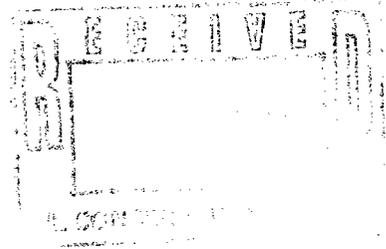


**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION COMMISSION**

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

CASE NO. 10881

IN THE MATTER OF THE APPLICATION OF  
CONOCO INC. TO AMEND RULE 5(b) AND  
RULE 6 OF THE SPECIAL RULES AND  
REGULATIONS FOR THE SOUTH DAGGER DRAW-  
UPPER PENNSYLVANIAN POOL (DIVISION  
ORDER NO. R-5353), AND POOL EXTENSION,  
EDDY COUNTY, NEW MEXICO.



**PRE-HEARING STATEMENT**

This Prehearing Statement is submitted by Campbell, Carr, Berge & Sheridan, P.A., as required by the Oil Conservation Division.

**APPEARANCES OF PARTIES**

**APPLICANT**

**ATTORNEY**

Conoco Inc. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

W. Thomas Kellahin, Esq. \_\_\_\_\_  
Kellahin & Kellahin \_\_\_\_\_  
Post Office Box 2265 \_\_\_\_\_  
Santa Fe, New Mexico 87504-2265 \_\_\_\_\_  
(505) 982-4285 \_\_\_\_\_

name, address, phone and  
contact person

Marathon Oil Company \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Karen Aubrey, Esq. \_\_\_\_\_  
Law Office of Karen Aubrey \_\_\_\_\_  
236 Montezuma Avenue \_\_\_\_\_  
Santa Fe, New Mexico 87501-2641 \_\_\_\_\_  
(505) 982-4287 \_\_\_\_\_

name, address, phone and  
contact person

**OPPOSITION OR OTHER PARTY**

Yates Petroleum Corporation \_\_\_\_\_  
c/o David Boneau \_\_\_\_\_  
105 South Fourth Street \_\_\_\_\_  
Artesia, New Mexico 88210 \_\_\_\_\_  
(505) 748-1471 \_\_\_\_\_  
name, address, phone and  
contact person

Santa Fe Energy Partners, L.P.\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
name, address, phone and  
contact person

**ATTORNEY**

William F. Carr, Esq. \_\_\_\_\_  
Campbell, Carr, Berge & Sheridan, P.A.  
Post Office Box 2208 \_\_\_\_\_  
Santa Fe, New Mexico 87504 \_\_\_\_\_  
(505) 988-4421 \_\_\_\_\_

James Bruce, Esq. \_\_\_\_\_  
Hinkle, Cox, Eaton, Coffield & Hensley  
Post Office Box 2068 \_\_\_\_\_  
Santa Fe, New Mexico 87504-2068 \_\_\_\_  
(505) 982-4554 \_\_\_\_\_

**STATEMENT OF CASE**

**APPLICANT**

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

**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.)

Yates Petroleum Corporation supports Conoco's request to amend the Special Rules and Regulations of the South Dagger-Draw Upper Pennsylvanian Associated Pool to delete Rule 5(b) thereby authorizing simultaneous dedication of both gas wells and oil wells to the same spacing unit. Yates will present testimony in opposition to the reduction in the limiting Gas Oil Ratio for this pool.

**PROPOSED EVIDENCE**

APPLICANT

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
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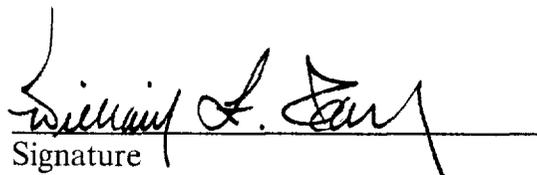
OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
D'nese Fly, Geology	10 Min.	Approximately 2
Pinson McWhorter, Engineering	20 Min.	Approximately 6
David Boneau, Engineering	10 Min.	Approximately 2

**PROCEDURAL MATTERS**

(Please identify any procedural matters which need to be resolved prior to hearing)

Yates Petroleum Corporation will request that this case be consolidated for hearing with Cases 10848 and 10869.

  
Signature

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. 10881

**APPLICATION OF Conoco Inc. to amend Rule 5(b) and Rule 6 of the Special Rules and Regulations of the South Dagger Draw-Upper Pennsylvanian Associated Pool (Division Order No. R-5353.), and pool extension, Eddy County, New Mexico.**

**PRE-HEARING STATEMENT**

This pre-hearing statement is submitted by Marathon Oil Company as required by the Oil Conservation Division.

**APPEARANCE OF PARTIES**

OTHER PARTY

Marathon Oil Company

ATTORNEY

Karen Aubrey  
LAW OFFICE OF KAREN AUBREY  
236 Montezuma Avenue  
Santa Fe, NM 87501  
(505) 982-4287 Fax(505) 986-8349  
ATTORNEY FOR MARATHON OIL COMPANY

**STATEMENT OF CASE**

OTHER PARTY

Marathon Oil Company supports the deletion of Rule 5(b) of Order No. 5353 thereby authorizing simultaneous dedication of both gas and oil wells to the same spacing unit.

**PROPOSED EVIDENCE**

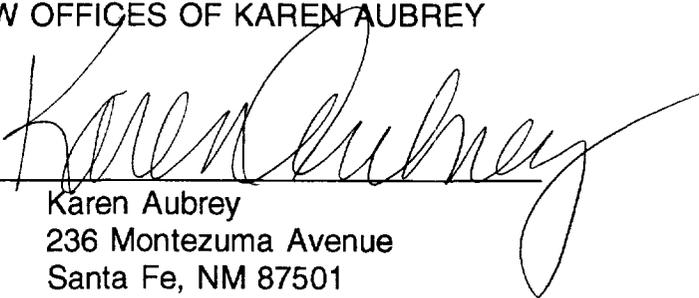
OTHER PARTY

WITNESSES	EST. TIME	EXHIBITS
Craig Kent Reservoir Engineer	1/2 hr.	1. Acreage Map 2. Map of Current rates by unit. 3. Table and Summary of Marathon's position

**PROCEDURAL MATTERS**

None applicable at this time.

LAW OFFICES OF KAREN AUBREY

By: 

Karen Aubrey  
236 Montezuma Avenue  
Santa Fe, NM 87501  
(505)982-4287 FAX (505)986-8349  
ATTORNEY FOR MARATHON OIL COMPANY

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 CONOCO INC. AND  
MARATHON OIL COMPANY FOR EXCEPTIONS  
TO RULE 5(B) OF THE SPECIAL RULES  
AND REGULATIONS OF THE SOUTH DAGGER  
DRAW-UPPER PENNSYLVANIAN ASSOCIATED POOL,  
EDDY COUNTY, NEW MEXICO.

CASE NO. 10848

APPLICATION OF CONOCO INC.  
TO AMEND RULE 6 AND RULE 5(b) OF THE  
SPECIAL RULES AND REGULATIONS OF THE SOUTH  
DAGGER DRAW-UPPER PENNSYLVANIAN ASSOCIATED POOL  
EDDY COUNTY, NEW MEXICO.

CASE NO. 10881

APPLICATION OF YATES PETROLEUM  
CORPORATION TO AMEND RULE 5(b) OF THE  
SPECIAL RULES AND REGULATIONS OF THE SOUTH  
DAGGER DRAW-UPPER PENNSYLVANIAN ASSOCIATED POOL,  
EDDY COUNTY, NEW MEXICO.

CASE NO. 10869

CONSOLIDATED  
PRE-HEARING STATEMENT

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

Pre-Hearing Statement  
Case Nos. 10848, 10881 and 10869  
Page 2

**APPEARANCE OF PARTIES**

**APPLICANT CONOCO**

Conoco Inc.  
10 Desta Drive, Ste.100W  
Midland, Texas 79762-4500  
Attn: Jerry Hoover  
(915) 686-6548

**ATTORNEY**

W. Thomas Kellahin  
KELLAHIN AND KELLAHIN  
P.O. Box 2265  
Santa Fe, NM 87504  
(505) 982-4285

**OTHER PARTIES**

Yates Petroleum Corporation  
Nearburg Producing Company  
Marathon Oil Company

**ATTORNEYS**

William F. Carr, esq.  
James Bruce, Esq.  
Karen Aubrey, Esq.

**STATEMENT OF THE CASES**

APPLICANT CONOCO:

The South Dagger Draw-Upper Pennsylvanian Associated Pool ("the Pool") is an associated oil and gas pool the current rules for which provide for 320-acre proration and spacing units with the option for multiple oil wells BUT preclude the simultaneous dedication of both oil and gas wells to the same spacing unit (Rule 5(b)). In addition, the current GOR the pool is 10,000 to 1 which results in a maximum gas allowable per unit of 14,000 MCFGPD (Rule 6).

While, the current maximum GOR a spacing unit in the Pool is 10,000 to 1, the current average producing GOR of all wells that qualify to be classified as oil wells under current pool rules is approximately 4,500 to 1 GOR which amounts to 6,300 MCFGPD.

In order to prevent excessive premature drainage of the gas cap and to conserve recoverable oil reserves, Conoco proposes in Case 10881 that Rule 5(b) and Rule 6 of the Pool rules be amended to allow simultaneous dedication of gas and oil wells to the same spacing unit if the Pool's current GOR is reduced to 4,500 to 1.

Conoco is opposed to Case 10869 in which Yates Petroleum Corporaiton is seeking simply to amend Rule 5(b) without correspondingly reducing the current GOR set forth in Rule 6.

#### PROPOSED EVIDENCE

##### CONOCO

WITNESSES	EST. TIME	EXHIBITS
David Scott (landman)	5-10 min.	est. 3 exhibits
Mark Majcher (P.E.)	60 min.	est. 10 exhibits
Bill Hardy (geologist)	60 Min.	est. 10 exhibits

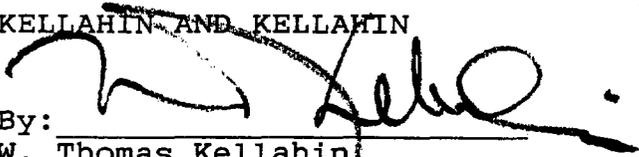
Pre-Hearing Statement  
Case Nos. 10848, 10881 and 10869  
Page 4

**PROCEDURAL MATTERS**

Conoco and Marathon propose that their joint application in Case 10848 be dismissed without prejudice.

Conoco proposes that Case 10881 and Case 10869 be consolidated for purposes of testimony.

KELLAHIN AND KELLAHIN

By: 

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Santa Fe, New Mexico 87504  
(505) 982-4285