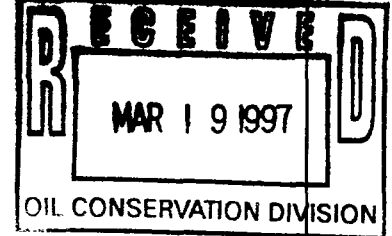


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION



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

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

CASE NOS. 11,666

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

and 11,677

(Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGS
COMMISSION HEARING

BEFORE: WILLIAM J. LEMAY, CHAIRMAN
JAMI BAILEY, COMMISSIONER

February 28th, 1997
Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Commission, WILLIAM J. LEMAY, Chairman, on Friday, February 28th, 1997, 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.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

February 28th, 1997
Commission Hearing
CASE NOS. 11,666 and 11,677 (Consolidated)

PAGE

REPORTER'S CERTIFICATE

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* * *

1 WHEREUPON, the following proceedings were had at
2 3:04 p.m.:

3 CHAIRMAN LEMAY: The meeting will come to order.
4 This is the Oil Conservation Commission. Those members
5 present are Commissioner Jami Bailey representing the
6 Commissioner of Public Lands and myself, Bill LeMay,
7 Director of the Oil Conservation Division. Commissioner
8 Weiss chose not to attend.

9 And we are here because of a special meeting that
10 we called about 78 hours ago, I think, a little over three
11 days ago, to consider Case Number 11,666 and Case Number
12 11,677, relating to competitive force pooling applications
13 and request to be operator by KCS Medallion Resources,
14 Inc., formerly InterCoast Oil and Gas Company, and Yates
15 Petroleum Corporation.

16 The reason for this special meeting is the fact
17 that there is a well currently drilling on the prospect,
18 which Medallion is operating under an existing order issued
19 by the Division.

20 And because of the nature of force pooling
21 applications, there is an election period by which those
22 parties can either elect to join in the drilling of the
23 well, paying their proportionate share of costs, or be
24 force pooled with a penalty. But that election needs to be
25 made as soon as possible, because of the nature of this

1 situation where the well is already drilling on the
2 project. Normally in these applications there's enough
3 time involved so that an order like this could be signed at
4 the next meeting, and there would be time for the election
5 to be made, but that is not the case in this order.

6 So we do have the orders here, and I'd like to
7 ask Commissioner Bailey if it's her intent to sign the
8 order, if she has any comments?

9 COMMISSIONER BAILEY: It is my intent to sign.

10 CHAIRMAN LEMAY: Fine. It is also my intent to
11 sign the order. So with that, let the record show that
12 final action has been taken on *de novo* Cases 11,666 and
13 11,677, with the issue of Order Number R-10,731-B.

14 (Thereupon, these proceedings were concluded at
15 3:05 p.m.)

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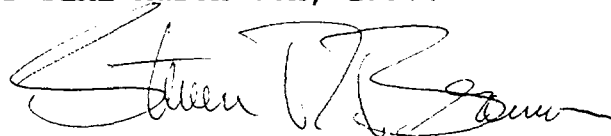
CERTIFICATE OF REPORTER

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 Commission 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 March 6th, 1997.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998