

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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OIL CONSERVATION DIVISION

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

Case 8323
Order No. R-7693-B

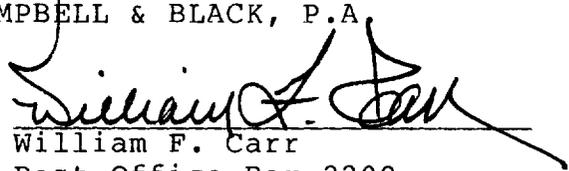
APPLICATION OF BLANCO ENGINEERING,
INC. FOR SALT WATER DISPOSAL, EDDY
COUNTY, NEW MEXICO.

APPLICATION OF YATES PETROLEUM CORPORATION
FOR A HEARING DE NOVO

Pursuant to Rule 1220 of the Rules and Regulations of the
New Mexico Oil Conservation Division, Yates Petroleum Corpora-
tion, as an adversely affected party, applies for a De Novo
hearing in this matter before the full Commission.

CAMPBELL & BLACK, P.A.

By


William F. Carr

Post Office Box 2208
Santa Fe, New Mexico 87501
(505) 988-4421

ATTORNEYS FOR YATES PETROLEUM
CORPORATION

Jason Kellahin
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Karen Aubrey

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May 17, 1985

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OIL CONSERVATION DIVISION

Mr. Richard L. Stamets
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

"Hand Delivered"

Re: NMOCD Case 8323 - Reopened
Order R-7693-B
Blanco Engineering

Dear Mr. Stamets:

As you know, our firm represents Blanco Engineering in the above referenced case. Yesterday, Mr. William F. Carr, attorney for Yates, called and advised me that he intended to commence District Court litigation to resolve the issue of ownership of the wellbore. He further stated that he was going to request that you agree to stay the Examiner Order entered in this case on May 7, 1985. As you also know, Mr. Carr has filed for a DeNovo hearing on Order R-7693-B.

Both Mr. Carr and I have communicated to you our prior efforts to settle this matter. You should know that Blanco was willing to settle this case and give the wellbore to Yates, provided Yates would reimburse Blanco \$37,000 for recompletion costs that benefit Yates and provided that Yates released any and all claims against Blanco in connection with Yates' allegation that Blanco had damaged the Morrow formation in the wellbore. The settlement failed because Yates refused to reimburse Blanco the \$37,000 recompletion costs.

We strenuously oppose any stay of the Examiner Order and request that the DeNovo hearing be set at the first available Commission hearing which I understand will be in July, 1985.

The issues of the ownership of the wellbore and the Commission's statutory duty to supervise salt water

KELLAHIN and KELLAHIN

Mr. Richard L. Stamets
May 17, 1985
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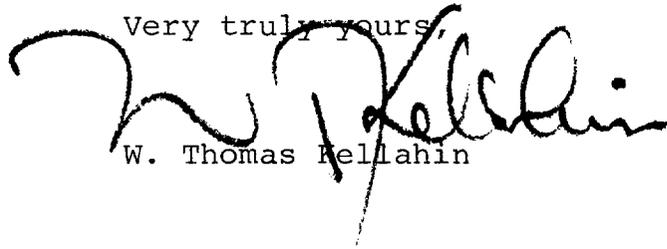
disposal are two separate and distinct issues, each mutually exclusive of the other. Blanco Engineering is fully confident that we will prevail on the ownership issue in District Court and feel that a stay of the Commission hearings does nothing but adversely affect our correlative rights.

We see no reason why Yates cannot continue to exhaust its administrative remedies and at the same time seek a District Court determination of ownership.

As I argued in my closing statement before Examiner Quintana on March 27, 1985, Yates was willing to go forward with the Commission hearing only so long as they were winning. Now that they have suffered an adverse decision they want us to stand still while they attempt other strategy.

Should you grant a stay, without notice and hearing in this matter, then please be advised that I will immediately proceed to District Court for a Writ of Mandamus.

Very truly yours,



W. Thomas Kellahin

WTK:ca

cc: Paul White
Blanco Engineering, Inc.
116 North First Street
Artesia, New Mexico 88210

William F. Carr, Esq.
Attorney at Law
P. O. Box 2208
Santa Fe, New Mexico 87501