

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

CASE NO. 11677

APPLICATION OF YATES PETROLEUM CORPORATION
FOR COMPULSORY POOLING AND AN UNORTHODOX
GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO.

CASE NO. 11666

APPLICATION OF INTERCOAST OIL AND GAS COMPANY
FOR COMPULSORY POOLING AND AN UNORTHODOX
GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO

**CONSOLIDATED
PRE-HEARING STATEMENT**

This pre-hearing statement is submitted by YATES PETROLEUM
CORPORATION as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT IN CASE 11677

Yates Petroleum Corporation
105 South Fourth Street
Artesia, N.M. 88210
Attn: Mecca Mauritsen
(505) 748-1471

ATTORNEY

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

APPLICANT IN CASE 11666

InterCoast Oil and Gas Company
Suite 700
7130 South Lewis
Tulsa, Oklahoma
Attn: Rock Quinn
(918) 488-8283

ATTORNEY

James Bruce
Hinkle Law Firm
P. O. Box 2068
Santa Fe, New Mexico 87504
(505) 982-4454

STATEMENT OF CASES

YATES PETROLEUM CORPORATION

1. Yates has a working interest ownership in the oil and gas minerals from the surface to the base of the Morrow formation underlying the E/2 of Section 20, T20S, R28E, NMPM, Eddy County, New Mexico.
2. Yates desires to be designated operator of a spacing unit consisting of the E/2 of said Section 20 for the drilling and operating of a well to be drilled 990 feet from the north and east lines of said Section 20.
3. InterCoast Oil & Gas Company ("InterCoast") has obtained a farmout from Kerr-McGee Corporation and also seeks to be designated operator of this spacing unit.
4. This dispute originally involved N/2 of Section 20, T20S, R28E, Eddy County, New Mexico, containing two separate State leases divided between the NE/4 and the NW/4 of the section.
5. Any effort to obtain a voluntary agreement for the drilling of a "deep gas" test in this 320-acre spacing unit involves some 33 different owners.
6. Yates and its partners controls approximately 40% of this proposed spacing unit.
7. Kerr-McGee has approximately 24% of the working interest in the E/2 of said Section 20.
8. InterCoast asserts it has the right the drill a Morrow well in this spacing unit based upon obtaining a farmout interest from Kerr-McGee Corporation.
9. On September 3, 1996, Yates received a letter from InterCoast dated August 30, 1996 which is referenced a "**Farmout Request**" and in which InterCoast requested Yates to farmout its interest in said Section 20.

10. InterCoast did not indicate to Yates that there was any urgency to this matter nor did InterCoast request a reply to the farmout request by any specific date.

11. InterCoast failed to put Yates on notice that InterCoast would institute compulsory pooling action against Yates in the absence of Yates' acquiescence to InterCoast's request.

12. On September 17, 1996, InterCoast advised that it would provide Yates with a proposed Authority for Expenditure ("AFE") and Joint Operating Agreement.

13. On September 24, 1996, InterCoast filed its compulsory pooling application for the N/2 of said Section 20 (NMOCD Case 11634) with the Division without first providing Yates with a written well proposal or an AFE.

14. On October 9, 1996, more than 14 days after InterCoast filed its compulsory pooling application, Yates received InterCoast's first written proposal for the subject well which included a AFE.

15. InterCoast refuses to allow Yates to operate the well in the E/2 of Section 20 despite the fact that this spacing unit (in which Yates is the largest owner) is in the Stonewall Unit which Yates has drilled and operated 21 wells since 1973.

16. On November 12, 1996, InterCoast filed its compulsory pooling application seeking to operate the E/2 of Section 20 (NMOCD Case 11666).

17. Yates has continued to attempt to obtain InterCoast's agreement that Yates should operate this well and this spacing unit but InterCoast has refused to discuss this matter further.

18. By its conduct, InterCoast has rejected Yates' proposal, has refused to discuss this matter with Yates, and has refused to consider Yates' effort to voluntarily form a spacing unit for this well to be operated by Yates.

19. That all reasonable efforts by Yates to form a voluntary agreement for this well has failed and it has been unable to obtain the voluntary agreement of all interest owners.

PROPOSED EVIDENCE

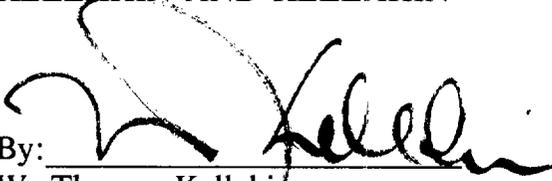
APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Mecca Mauritsen (landman)	30 Min.	est 12
Mike Hayes (geologist)	30 Min.	est. 3
Bob Fant (petroleum engineer)	20 Min.	est. 3

PROCEDURAL MATTERS

Motion to consolidate cases for hearing.

KELLAHIN AND KELLAHIN

By: 
W. Thomas Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285