

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

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION
FOR THE PURPOSE OF CONSIDERING;

CASES NOS. 10446, 10447,
10448, 10449
Order No. R-9679-A

APPLICATION OF YATES PETROLEUM
CORPORATION FOR A PERMIT TO DRILL,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing on motions to quash sub poenas duces tecum at 9:00 a.m. on July 16, 1992, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 16th day of July, 1992, the Commission, a quorum being present, having considered the arguments of counsel,

FINDS THAT:

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

(2) These cases have been consolidated for purpose of hearing.

(3) Yates Petroleum Corporation has requested and the Commission has issued the following sub poena duces tecum:

(a) dated May 6, 1992, directed to Leslie Cone, District Manager, Bureau of Land Management.

(4) The Bureau of Land Management filed a motion to quash said sub poena duces tecum on June 30, 1992.

(5) Said motion sets forth valid reasons to quash and no party has responded to said motion.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

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

CASES NO. 10446, 10447
10448, 10449

ORDER R-9679

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR A PERMIT TO DRILL,
EDDY COUNTY, NEW MEXICO**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing on motions to quash sub poenas duces tecum at 9:00 a.m. on May 22, 1992 at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission", all members being present for hearing.

NOW, on this 12th day of June, 1992, the Commission, having considered the arguments of counsel,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) These cases have been consolidated for purpose of hearing.
- (3) Reference is made to parties and locations which are matters of record in this proceeding and detailed descriptions are not given herein.
- (4) Yates Petroleum Corporation has requested and the Commission has issued the following sub poenas duces tecum:
 - (a) dated April 16, 1992, directed to Bob Lane, New Mexico Potash Corporation;
 - (b) dated May 6, 1992, directed to Leslie Cone, District Manager, Bureau of Land Management.
- (5) New Mexico Potash Corporation, operator of the LMR in question, objects to providing the information on core-holes outside of section 2, the section on which the proposed wells are to be located, and has moved to quash the sub poenas because the information Yates is requesting is confidential and proprietary.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

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

CASES NO. 10446, 10447
10448, 10449

ORDER R-9679

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR A PERMIT TO DRILL,
EDDY COUNTY, NEW MEXICO**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing on motions to quash sub poenas duces tecum at 9:00 a.m. on May 22, 1992 at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission", all members being present for hearing.

NOW, on this 12th day of June, 1992, the Commission, having considered the arguments of counsel,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) These cases have been consolidated for purpose of hearing.
- (3) Reference is made to parties and locations which are matters of record in this proceeding and detailed descriptions are not given herein.
- (4) Yates Petroleum Corporation has requested and the Commission has issued the following sub poenas duces tecum:
 - (a) dated April 16, 1992, directed to Bob Lane, New Mexico Potash Corporation;
 - (b) dated May 6, 1992, directed to Leslie Cone, District Manager, Bureau of Land Management.
- (5) New Mexico Potash Corporation, operator of the LMR in question, objects to providing the information on core-holes outside of section 2, the section on which the proposed wells are to be located, and has moved to quash the sub poenas because the information Yates is requesting is confidential and proprietary.

Cases Nos. 10446, 10447,
10448 and 10449
Order No. R-9679

-2-

(6) The burden is on Yates to prove that the wells in question can be drilled without causing undue waste of potash.

(7) Yates cannot adequately prepare its case without access to the information considered confidential and proprietary by New Mexico Potash.

(8) A protective order can be established which will protect New Mexico Potash proprietary interests and still afford Yates the opportunity to adequately prepare its case.

IT IS THEREFORE ORDERED THAT:

(1) The motion of New Mexico Potash Corporation to quash the sub poena duces tecum, identified in Finding 4 herein, issued by the Commission at the request of Yates Petroleum Corporation is hereby denied.

(2) Unless the parties otherwise agree, the information sought from New Mexico Potash Corporation shall be produced not later than 1:00 p.m. on June 17, 1992.

(3) Unless otherwise agreed by the parties and the Bureau of Land Management, the information sought from BLM shall be produced at the Roswell District office of the BLM not later than 1:00 p.m. on June 19, 1992.

(4) Unless the parties otherwise agree on alternative protective orders approved by the Director of the Oil Conservation Division, production shall be subject to the following confidentiality provision:

- (a) Inspection of the confidential information shall be limited to one attorney, one management representative and one expert for Yates Petroleum Corporation.
- (b) No reproductions shall be made of any confidential material without the consent of New Mexico Potash Corporation or an order of this Commission.
- (c) No representative of Yates shall disclose the information to any other person, including any other person within Yates Petroleum Corporation.

(5) Violation of the confidentiality provisions of this order or of any agreement entered into by the parties shall be grounds for contempt of this Commission.

(6) If it is determined that any confidential material must be presented at hearing, the parties and the Chairman of the Commission shall determine what measures shall be undertaken to preserve the confidentiality of the information.

Cases Nos. 10446, 10447,
10448 and 10449
Order No. R-9679
-3-

(7) The Commission retains jurisdiction of this matter for the entry of such further orders as it deems necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

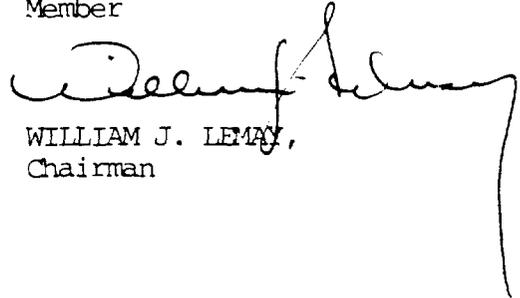
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



GARY CARLSON,
Member



WILLIAM W. WEISS,
Member



WILLIAM J. LEMAY,
Chairman

S E A L

(6) Upon review the Commission agreed that the motion to quash should be granted.

IT IS THEREFORE ORDERED THAT:

(1) The motion of the Bureau of Land Management to quash the sub poena duces tecum, identified in Finding No. (3) herein, issued by the Commission at the request of Yates Petroleum Corporation is hereby granted.

(2) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

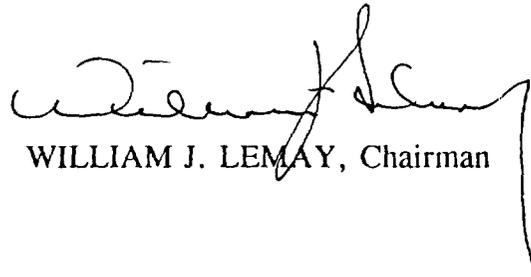
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



GARY CARLSON, Member



WILLIAM W. WEISS, Member



WILLIAM J. LEMAY, Chairman

S E A L

RECEIVED

BEFORE THE OIL CONSERVATION DIVISION
STATE OF NEW MEXICO

MAY 07 1992

IN THE MATTER OF

OIL CONSERVATION DIV.
SANTA FE

APPLICATION OF YATES PETROLEUM
CORPORATION FOR AUTHORIZATION TO
DRILL, EDDY COUNTY, NEW MEXICO

CASES NO. 10446, 10447,
10448, 10449
ORDERS NO. R-9650, 9651,
9654, AND 9655

SUBPOENA DUCES TECUM

TO: Mr. Tony Herrell
Bureau of Land Management
Carlsbad Area Office
Carlsbad, New Mexico

Pursuant to Section 70-2-8, NMSA (1978) and Rule 1211 of the New Mexico Oil Conservation Commission's Rules of Procedure, you are hereby **ORDERED** to appear at the offices of the New Mexico Oil Conservation Commission, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, 87504, on the 21st day of May, 1992, at 9 a.m. and produce the documents and items specified in the attached Exhibit A.

This subpoena is issued on application of New Mexico Potash Corporation through its attorneys, Kemp, Smith, Duncan & Hammond, 500 Marquette, Suite 1200, Albuquerque, New Mexico 87102-2121.

Dated this 7th day of May, 1992.

NEW MEXICO OIL CONSERVATION COMMISSION

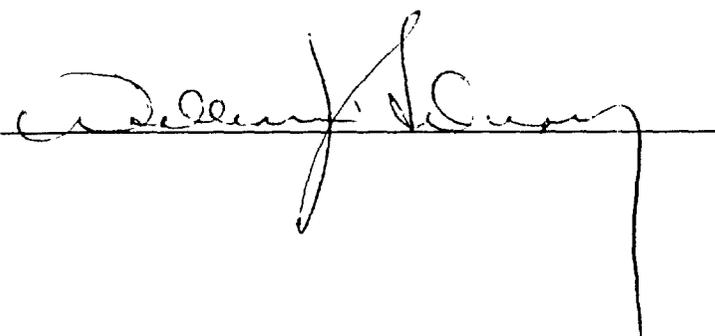
BY: 

EXHIBIT A

1. Produce documents showing the procedure followed by the Bureau of Land Management in determining the presence of commercial grade potash ore based upon core hole data.

2. Produce documents showing the average grade of potash ore mined by operators in the Potash Area.

3. Produce documents showing the criteria used by the Bureau of Land Management for determining if ore deposits are "commercial grade" ore.

4. Produce documents showing whether Section 2, Township 22 South, Range 31 East contains "commercial grade potash ore" under the standards followed by the Bureau of Land Management in making such determinations.

RECEIVED

BEFORE THE OIL CONSERVATION DIVISION
STATE OF NEW MEXICO

MAY 07 1992

OIL CONSERVATION DIV.
SANTA FE

IN THE MATTER OF

APPLICATION OF YATES PETROLEUM
CORPORATION FOR AUTHORIZATION TO
DRILL, EDDY COUNTY, NEW MEXICO

CASES NO. 10446, 10447,
10448, 10449
ORDERS NO. R-9650, 9651,
9654, AND 9655

SUBPOENA DUCES TECUM

TO: John Yates
President
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Pursuant to Section 70-2-8, NMSA (1978) and Rule 1211 of the New Mexico Oil Conservation Commission's Rules of Procedure, you are hereby ORDERED to appear at the offices of Kemp, Smith, Duncan & Hammond, P.C., 500 Marquette, N. W., Suite 1200, Albuquerque, New Mexico 87102-2121, on the 19th day of May, 1992, at 10 a.m. and produce the documents and items specified in the attached Exhibit A.

This subpoena is issued on application of New Mexico Potash Corporation through its attorneys, Kemp, Smith, Duncan & Hammond, 500 Marquette, Suite 1200, Albuquerque, New Mexico 87102-2121.

Dated this 7th day of May, 1992.

NEW MEXICO OIL CONSERVATION COMMISSION

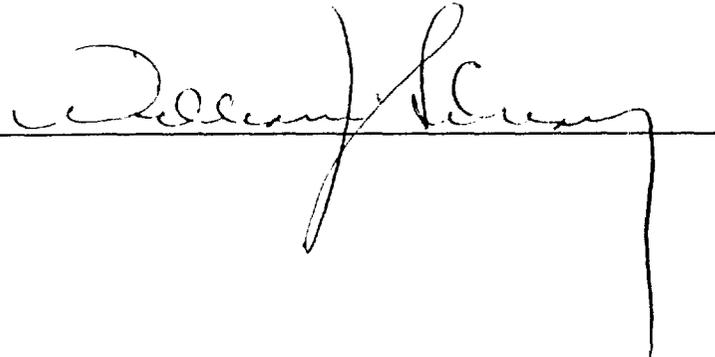
BY: 

EXHIBIT A

The term "document" as used herein means every writing and record of every type and description in the possession, custody or control of Yates Petroleum Corporation, whether prepared by you or otherwise, which is in your possession or control or known by you to exist, including but not limited to all drafts, papers, books, writings, records, letters, photographs, tangible things, correspondence, communications, telegrams, cables, telex messages, memoranda, notes, notations, work papers, transcripts, minutes, reports and recordings of telephone or other conversations or of interviews, conferences, or meetings. It also includes diary entries, affidavits, statements, summaries, opinions, reports, studies, analyses, evaluations, contracts, agreements, jottings, agendas, bulletins, notices, announcements, plans, specifications, sketches, instructions, charts, manuals, brochures, publications, schedules, price lists, client lists, journals, statistical records, desk calendars, appointment books, lists, tabulations, sound recordings, computer printouts, books of accounts, checks, accounting records, vouchers, and invoices reflecting business operations, financial statements, and any notes or drafts relating to the foregoing, without regard to whether marked confidential or proprietary. It also includes duplicate copies if the original is unavailable or if the duplicate is different in any way, including marginal notations, from the original.

1. Produce all documents served upon New Mexico Potash Corporation concerning the wells involved in Cases Nos. 10446, 10447, 10448, and 10449.

2. Produce all documents showing the dates the documents produced in response to Request No. 1 were received by New Mexico Potash Corporation.

3. Produce all documents discussing or evaluating the feasibility of directionally drilling the wells involved in Cases Nos. 10446, 10447, 10448, and 10449.

4. Produce all documents concerning the economics of each of the wells involved in Cases Nos. 10446, 10447, 10448, and 10449, including:

- a. drilling costs (straight hole) and completion costs of well with depth
- b. production/time projection (STB)
- c. amounts and value of oil and/or gas to be recovered
- d. geologic, mechanical, and monetary risks placed on drilling

5. Produce all drilling contracts entered into by Yates Petroleum Corporation for each well involved in Cases Nos. 10446, 10447, 10448, and 10449.

6. Produce all documents concerning any blowouts, casing failure, or unplanned releases of gas or oil that occurred during drilling or production of any well during the years 1977 to date.

7. Produce all documents concerning the presence of or encounters with hydrogen sulfide gas in Eddy and Lea Counties, New Mexico during the period from 1977 to date.

8. Produce all documents showing, evidencing, noting, or otherwise discussing the position of New Mexico Potash Corporation concerning approval or objection to the drilling of any of the wells involved in Cases Nos. 10446, 10447, 10448, and 10449.

9. Produce all documents showing, evidencing, noting, or otherwise discussing the position of New Mexico Potash Corporation concerning approval or objection to the drilling of any of well in Section 2, Township 22 South, Range 31 East.

10. Produce all documents concerning violations of applicable occupational safety and health standards by Yates Petroleum Corporation or by persons drilling wells under contract with Yates for the years 1982 to present.

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:

*CASE NO. 10447
ORDER NO. R-9651*

APPLICATION OF YATES PETROLEUM
CORPORATION FOR AUTHORIZATION TO
DRILL, EDDY COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 19, 1992, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 20th day of March, 1992, the Division Director, having considered the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) At the time of the hearing, this case was consolidated with Division Case Nos. 10446, 10448 and 10449 for the purpose of testimony.
- (3) The applicant in this matter, Yates Petroleum Corporation (Yates), seeks approval to drill its Graham "AKB" State Well No. 4 within the "Designated Potash Area" pursuant to all applicable rules and procedures governing said area, as promulgated by Division Order No. R-111-P. The proposed well is to be located at a standard oil well location 1980 feet from the North line and 1650 feet from the East line (Unit G) of Section 2, Township 22 South, Range 31 East, to test the Delaware formation at an approximate depth of 8500 feet, Eddy County, New Mexico. The SW/4 NE/4 of said Section 2 is to be dedicated to said well forming a standard 40-acre oil spacing and proration unit for the Undesignated Lost Tank-Delaware Pool.

ILLEGIBLE

(4) New Mexico Potash Corporation, owner of the state potash lease underlying all of Section 2 appeared at the hearing through counsel and opposed the application on the basis that there is a Life of Mine Reserve designation, ("LMR"), in Section 2 and that oil and gas operations are prohibited within LMR areas under the provisions of Oil Conservation Commission Order R-111-P.

(5) Order R-111-P prohibits drilling operations within an LMR and within a buffer zone around an LMR, which is any location within one-half mile of the LMR, unless the oil and gas operator and the mine operator mutually agree to permit drilling.

(6) Under R-111-P, mine operators file LMR designation maps with the State Land Office ("SLO") and with the U.S. Bureau of Land Management. Section 2 is on State lands and the only agency involved is the SLO.

(7) *Yates characterized the application in this case as a challenge to the LMR designation in Section 2 by New Mexico Potash, and in the alternative argued that the LMR is not established until approved by the SLO.*

FINDING: The NMOCD does not have the authority or jurisdiction to review LMR designations and determine if they are supported by geologic data.

(8) *The order does not clearly specify the process by which the agencies approve the LMR designation. New Mexico Potash argued that the filing of the Map creates the LMR, and that the SLO does not approve the LMR designation. There is no provision in R-111-P for any person, other than the SLO, to challenge the geologic basis for designating an LMR, and the designation of an LMR effectively deprives the owner of oil and gas interests the right to develop those interests without any forum or opportunity to be heard. Such interpretation could raise constitutional questions about the validity of R-111-P.*

R-111-P provides that for wells on State Lands, the Division shall inquire of the SLO as to whether the lands involved are within an LMR.

FINDING: The determination of whether specific State lands are within an LMR is within the exclusive authority of the SLO, and such a determination by the SLO shall be binding upon the Division.

(9) Information filed with the SLO by the mine operator is confidential and not subject to inspection by the Division or any other party.

ILLEGIBLE

(10) Pursuant to R-111-P, the Division examiner and Counsel, in the presence of counsel for the parties, requested a determination from the Oil, Gas and Minerals Division of the SLO as to whether an LMR existed in Section 2. The SLO provided the following information:

- (a) an LMR designation exists which includes most of Section 35, Township 21 South, Range 31 East, NMPM, Eddy County, New Mexico, (the Section immediately north of Section 2).
- (b) New Mexico Potash Corporation filed with the State Land Office on January 16, 1992 an amendment to the LMR designation, pursuant to Rule G(a) of R-111-P, which includes most of said Section 2.
- (c) By letter dated February 10, 1992 to New Mexico Potash Corporation the State Land Office acknowledged receipt of the updated LMR, gave notification that the updated LMR could not be approved with the information received and requested additional supporting data to show that sufficient mineral deposits exist within the amended LMR area to support the designation.

FINDING: The SLO has not designated the amended LMR, and therefore an LMR does not yet exist in Section 2, but an LMR designation does exist in Section 35.

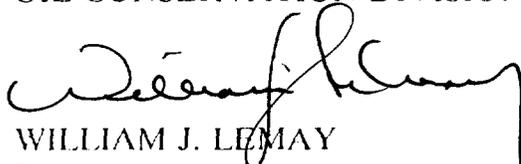
(11) This location is within the 1/2-mile buffer zone of the existing LMR and further, since the potash lessee has not mutually agreed to allow Yates to drill its proposed Graham "AKB" State Well No. 4, this application was dismissed at the hearing.

IT IS THEREFORE ORDERED THAT:

Case No. 10447 is hereby dismissed as of the date of the hearing.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

ILLEGIBLE

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:

CASE NO. 10447
ORDER NO. R-9651

APPLICATION OF YATES PETROLEUM
CORPORATION FOR AUTHORIZATION TO
DRILL, EDDY COUNTY, NEW MEXICO

DRAFT

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 19, 1992, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of March, 1992, the Division Director, having considered the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) At the time of the hearing, this case was consolidated with Division Case Nos. 10446, 10448 and 10449 for the purpose of testimony.

(3) The applicant in this matter, Yates Petroleum Corporation (Yates), seeks approval to drill within the "Designated Potash Area" pursuant to all applicable rules and procedures governing said area, as promulgated by Division Order No. R-111-P. The proposed well (its Graham "AKB" Spite Well No. 4) is to be located at a standard oil well location 1980 feet from the North line and 1650 feet from the East line (Unit G) of Section 2, Township 22 South, Range 31 East, to test the Delaware formation at an approximate depth of 8500 feet, Eddy County, New Mexico. The SW/4 NE/4 of said Section 2 is to be dedicated to said well forming a 40-acre oil spacing and proration unit for the Undesignated Lost Tank-Delaware Pool.

L. Stumelard

(4) New Mexico Potash Corporation, owner of the state potash lease underlying all of Section 2 appeared at the hearing through their general counsel in opposition to this case.

(5) Certain issues pertaining to the existence of boundaries and designation of a "Life-of-Mine Reserve" (LMR) in and adjacent to said Section 2 were argued by legal representatives from both Yates and the potash ~~lessee~~ ~~lessor~~.

(6) To answer portions of the aforementioned arguments, consultation with the Oil, Gas and Minerals Division of the State Land Office (SLO), being the appropriate state agency to review and validate LMRs on state lands, pursuant to Rule G of Order No. R-111-P became necessary and was conducted off-the-record under strict guidelines as not to violate the confidentiality of such information under Section 19-1-2.1 NMSA, 1978, whereby it was determined that:

- (a) a pre-existing LMR covering most of Section 35, Township 21 South, Range 31 East, NMPM, Eddy County, New Mexico placed the NE/4 of said Section 2 within its "buffer zone" [Rule G(e)(3)(b)];
- (b) New Mexico Potash Corporation filed with the State Land Office on January ____, 1992 an amended LMR, pursuant to Rule G(a) of R-111-P, to include most of said Section 2; and,
- (c) by letter dated February 10, 1992 to New Mexico Potash Corporation, the State Land Office acknowledged receipt of the updated LMR, gave notification that the updated LMR could not be approved with the information received and requested additional supporting data.

(7) New Mexico Potash Corporation argued that the State Land Office has ~~not~~ ^{no} authority under Rule G of R-111-P to approve and LMR area and that the State Land Office only acts in verifying and mapping out the LMRs submitted by the potash ~~lessee~~ ~~lessor~~.

(8) This space for rent!!

(9) Since this location, however, was within the 1/2-mile buffer zone of the pre-existing LMR and further, since the potash ~~lessee~~ has not mutually agreed to allow Yates to drill its proposed Graham "AKB" Well No. 4, this application was dismissed at the hearing.

IT IS THEREFORE ORDERED THAT:

Case No. 10447 is hereby dismissed as of the date of the hearing.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

S E A L

LAW OFFICES

LOSEE, CARSON, HAAS & CARROLL, P. A.

ERNEST L. CARROLL
JOEL M. CARSON
JAMES E. HAAS
A. J. LOSEE

DEAN B. CROSS
MARY LYNN BOGLE

300 YATES PETROLEUM BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88211-0239

TELEPHONE
(505) 746-3505
TELECOPY
(505) 746-6316

March 12, 1992

VIA FACSIMILE AND FIRST CLASS MAIL

Mr. William J. LeMay, Director
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

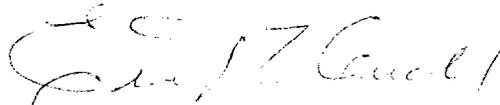
Re: Applications of Yates Petroleum
Corporation for Permits to Drill,
Eddy County, New Mexico, Case Nos.
10446, 10447, 10448 and 10449

Dear Mr. LeMay:

Enclosed for filing, please find three copies of Yates
Petroleum's Consolidated Pre-hearing Statement in the above-
referenced Applications.

Yours truly,

LOSEE, CARSON, HAAS & CARROLL, P.A.



Ernest L. Carroll

ELC:bjk
Enclosures

cc w/encl: Mr. Randy Patterson
Mr. Charles C. High, Jr.

BEFORE THE OIL CONSERVATION DIVISION

RECEIVED

OF THE STATE OF NEW MEXICO

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATIONS OF	:	
YATES PETROLEUM CORPORATION FOR	:	CASE NOS. 10446, 10447
PERMITS TO DRILL, EDDY COUNTY,	:	10448, 10449
NEW MEXICO	:	

CONSOLIDATED
PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Yates Petroleum Corporation, as required by the Oil Conservation Division. The issues in Case Nos. 10446, 10447, 10448 and 10449 are the same and Yates Petroleum Corporation will move to consolidate the hearings on its applications, and therefore files this Consolidated Pre-hearing Statement.

APPEARANCES OF PARTIES

APPLICANT

ATTORNEY

Yates Petroleum Corporation

Ernest L. Carroll
Losee, Carson, Haas
& Carroll, P. A.
P. O. Drawer 239
Artesia, New Mexico 88210
(505)746-3505

OPPOSITION OR OTHER PARTY

ATTORNEY

New Mexico Potash Corporation

Charles C. High, Jr.
Kemp, Smith, Duncan & Hammond
2000 State National Plaza
El Paso, Texas 79901
(915)533-4424

STATEMENT OF CASE

APPLICANT

Applicant is the operator of the Delaware and intermediate formations underlying Section 2 of Township 22 South, Range 31 East, N.M.P.M., and seeks to test the Delaware and intermediate formations by drilling the following proposed wells at the following locations:

Graham "AKB" State No. 3	660' FNL, 1,650' FEL
Graham "AKB" State No. 4	1,980' FNL, 1,650' FEL
Flora "AKF" State No. 1	660' FSL, 2,310' FWL
Flora "AKF" State No. 2	1,980' FSL, 2,310' FWL

to a depth of 8500 feet. The potash lessee underlying this same acreage objects to the drilling of said wells.

OPPOSITION OR OTHER PARTY

It is anticipated that New Mexico Potash Corporation will appear and protest the application. We are presently unaware of any other parties who will appear or protest.

PROPOSED EVIDENCE

APPLICANT

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
Rob Bullock, Landman	15 mins.	6
Brent May, Geologist	15 - 20 mins.	5
Dave Boneau, Engineer	15 - 20 mins.	5
George Warnock, Mining Engineer	30 - 45 mins.	5
Randy Patterson, Landman	15 mins.	2
Larry Brooks, Geologist	15 mins.	2

OPPOSITION

Unknown.

LOSEE, CARSON, HAAS & CARROLL, P.A.

By: 

Ernest L. Carroll
P. O. Drawer 239
Artesia, New Mexico 88210
(505/746-3505)

Attorneys for Yates Petroleum
Corporation

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATIONS OF :
YATES PETROLEUM CORPORATION FOR : CASE NOS. 10446, 10447
PERMITS TO DRILL, EDDY COUNTY, : 10448, 10449
NEW MEXICO :
: :
: :

CONSOLIDATED
PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Yates Petroleum Corporation, as required by the Oil Conservation Division. The issues in Case Nos. 10446, 10447, 10448 and 10449 are the same and Yates Petroleum Corporation will move to consolidate the hearings on its applications, and therefore files this Consolidated Pre-hearing Statement.

APPEARANCES OF PARTIES

APPLICANT

Yates Petroleum Corporation

ATTORNEY

Ernest L. Carroll
Losee, Carson, Haas
& Carroll, P. A.
P. O. Drawer 239
Artesia, New Mexico 88210
(505)746-3505

OPPOSITION OR OTHER PARTY

New Mexico Potash Corporation

ATTORNEY

Charles C. High, Jr.
Kemp, Smith, Duncan & Hammond
2000 State National Plaza
El Paso, Texas 79901
(915)533-4424

STATEMENT OF CASE

APPLICANT

Applicant is the operator of the Delaware and intermediate formations underlying Section 2 of Township 22 South, Range 31 East, N.M.P.M., and seeks to test the Delaware and intermediate formations by drilling the following proposed wells at the following locations:

Graham "AKB" State No. 3	660' FNL, 1,650' FEL
Graham "AKB" State No. 4	1,980' FNL, 1,650' FEL
Flora "AKF" State No. 1	660' FSL, 2,310' FWL
Flora "AKF" State No. 2	1,980' FSL, 2,310' FWL

to a depth of 8500 feet. The potash lessee underlying this same acreage objects to the drilling of said wells.

OPPOSITION OR OTHER PARTY

It is anticipated that New Mexico Potash Corporation will appear and protest the application. We are presently unaware of any other parties who will appear or protest.

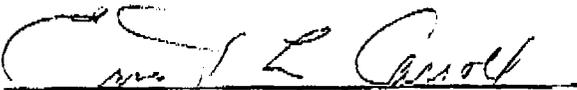
PROPOSED EVIDENCEAPPLICANT

<u>WITNESSES</u> (Name and expertise)	<u>EST. TIME</u>	<u>EXHIBITS</u>
Rob Bullock, Landman	15 mins.	6
Brent May, Geologist	15 - 20 mins.	5
Dave Boneau, Engineer	15 - 20 mins.	5
George Warnock, Mining Engineer	30 - 45 mins.	5
Randy Patterson, Landman	15 mins.	2
Larry Brooks, Geologist	15 mins.	2

OPPOSITION

Unknown.

LOSEE, CARSON, HAAS & CARROLL, P.A.

By: 
 Ernest L. Carroll
 P. O. Drawer 239
 Artesia, New Mexico 88210
 (505/746-3505)

Attorneys for Yates Petroleum
 Corporation