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PLEASE REPLY TO SANTA FE

September 10, 1999

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Re: NMOCC Case No. 12086; Application of Hanley Petroleum, Inc. and Yates  
Petroleum Corporation for Allowable Reduction, Lea County, New Mexico

Dear Counsel:

Enclosed is a copy of our Pre-Hearing Statement.

Sincerely,

Amanda Olsen, CLA  
Paralegal

/ao

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

APPLICATION OF YATES PETROLEUM  
CORPORATION, HANLEY PETROLEUM, INC.  
AND ENERGEN RESOURCES CORPORATION  
(Consolidated) FOR ALLOWABLE REDUCTION  
AND ESCROW OF PRODUCTION PROCEEDS,  
WEST LOVINGTON STRAWN POOL, LEA COUNTY,  
NEW MEXICO,

Received by  
OCD  
9-10-99

CASE NO. 12,086

**PRE-HEARING STATEMENT**

This pre-hearing statement is submitted by Energen Resources Corporation, through its counsel of record, Miller, Stratvert & Torgerson, P.A. (J. Scott Hall, Esq.) as required by the Oil Conservation Division.

**APPEARANCES OF PARTIES**

**APPLICANT**

Energen Resources Corporation

Yates Petroleum Corporation  
Hanley Petroleum, Inc.

**ATTORNEY**

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**OPPOSITION OR OTHER PARTY**

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Gillespie Oil, Inc.

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David Arrington Oil and Gas, Inc.

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## **STATEMENT OF CASE**

### APPLICANT

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

Applicant seeks the issuance of an order temporarily reducing the allowable for all existing or planned wells in the West Lovington Strawn Pool, both inside and outside the existing boundaries of West Lovington Strawn Unit, until the affected working interest owners can resolve the long-standing and continuing impasse over the expansion of the West Lovington Strawn Unit. The reduction is necessary, for among other reasons, to prevent the ongoing violation of correlative rights by the Gillespie Oil Snyder "C" No. 4 (Unit A, Sec. 6, T-16-S, R-36-E) and the Snyder "EC" Com No. 1 wells (Lot 2, Sec. 6, T-16-S, R-36-E). The Applicant further seeks to have all production proceeds from these two wells (less royalties and taxes) placed into escrow until the expansion of the West Lovington Strawn Unit is finalized. Any such order issuing from this proceeding should also provide for a maximum three-month temporary exemption from the reduced allowable sufficient to allow the accumulation of bottom hole pressure and production data from the Beadle No. 1 well recently drilled by Energen in Unit M, Sec. 35, T-15-S, R-36-E, in order determine whether the well is in communication with the unitized interval.

The original Application in this matter was filed by Yates Petroleum Corporation and Yates Petroleum, Inc. on October 8, 1998. It was followed by a substantially identical Application filed by Energen Resources Corporation on March 4, 1999. The two Applications were then consolidated by the Commission for hearing. With the filing of

**Pre-hearing Statement**  
**NMOCD Case No. 12,086**  
**Page 3**

Case No. 12171 (Application of Gillespie Oil, Inc. for Unit Expansion), these consolidated cases were remanded back to the Division on April 8, 1999

**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.)

**PROPOSED EVIDENCE**

**APPLICANT**

<b>WITNESSES</b> (Name and expertise)	<b>EST. TIME</b>	<b>EXHIBITS</b>
Ken Gray, Landman	15	2
Jim Piewitz, Petroleum Engineer	15	2
Barney Kahn, Reservoir Engineer	20	4

**OPPOSITION**

<b>WITNESSES</b> (Name and expertise)	<b>EST. TIME</b>	<b>EXHIBITS</b>
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**PROCEDURAL MATTERS**

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

*T. J. [unclear]*

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Signature

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Application was sent this 10 day of September, 1999 to the following counsel of record:

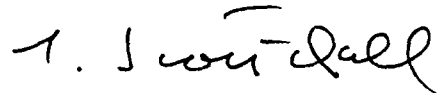
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J. Scott Hall