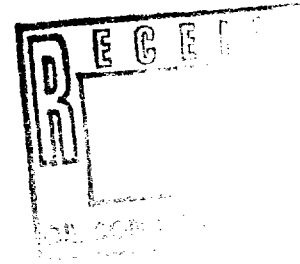


**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

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

CASE NO. 10871

APPLICATION OF SANTA FE ENERGY
PARTNERS, L.P. FOR COMPULSORY POOLING
AND TO SHUT-IN A PRODUCING WELL,
AND FOR A NON-STANDARD SPACING AND
PRORATION UNIT,
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

Santa Fe Energy Partners, L.P._____

name, address, phone and
contact person

ATTORNEY

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

OPPOSITION OR OTHER PARTY

Yates Petroleum Corporation_____
c/o Pinson McWhorter_____
105 South Fourth Street_____
Artesia, New Mexico 88210_____
(505) 748-1471_____
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_____

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 has drilled a well in the SE/4 of Section 10, Township 20 South, Range 24 East to which it has dedicated a 320-acre standard spacing unit in the Canyon formation, South Dagger Draw-Upper Pennsylvanian Pool. This well was drilled pursuant to an AFE for a well on a S/2 unit which was approved by Santa Fe. Yates has filed an application seeking the compulsory pooling of the S/2 of this section and will oppose the application of Santa Fe Energy Partners, L.P., to pool the W/2 of this section, shut in Yates producing well in the SW/4 of the section and to create a nonstandard unit for the Yates well.

PROPOSED EVIDENCE

APPLICANT

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

OPPOSITION

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

Cathy Porter, Land

15 Min.

Approximately 6

D'nese Fly, Geology

15 Min.

Approximately 3

Pinson McWhorter, Engineering

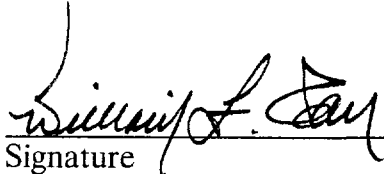
15 Min.

Approximately 3

PROCEDURAL MATTERS

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

Yates Petroleum Corporation will seek dismissal of the Santa Fe application since Santa Fe approved the drilling of a well in the SE/4 of Section 10 on a S/2 spacing unit. If the case is heard by the Division Yates will request that this case be consolidated for purposes of hearing with Case 10875.


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:

APPLICATION OF SANTA FE ENERGY
OPERATING PARTNERS, L.P. FOR
COMPULSORY POOLING, TO SHUT-IN
A PRODUCING WELL, AND FOR A NON-
STANDARD SPACING AND PROPORTION
UNIT, EDDY COUNTY, NEW MEXICO.

CASE NO. 10,871

APPLICATION FOR YATES PETROLEUM
CORPORATION FOR COMPULSORY
POOLING, EDDY COUNTY, NEW
MEXICO.

CASE NO. 10,875

CONSOLIDATED PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Santa Fe Energy Operating Partners, L.P.
as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Santa Fe Energy Operating
Partners, L.P.
Suite 1330
500 West Texas
Midland, Texas 79701
(915) 687-3551

Attention: Gary Green

ATTORNEY

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

OPPOSITION OR OTHER PARTY

Yates Petroleum Corporation

ATTORNEY

William F. Carr, Esq.

STATEMENT OF CASE

APPLICANT

Santa Fe Energy Operating Partners, L.P. (Santa Fe) and Yates Petroleum Corporation (Yates) own undivided working interests in Section 10, Township 20 South, Range 24 East. This section is on the border between the North Dagger Draw-Upper Pennsylvanian Pool and the South Dagger Draw-Upper Pennsylvanian and the South Dagger Draw-Upper Pennsylvanian Associated Pool. In this area, Santa Fe has allowed Yates to operate most of the acreage in which Santa Fe owns an interest. The E½ of Section 10 is subject to an operating agreement under which Yates is operator. The W½ of Section 10 is not subject to an operating agreement.

In 1991 Yates drilled and completed the Judith "AIJ" Fed. Well No. 1 (the Judith Well), located 660 feet FSL and FEL of Section 9, Township 20 South, Range 24 East. This well is a gas well in the South Dagger Draw Pool. This well was placed on production in 1992 and since then has produced in excess of 0.5 BCF of gas at rates exceeding one million cubic feet per day. Yates owns 100% of the working interest in this well.

Commencing a number of months ago, Santa Fe requested Yates, as operator of most of Santa Fe's acreage in the Dagger Draw area, to drill a well to offset the Judith Well. Yates refused. As a result, Santa Fe proposed a well 990 feet FSL and FWL of Section 10, with a W½ unit, to test the South Dagger Draw Pool. However, Yates apparently does not want to offset its Judith Well, and instead proposed its Ocotillo "ACI" Fed. Com. Well No. 2 to test the South Dagger Draw Pool. Said well is located 600 feet FSL and FEL of Section 10, with a S½

unit.¹ Santa Fe contends this well location is insufficient to offset the Judith Well and prevent drainage of the SW¼ of Section 10.

As a result of the foregoing, Santa Fe requests approval of its well location in the SW¼SW¼ of Section 10, with a W½ Unit, which is necessary to prevent drainage of its acreage by the Judith Well. Santa Fe requests that the proposed Yates' Ocotillo Well be granted a non-standard spacing unit in the South Dagger Draw Pool of 160 acres (the SE¼). This will cause no adverse effects to any offset interest owner since this part of the Pool is being developed on 40 acre spacing, and the NE¼ of Section 10 is within the North Dagger Draw Pool, which is spaced on 160 acres.

Finally, Santa Fe requests that the Judith Well be shut-in pending drilling and completion of Santa Fe's well, to prevent further injury to Santa Fe's lease caused by Yates' continuing refusal to protect Santa Fe's acreage.

OPPOSITION

PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Gary Green (Landman)	15 minutes	(a) Land Plat. (b) Correspondence. (c) Affidavit of Notice. (d) AFE. (e) Isopach.

¹Santa Fe signed an AFE for this well, because it anticipates the well will be commercial and thus it is unreasonable to go non-consent. However, there is no operating agreement on the SW¼, nor is there a S½ communitization agreement.

OPPOSITION

WITNESSES	EST. TIME	EXHIBITS
Gene Davis (Geologist)	15 minutes	(a) Structure map. (b) Two isopachs. (c) Cross-section. (d) Production map.
Don Rogers (Engineer)	10 minutes	(a) Engineering data.

PROCEDURAL MATTERS

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD
& HENSLEY

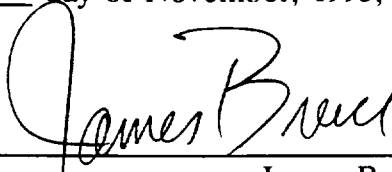
A handwritten signature in cursive script, appearing to read "James Bruce", is written over a horizontal line.

James Bruce
Post Office Box 2068
Santa Fe, New Mexico 87504-2068
(505) 982-4554

Attorneys for Santa Fe Energy Operating
Partners, L.P.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Entry of Appearance and Pre-Hearing Statement was mailed to William F. Carr, Esq., Post Office Box 2208, Santa Fe, New Mexico 87504-2208, this 14th day of November, 1993, by first-class mail, postage prepaid.



James Bruce

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

MAR 8 1994

APPLICATION OF SANTA FE ENERGY
OPERATING PARTNERS, L.P. FOR
COMPULSORY POOLING AND TO SHUT IN
A PRODUCING WELL, AND FOR A NON-
STANDARD SPACING AND PRORATION
UNIT, EDDY COUNTY, NEW MEXICO.

CASE NO. 10,871 (de novo)

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Santa Fe Energy Operating Partners, L.P. as required by the Oil Conservation Commission.

APPEARANCE OF PARTIES:

Applicant:

Santa Fe Energy Operating
Partners, L.P.
550 West Texas, Suite 1330
Midland, Texas 79701
Attn: Curtis D. Smith
(915) 687-3551

Attorney:

James Bruce
Hinkle, Cox, Eaton,
Coffield & Hensley
Post Office Box 2068
Santa Fe, NM 87504-2068
(505) 982-4554

Other Party:

Yates Petroleum Corporation

Attorney:

William F. Carr

STATEMENT OF CASE:

Applicant:

This case concerns Section 10-20 South-24 East, in Eddy County. The E $\frac{1}{2}$ is one federal lease jointly owned by Santa Fe and Yates, and is subject to an operating agreement. The W $\frac{1}{2}$ is a separate federal lease jointly owned by Santa Fe and Yates, which is not subject to an operating agreement.

There is an existing well, the Yates Ocotillo ACI Federal No. 1, in the NE $\frac{1}{4}$ of Section 10 completed in the North Dagger Draw

Pool, spaced on 160 acres. Yates has also drilled the Ocotillo ACI Federal No. 2 Well in the SE $\frac{1}{4}$ of Section 10, completed in the South Dagger Draw Upper Penn Pool, which is spaced on 320 acres.

Santa Fe sought to force pool Yates in a W $\frac{1}{2}$ unit to drill a well located in the SW $\frac{1}{4}$. Yates, in a competing case, had sought to force pool the S $\frac{1}{2}$ of Section 10 for the No. 2 Well. Both cases were dismissed by the Division. The parties have subsequently come to terms regarding the development of Section 10, and request the following:

1. The compulsory pooling portion of Santa Fe's application be dismissed.

2. The portion of Santa Fe's application requesting the Judith AIJ Federal Well No. 1, located in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 9, be shut-in, be dismissed.

3. A non-standard unit in the South Dagger Draw Upper Penn Pool be established for the existing Ocotillo ACI Federal Well No. 2, located in the SE $\frac{1}{4}$ of Section 10.

The basis for this request is that Yates and Santa Fe have agreed to enter into an operating agreement covering the W $\frac{1}{2}$ and SE $\frac{1}{4}$ of Section 10, and have agreed to drill two additional wells in the W $\frac{1}{2}$.

OTHER PARTY

TESTIMONY:

Applicant:

WITNESS

Curtis Smith (Landman)

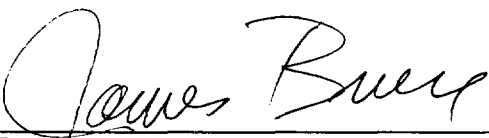
ESTIMATED TIME

10 minutes

EXHIBITS

- (A) land plat
- (B) BLM drainage demand letter.
- (C) Settlement agreement between Yates and Santa Fe

OTHER PARTY




James Bruce
Hinkle, Cox, Eaton,
Coffield & Hensley
Post Office Box 2068
Santa Fe, New Mexico 87504-2068

CERTIFICATE OF SERVICE

I hereby certify that the foregoing **Pre-Hearing Statement** as hand delivered this 8th day of March, 1994, to:

William F. Carr
Campbell, Carr, Berge & Sheridan, P.A.
Post Office Box 2208
Santa Fe, New Mexico 87504-2208



James Bruce