I did mail those, but I
20 will resubmit that with the order. And I believe Mr. Carr
21 was going to submit --

22 EXAMINER STOGNER: Some sort of a memorandum?

23 MR. CARR: Yes, sir, I have the memorandum. I
24 will present that also with the proposed order.

25 EXAMINER STOGNER: Okay. Thank you, gentlemen.

1 If there's nothing further in consolidated Cases 12,567,
2 12,535, 12,590 and 12,569, then I'll hold the record open
3 till Monday.

4 Other than that, this matter will be taken under
5 advisement.

6 MR. CARR: Thank you, Mr. Examiner.

7 (Thereupon, these proceedings were concluded at
8 8:27 a.m.)

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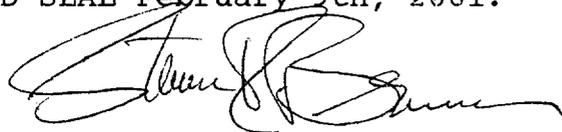
CERTIFICATE OF REPORTER

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 9th, 2001.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002