

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

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

APPLICATION OF SANTA FE ENERGY OPERATING
PARTNERS, L.P. FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO

CASE NO. 10211
DENOVO
ORDER NO. R-9480

APPLICATION OF HANLEY PETROLEUM INC.
FOR COMPULSORY POOLING, LEA COUNTY
NEW MEXICO

CASE NO. 10219
DENOVO
ORDER NO. 4-9480

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by HANLEY
PETROLEUM INC. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Hanley Petroleum Inc.
415 W. Wall, Ste. 1500
Midland, TX 79701
Attn: Jim Rogers
(915) 684-8051

ATTORNEY

W. Thomas Kellahin
KELLAHIN, KELLAHIN & AUBREY
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

OPPOSITION PARTIES

Santa Fe Energy Operating
Partners, L.P.

HEYCO
P.O. Box 1933
Roswell, NM 87103
Attn: Larry Brooks

ATTORNEY

James Bruce
Hinkle, Cox, Eaton, Coffield
& Hensley
500 Marquette, N.W.
Albuquerque, NM 87102
(505) 768-1500

William F. Carr
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STATEMENT OF CASE

(1) Hanley Petroleum Inc. ("Hanley"), with 50% working interest, seeks a compulsory pooling in Case 10219 seeking a pooling of all mineral interest from the top of the Wolfcamp to the total depth of the well to be drilled in north 40 acres at a cost of \$667,782 with an 80-acre oil spacing unit consisting of the W/2NW/4 of Section 8, T18S, R33E and, IN THE ALTERNATIVE, the approval of a 40-acre non-standard spacing and proration unit consisting of the NW/4NW/4 of said Section 8.

(2) Santa Fe Energy Operating Partners, L.P. ("Santa Fe"), with 25% working interest, seeks a compulsory pooling in Case 10211 pooling all depths for oil production based upon its geologic interpretation proposed the well be located in the south 40 acres at an estimated cost of \$721,942.

(3) Hanley also proposed a split cost allocation between the shallow 40-acre potential production and the deeper 80-acre potential oil production.

ISSUES TO BE RESOLVED BY COMMISSION

(1) Resolve the geologic dispute between Hanley and Santa Fe and determine in which 40 acres of the 80-acre unit the well will be located, or in the alternative,

(2) Grant Hanley's request for relief and approve a non-standard 40-acre tract for Hanley to drill its well on its tract, and correspondingly deny both pooling applications.

(3) If a compulsory pooling application is to be granted, determine which one and resolve:

- (a) who operates;
- (b) whose AFE to approve;
- (c) how to allocate costs between shallow formations and deep Wolfcamp formation; and
- (d) determine risk factor penalty percentage for non-consenting working interest owners.

PROPOSED EVIDENCE

APPLICANT

WITNESSES (name and expertise)	EST. TIME	EXHIBITS
Jim Rogers (landman)	1 hour	Land documents and correspondence
Brett Bracken or L.D. Robbins (geologist)	1 hour	Geologic display Exhibits to support Hanley location, risk, etc.
Bill Huck (petroleum engineer)	1 hour	Engineering data AFE Risk, allocation of costs and optimum location

PROCEDURAL MATTERS

- (1) Hanley will seek the incorporation of the Examiner transcript and exhibits and order before the Commission.
- (2) Resolution of Hanley's subpoena for data from Santa Fe concerning the Santa Fe operated Kachina 5-1 well.
- (3) Hanley proposes a stipulation by all parties that they are unable to reach a resolution on a voluntary basis of a spacing unit for the drilling of a Wolfcamp well and, therefore, require a hearing before the Commission, thus avoiding the need to present landman witnesses.

Pre-hearing Statement
NMOCD Case Nos. 10211 and 10219
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(4) Hanley will seek a stipulation on ownership of the subject spacing unit and agreement on a composite landmap showing the ownership in the area surrounding the subject spacing unit with Wolfcamp wells located and operators identified.

KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin

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May 1, 1991

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Ms. Florene Davidson
New Mexico Oil Conservation
Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Dear Florene:

Enclosed for filing in case nos. 10,211 and 10,219 (both De Novo), is the Pre-Hearing Statement of Santa Fe Energy.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By: James Bruce

JB:le
Enclosures

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

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IN THE MATTER OF THE HEARINGS
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OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY
OPERATING PARTNERS, L.P. FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

Case No. 10,211
(De Novo)

APPLICATION OF HANLEY PETROLEUM INC.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

Case No. 10,219
(De Novo)

CONSOLIDATED PRE-HEARING STATEMENT
OF SANTA FE ENERGY OPERATING PARTNERS, L.P.

This pre-hearing statement is submitted by Santa Fe Energy Operating Partners, L.P. as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

PARTY

ATTORNEY

(1) Santa Fe Energy Operating
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(2) Harvey E. Yates Company

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(3) Hanley Petroleum Inc.

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Pre-Hearing Statement

NMOCD Case Nos. 10,211 (De Novo) and 10,219 (De Novo)

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STATEMENT OF CASE

SANTA FE:

Santa Fe seeks an order pooling all interests in all pools and formations spaced on 80 acres from the surface to the base of the Wolfcamp formation underlying the $W\frac{1}{2}NW\frac{1}{4}$ of Section 8, Township 18 South, Range 33 East, N.M.P.M., in Eddy County. Santa Fe has not been able to come to terms with Hanley Petroleum Inc. despite seeking to obtain a voluntary agreement. Applicant seeks to drill a well at a standard location in the $SW\frac{1}{4}NW\frac{1}{4}$ of Section 8, to be named the operator of the well, and to have a risk penalty imposed on the non-consenting interest owner. 50% of the working interest (Santa Fe and HEYCO) is committed to the well, with Santa Fe as the agreed operator.

Santa Fe opposes Hanley Petroleum's compulsory pooling application because (a) Santa Fe seeks to be named operator, and (b) Santa Fe disagrees with Hanley Petroleum's proposed well location in the $NW\frac{1}{4}NW\frac{1}{4}$ of Section 8. Santa Fe opposes any apportionment of well costs if the well is drilled at Santa Fe's location, because the Wolfcamp formation is the only target zone. Santa Fe also opposes Hanley Petroleum's request for a non-standard 40 acre unit because it will cause economic and physical waste, and it will impair Santa Fe's and HEYCO's correlative rights.

PROPOSED EVIDENCE

SANTA FE:

	WITNESS	EST. TIME	EXHIBITS
1.	Larry Murphy (Landman)	30 minutes	(a) Land Plat (b) Correspondence (c) AFE (d) Notice Letter (e) List of wells operated in New Mexico (f) O p e r a t i n g Agreement

Pre-Hearing Statement

NMOCD Case Nos. 10,211 (De Novo) and 10,219 (De Novo)

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| 2. | John Thoma
(Geologist) | 40 minutes | (a) Structure Maps
(b) Porosity isopachs
(c) Cross-sections
(d) Production maps |
| 3. | Darryl Roberts
(Petroleum Engineer) | 30 minutes | (a) AFE Comparison |
| 4. | Randy Offenberger
(Reservoir Engineer) | 30 minutes | (a) Wolfcamp Well
Recovery data. |

PROCEDURAL MATTERS

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By

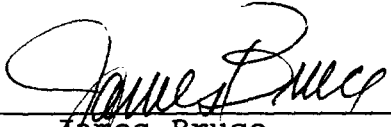

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Attorneys for Santa Fe Energy
Operating Partners, L.P.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing pleading was mailed this 1st day of April, 1991 to W. Thomas Kellahin, P. O. Box 2265, Santa Fe, New Mexico 87504, and William F. Carr, P. O. Box 2208, Santa Fe, New Mexico 87504.

By


James Bruce