

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 YATES PETROLEUM)
CORPORATION AND HANLEY PETROLEUM, INC.,)
FOR ALLOWABLE REDUCTION AND THE ESCROW)
OF PRODUCTION PROCEEDS, LEA COUNTY,)
NEW MEXICO)

CASE NO. 0086

APPLICATION OF ENERGEN RESOURCES)
CORPORATION FOR ALLOWABLE REDUCTION)
AND THE ESCROW OF PRODUCTION PROCEEDS,)
LEA COUNTY, NEW MEXICO)

CASE NO. 12086

(Consolidated)

OIL CONSERVATION DIV.
00SEP-7 AM 7:33

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

August 24th, 2000

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner on Thursday, August 24th, 2000, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

August 24th, 2000
Examiner Hearing
CASE NO. 12,086 (Consolidated)

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A P P E A R A N C E S

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* * *

1 WHEREUPON, the following proceedings were had at
2 8:41 a.m.:

3 EXAMINER STOGNER: At this time, on page 3 and
4 page 4, I'll call Cases 12,086, which is for the
5 Application of Yates Petroleum Corporation and Hanley
6 Petroleum, Inc., and Energen Resources Corporation for an
7 allowable reduction and the escrow of production proceeds,
8 Lea County, New Mexico.

9 This case has been heard and continued several
10 times, but at this time I'll call for appearances.

11 MR. CARR: May it please the Examiner, my name is
12 William F. Carr with the Santa Fe law firm Campbell, Carr,
13 Berge and Sheridan. We represent Yates Petroleum
14 Corporation and Hanley Petroleum, Inc.

15 MR. HALL: Mr. Examiner, Scott Hall, Miller,
16 Stratvert and Torgerson, Santa Fe, on behalf of Energen
17 Resources Corporation.

18 EXAMINER STOGNER: Anybody else?

19 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe
20 on behalf of Gillespie Oil, Incorporated.

21 EXAMINER STOGNER: Why don't you stand up, Mr.
22 Bruce?

23 MR. BRUCE: Yes, sir.

24 EXAMINER STOGNER: Okay. Good, thank you,
25 appreciate it.

1 Anybody else?

2 All right, who'd like to go first in this matter?

3 MR. HALL: Mr. Examiner, this case was brought
4 some time ago seeking the Division's assistance to promote
5 the process of securing the Division's approval and
6 interest-owner approval of the second expansion of the West
7 Lovington-Strawn Unit.

8 That process has proceeded to the point where
9 there is sufficient ratification by the interest owners of
10 the Division's order approving the second expansion.
11 Therefore, we think the allowable reduction case is ready
12 for dismissal at this time.

13 EXAMINER STOGNER: Mr. Carr, do you have anything
14 to add?

15 MR. CARR: Mr. Examiner, I would note that I
16 believe the Yates-Hanley Application was probably the first
17 application filed in these two cases.

18 Hanley is the principal party between these two.
19 Hanley's interest in the unit area is approximately 3
20 percent.

21 And in the context of the Statutory Unitization
22 application, with only 3 percent, you really, in terms of
23 voting and decisions that are being made in the context of
24 development of the lands, don't really have much of a say.

25 The Application was filed to try and invoke the

1 jurisdiction of the OCD on a correlative-rights issue.

2 Now, we've gone through hearings and a long process, and as
3 Mr. Hall indicated, we're sort of, we believe, at the end
4 of the road where the unit can now be put together.

5 But I think it's important to tell you that while
6 you've had to hold hearings and while this has been on your
7 docket again and again, it isn't that it was -- I don't
8 think that process was a waste of time, because for someone
9 who had only 3-percent interest in the unit area, being
10 able to come to you and bring a correlative-rights issue
11 was the one protection that we had. And we think it was
12 effective in keeping things moving along.

13 We concur that we're now at the end of the road,
14 and we believe the Application can now be dismissed.

15 EXAMINER STOGNER: Mr. Bruce?

16 MR. BRUCE: Mr. Examiner, the only thing I have
17 to add is, just for the record, the Division entered its
18 order in March, I believe, approving a second expansion.
19 The Bureau of Land Management has approved the second
20 expansion.

21 As Mr. Hall said, there are more than 75 percent
22 of working interest owners and more than 75 percent of
23 royalty owners who have approved the second expansion,
24 pending approval by the State Land Office, which is all we
25 are waiting on. And we anticipate that approval in a few

1 minutes -- or a few -- hopefully, a few days. I wish it
2 was a few minutes.

3 The other thing I might add is, expanding upon
4 Mr. Carr's statement, I believe that in the first expansion
5 Hanley got about 3/10-of-a-percent interest. And so when
6 it was coming before you it only had 3/10-of-a-percent
7 interest, and under the second expansion its interest will
8 be approximately 3 percent.

9 So we are not the Applicant, but we would concur
10 in their dismissal motions, and we believe that certainly
11 by September everything will be approved and hopefully
12 you'll never see us in this case again.

13 EXAMINER STOGNER: Anything further in Case
14 12,086?

15 And I believe the record will show, Mr. Carr,
16 that during some of the previous hearings in this matter,
17 that I believe Yates and Hanley requested a dismissal some
18 time ago.

19 MR. CARR: We requested that, and then we felt it
20 was appropriate to let the matter sit on the docket until
21 there was a final resolution of all the issues in the
22 matter, that's correct, Mr. Stogner.

23 EXAMINER STOGNER: And in the meantime, somehow
24 this case has been shown as being two separate cases with
25 the same case number.

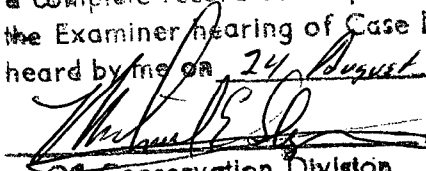
1 MR. CARR: Correct.

2 EXAMINER STOGNER: If there's nothing further in
3 Case 12,086, then this matter will be dismissed.

4 And thank you, gentlemen.

5 (Thereupon, these proceedings were concluded at
6 8:46 a.m.)

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14 I do hereby certify that the foregoing is
15 a complete record of the proceedings in
16 the Examiner hearing of Case No. 12086
17 heard by me on 24 August 2000.
18  Examiner
19 Off Conservation Division
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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 August 24th, 2000.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002