

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

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ALBUQUERQUE, NEW MEXICO 87102-2121

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OF COUNSEL
O. M. CALHOUN
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JOE W. WOOD

CLARENCE E. HINKLE (1904-1985)
W. E. BONDURANT, JR. (1913-1973)
ROY C. SNODGRASS, JR. (1914-1987)

December 11, 1990

700 UNITED BANK PLAZA

POST OFFICE BOX 10

ROSWELL, NEW MEXICO 88202

(505) 622-6510

FAX (505) 623-9332

2800 CLAYDESTA NATIONAL BANK BUILDING

POST OFFICE BOX 3580

MIDLAND, TEXAS 79702

(915) 683-4691

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LEWIS C. COX
PAUL W. EATON
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
ERIC D. LANPHERE
C. D. MARTIN
PAUL J. KELLY, JR.
MARSHALL S. MARTIN
GWEN M. LOPEZ
DOUGLAS L. LUNSFORD
JOHN J. KELLY
T. CALDER EZZELL, JR.
WILLIAM B. BURFORD
RICHARD E. OLSON
RICHARD R. WILFONG
THOMAS J. McBRIDE
STEVEN D. ARNOLD
JAMES J. WECHSLER
NANCY S. CUSACK
JEFFREY L. FORNACARI
JEFFREY D. HEWITT
JAMES BRUCE
JERRY F. SHACKELFORD
JEFFREY W. HELLBERG
ALBERT L. PITS
THOMAS M. HNASKO
JOHN C. CHAMBERS
MICHAEL A. GROSS
THOMAS D. HANES, JR.
FRANKLIN H. McCALLUM
GREGORY J. NIBERT

DAVID T. MARKETTE
MARK C. DOW
KAREN M. RICHARDSON
FRED W. SCHWEND MANN
JAMES M. HUDSON
RAYMOND HAMILTON
STANLEY K. KOTOVSKY
BETTY H. LITTLE
JEFFREY S. BARD
RUTH S. MUSGRAVE
HOWARD R. THOMAS
PATRICIA A. WATTS
NANCY AUGUSTUS
MACDONNELL GORDON
REBECCA NICHOLS JOHNSON
PAUL R. NEWTON
WILLIAM R. JOHNSON
ELLEN S. CASEY
S. BARRY PAISNER
MARGARET CARTER LUDEWIG
MARTIN MEYERS
GREGORY S. WHEELER
ANDREW J. CLOUTIER
JAMES A. GILLESPIE
GARY W. LARSON
STEPHANIE LANDRY
JERRY D. WORSHAM II
JOHN R. KULSETH, JR.
TONY CONNERS

*NOT LICENSED IN NEW MEXICO

VIA FEDERAL EXPRESS

Ms. Florene Davidson
New Mexico Oil Conservation
Division
310 Old Santa Fe Trail
Room 206
Santa Fe, New Mexico 87501

Dear Florene:

Enclosed for filing are an original and two copies of each of the following Applications:

A. For Santa Fe Energy:

1. Application for Compulsory Pooling (S $\frac{1}{2}$ Section 17-24 South-25 East).
2. Application for Unorthodox Oil Well Location (S $\frac{1}{2}$ SE $\frac{1}{4}$ Section 5-18 South-33 East).
3. ~~Application for Compulsory Pooling (W $\frac{1}{2}$ NW $\frac{1}{4}$ Section 8-18 South-33 East).~~

B. For Mewbourne Oil Company:

1. Application for Compulsory Pooling (E $\frac{1}{2}$ Section 29-20 South-27 East).
2. Application for Unorthodox Gas Well Location (N $\frac{1}{2}$ Section 14-17 South-26 East).

RECEIVED

DEC 12 1990

OIL CONSERVATION DIV.
SANTA FE

10211

HINKLE, COX, EATON, COFFIELD & HENSLEY

Ms. Florene Davidson
December 11, 1990
Page 2

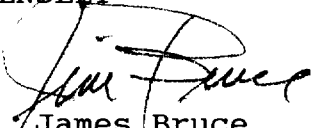
C. For The Petroleum Corporation of Delaware:

1. Application for Compulsory Pooling (N $\frac{1}{2}$ Section 1-20 South-29 East).

Please set these cases for the January 10, 1991 Examiner Hearing. Thank you.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By:  James Bruce

JB:le
Enclosures

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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

DEC 12 1990

APPLICATION OF SANTA FE ENERGY OPERATING
PARTNERS, L.P. FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

OIL CONSERVATION DIV.
SANTA FE
No. 10211

APPLICATION

Santa Fe Energy Operating Partners, L.P. hereby makes application for an order pooling all interests from the surface to the base of the Wolfcamp formation underlying the $W\frac{1}{2}NW\frac{1}{4}$ of Section 8, Township 18 South, Range 33 East, N.M.P.M., Lea County, New Mexico, and in support thereof states:

1. Applicant is an interest owner and has the right to drill a well in the $W\frac{1}{2}NW\frac{1}{4}$ of said Section 8.

2. Applicant proposes to drill its Kachina 8 Well No. 2 in the $W\frac{1}{2}NW\frac{1}{4}$ of Section 8, at an orthodox location 1980 feet from the North line and 660 feet from the West line of the Section, to a depth sufficient to test the Wolfcamp formation, and seeks to dedicate the following acreage to the well:

(a) The $W\frac{1}{2}NW\frac{1}{4}$ of Section 8 for all pools or formations spaced on 80 acres; and

(d) The $SW\frac{1}{4}NW\frac{1}{4}$ of Section 8 for all pools or formations spaced on 40 acres.

3. Applicant has in good faith sought to join all other mineral or leasehold interest owners in the $W\frac{1}{2}NW\frac{1}{4}$ of Section 8 for the purposes set forth herein.

4. Although Applicant attempted to obtain voluntary agreements from all mineral or leasehold interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their acreage. Therefore, Applicant seeks an order pooling all mineral and leasehold interest owners underlying the $W\frac{1}{2}NW\frac{1}{4}$ of Section 8, as described above, pursuant to N.M. Stat. Ann. § 70-2-17 (1987 Repl.).

5. Applicant requests the Division to consider the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating charges and costs charged for supervision. Applicant requests that it be designated as operator of the well and that the Division set a penalty of 200% for the risk involved in drilling the well.

6. The pooling of all interests underlying the $W\frac{1}{2}NW\frac{1}{4}$ of Section 8, as described above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.


7. Applicant requests that this matter be heard at the January 10, 1991 Examiner hearing.

WHEREFORE, Applicant requests that, after hearing, the Division grant the relief requested above.

Dated: 12/11/90.

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By 
James Bruce
500 Marquette, N.W.
Suite 800
Albuquerque, New Mexico 87102
(505) 768-1500

Attorneys for Applicant

RECEIVED

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION DEC 12 1990

APPLICATION OF SANTA FE ENERGY OPERATING
PARTNERS, L.P. FOR COMPULSORY POOLING,
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Suite 800
Albuquerque, New Mexico 87102
(505) 768-1500

Attorneys for Applicant

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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION DEC 12 1990

OIL CONSERVATION DIV.
SANTA FE

APPLICATION OF SANTA FE ENERGY OPERATING
PARTNERS, L.P. FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

No. 10211

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WHEREFORE, Applicant requests that, after hearing, the Division grant the relief requested above.

Dated: 12/11/90.

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By 
James Bruce
500 Marquette, N.W.
Suite 800
Albuquerque, New Mexico 87102
(505) 768-1500

Attorneys for Applicant

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF SANTA FE ENERGY
OPERATING PARTNERS, L.P. FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

NO. 10211

MOTION TO ALLOW APPEAL OF, AND NOTICE OF APPEAL OF,
EXAMINER'S DECISION; AND MOTION TO STAY EXAMINER'S DECISION
PENDING APPEAL

Pursuant to Rule 1216, Santa Fe Energy Operating Partners, L.P. (Santa Fe) hereby moves the Oil Conservation Commission (the Commission) for permission to appeal to the Commission the decision of the Hearing Examiner issued on January 10, 1991, regarding a Subpoena Duces Tecum issued in favor of Hanley Petroleum, Inc. (Hanley Petroleum). As grounds therefore, Santa Fe states:

1. Santa Fe has pending before the Oil Conservation Division (the Division) Case No. 10211, requesting compulsory pooling of the W1/2NW1/4 of Section 8, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico. The party to be force pooled is Hanley Petroleum.
2. On January 3, 1991, the division issued a Subpoena Duces Tecum at the request of Hanley Petroleum, a copy of which is attached hereto as Exhibit A.
3. Santa Fe filed its Motion to Quash Subpoena Duces Tecum on January 9, 1991.

4. The Motion was argued on January 10, 1991, and the Examiner issued his decision requiring the production of the information listed in paragraphs 1, 2, 3, 4, 5, and 9 of the Subpoena, but granting the motion as to the information described in paragraphs 6, 7, 8, and 10 of the Subpoena.

5. Santa Fe asserted at hearing, and hereby re-asserts, that the Subpoena should be quashed in its entirety for the following reasons:

- a. The information sought by Hanley Petroleum is privileged and confidential, and was acquired by Santa Fe at substantial cost to it.
- b. Santa Fe offered (and continues to offer) to Hanley Petroleum the information listed in paragraphs 1, 2, 3, 4, 5, and 9 of the Subpoena, requesting in return that Hanley Petroleum agree to join in the well or enter into a farmout after viewing the data.
- c. Santa Fe is obligated to maintain the confidentiality of well data to satisfy its fiduciary obligations to its shareholders or partners.
- d. If the information sought by Hanley Petroleum is ordered produced, the order must require Hanley Petroleum to maintain the confidentiality of the information to protect Santa Fe and to prevent

Santa Fe from breaching agreements with third parties.

- e. Concurrent with the issuance of the Subpoena, Hanley Petroleum filed its own application to force pool the W1/2NW1/4 of said Section 8. Santa Fe asserts that if Hanley Petroleum is willing to drill a well in the W1/2NW1/4 of Section 8, then it has no need for the requested confidential information.

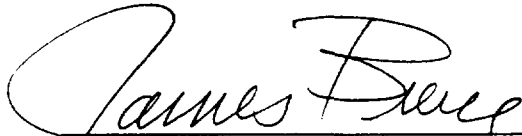
6. The decision of the Examiner compelling the production of confidential and privileged information constitutes a change in the Division's policy. In addition, this is a case of first impression before the Commission. Because of the decision's importance to Santa Fe, and to all oil and gas operators in this state, Santa Fe moves for permission to appeal this decision to the full Commission so that the Commission may clarify what confidential and proprietary information may be subpoenaed (if any), and under what circumstances, in a Division or Commission proceeding. Santa Fe also files this pleading as a notice of appeal of said decision.

7. Santa Fe also requests that the order of the Examiner be suspended or stayed pending a resolution of this issue by the full Commission.

WHEREFORE, Santa Fe requests that this matter be placed for argument before the full Commission, and that the Commission reverse the order of the Examiner as to the information requested in paragraphs 1, 2, 3, 4, 5, and 9 of the Subpoena, and order the Subpoena to be quashed in its entirety. Santa Fe also requests that the order of the Examiner be stayed pending a decision by the Commission.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD
& HENSLEY

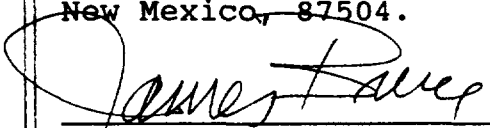


James Bruce

500 Marquette N.W., Suite 800
Albuquerque, New Mexico 87102
(505) 768-1500

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

I hereby certify that a copy of the foregoing Motion was telecopied this 14th day of January, 1991, to W. Thomas Kellahin, Telecopy #: 505-982-2047, and mailed to him at P.O. Box 2265, Santa Fe, New Mexico, 87504.


James Bruce

BEFORE THE OIL CONSERVATION DIVISION

RECEIVED

JAN : 1991

IN THE MATTER OF THE APPLICATION OF
SANTA FE ENERGY OPERATING PARTNERS, L.P.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

OIL CONSERVATION DIVISION

CASE NO. 10211

SUBPOENA DUCES TECUM

TO: Santa Fe Energy Operating Partners, L.P.
c/o James Bruce, Esq.
Hinkle, Cox, Eaton, Coffield & Hensley
500 Marquette, N.W.
Albuquerque, New Mexico 87102

Pursuant to the power vested in this Division, you are commanded to produce at 8:15 A.M., January 10, 1991, to the offices of the Oil Conservation Division, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico 87501 and make available for copying, all the following documents under the possession or control of Santa Fe Energy Operating Partners, L.P.:

For the following well:

Kachina "8" Federal Well No. 1 located in
NE/4NW/4, Section 8, Township 18 South, Range 33 East,
Lea County, New Mexico.

Produce the following data:

1. Any and all pressure data, including but not

- limited to bottom hole pressure surveys;
2. Mechanical logs and mud logs, if any;
 3. Any and all Gas Oil Ratio Tests;
 4. Any and all specific gravity information on the liquids;
 5. Any and all production information;
 - ⑥ Any and all reserve calculations, including but not limited to volumetric calculations of reserves, including recoverable reserves;
 - ⑦ Any and all reservoir studies;
 - ⑧ Any and all economic studies including but not limited to estimates of payout and rates of return; and
 9. Complete daily drilling and completion reports from inception to the latest available data for each well.
 - ⑩ Geologic interpretations by which you justify the well and evaluate its risk.

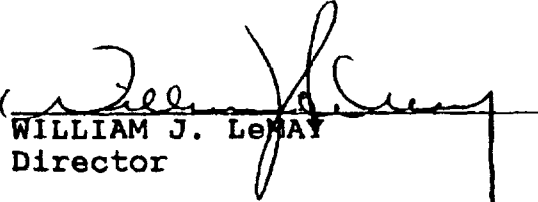
INSTRUCTIONS

This Subpoena Duces Tecum seeks all information available to you or in your possession, custody or control from any source, wherever situated, including but not limited to information from any files, records,

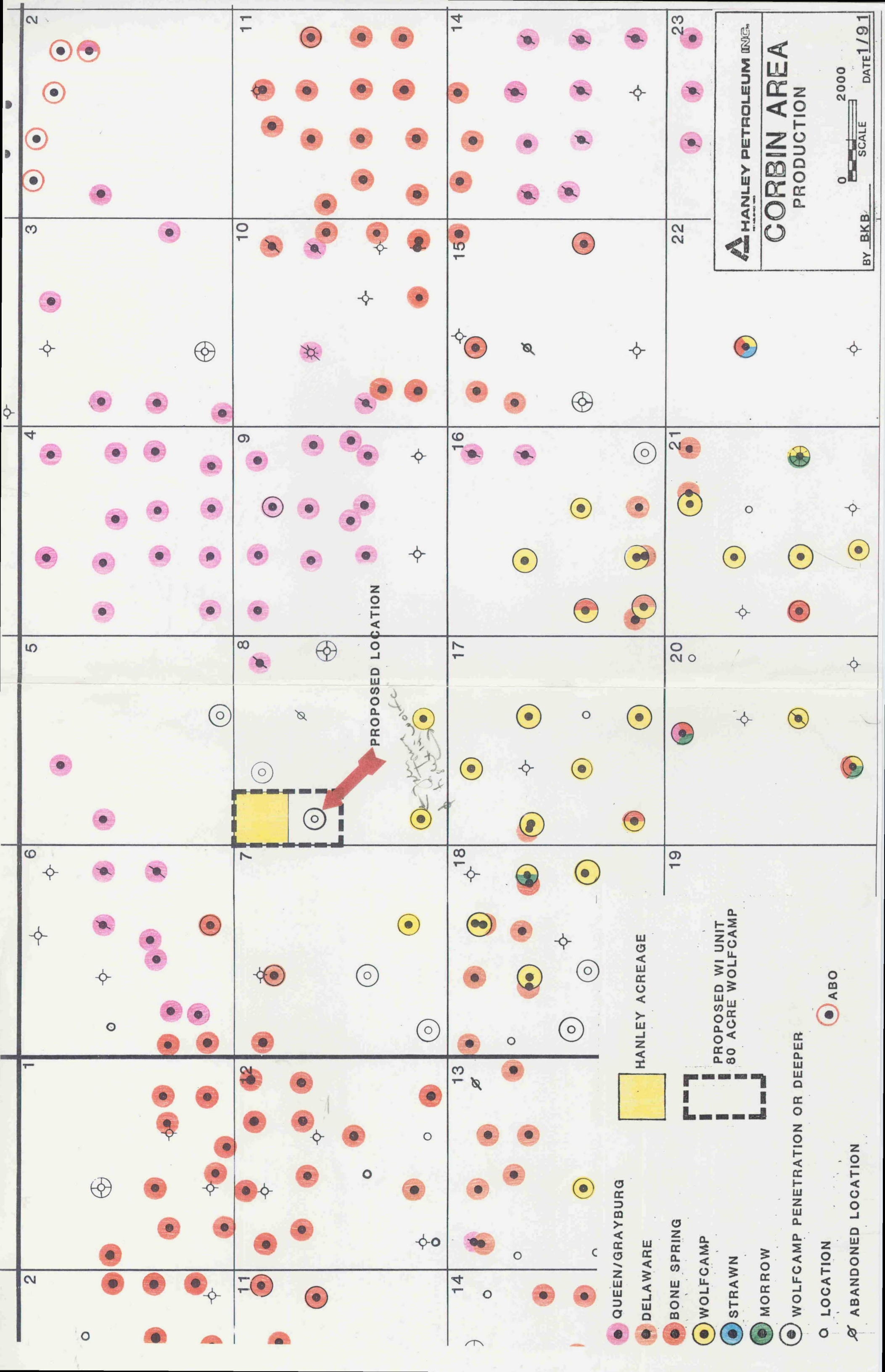
documents, employees, former employees, counsel and former counsel. It is directed to each person to whom such information is a matter of personal knowledge.

When use herein, "you" or "your" refers to the person or entity to whom this Subpoena Duces Tecum is addressed to include all of his or its attorneys, officers, agent, employees, directors, representatives, officials, departments, divisions, subdivisions, subsidiaries, or predecessors.

NEW MEXICO OIL CONSERVATION
DIVISION


WILLIAM J. LEMAY
Director

ISSUED THIS 3rd day of January, 1991, at
Santa Fe, New Mexico.



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**HANLEY PETROLEUM INC.**
CORBIN AREA
PRODUCTION

BY **BKB** SCALE 0 2000 DATE **1/91**

PROPOSED LOCATION

HANLEY ACREAGE

PROPOSED WI UNIT
80 ACRE WOLF CAMP

QUEEN/GRAYBURG

DELAWARE

BONE SPRING

WOLF CAMP

STRAWN

MORROW

WOLF CAMP PENETRATION OR DEEPER

LOCATION

ABANDONED LOCATION

ABO

Hondo Oil & Gas Company

Box 2208
Roswell, New Mexico 88202
(505)625-8700



January 16, 1991

Mr. William J. LeMay,
Director
New Mexico Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

RECEIVED
JAN 1 1991
OIL CONSERVATION DIVISION

Re: Case 10211
Compulsory Pooling Application
Santa Fe Energy Operating Partners, L.P.

Dear Mr. LeMay:

Reference is made to pending Case No. 10211, regarding Compulsory Pooling and your Subpoena Duces Tecum dated January 3, 1991 in regard to the captioned case and the Decision of the Hearing Examiner dated January 10, 1991.

As an active operating company in New Mexico, Hondo Oil & Gas Company respectfully objects to your decision requiring the production of privileged information in regard to a compulsory pooling application.

It is unreasonable that the commissioner would compel Santa Fe Energy to produce confidential and privileged information in regard to a well that is not within the spacing unit involved with the compulsory pooling application in the subject case. The release of such data would appear to be beyond that required by statute or regulation.

We respectfully request that you reconsider the position of the Division and not require the production of the following documents in regard to the Kachina "8" Federal Well No. 1 located in the NE/4NW/4 Section 8, T-18-S, R-33-E, Lea County, New Mexico:

1. Any and all pressure data, including but not limited to bottom hole pressure surveys;
2. Mechanical logs and mud logs, if any;
3. Any and all Gas Oil Ratio Tests;
4. Any and all specific gravity information on the liquids.
5. Any and all production information;
6. Complete daily drilling reports from inception to the latest available date for each well.

New Mexico Oil Conservation

Page Two

January 16, 1991

A majority of the above information is public information when filed with the commission or within 90 days after filing. It should not be required that such data be produced again for the commission.

We respectfully submit that the above information is not generally furnished in support of a compulsory pooling application and such data is not required for a party to make the necessary decision in regard to such application and ask that you withdraw the Subpoena in its entity.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "John R. McMinn".

John R. McMinn
Sr. Vice President

JRM/cl

COLLINS & WARE, INC.

SUITE 701 HIGHTOWER BUILDING

600 WEST ILLINOIS

MIDLAND, TEXAS 79701

(915) 687-3435

January 17, 1991

RECEIVED BY FEDERAL EXPRESS

Mr. J. Lemay
U.S. Conservation Commission
310 Old Santa Fe Trail
Box 200
Santa Fe, New Mexico 87501

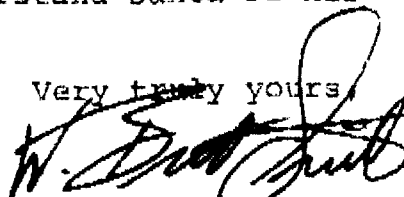
Re: Case No. 10,211, The Application of Santa Fe Energy
Operating Partners for Compulsory Pooling, Lea County,
New Mexico

Dear Mr. Lemay:

Collins & Ware, Inc. submits this letter in support of Santa Fe Energy in the above matter. Collins & Ware, Inc. strongly opposes the OCD issuing subpoenas which require an applicant to provide confidential and proprietary data to an opposing party. It is the industry practice to maintain the confidentiality of geological, geophysical, and engineering data, and freely granting access to an operator's files will, in our opinion, have adverse effects on the oil and gas industry in New Mexico.

In addition, it is the experience of this company that data not of public record, can be and is frequently exchanged for a commitment to participate in or lease in a proposed well. We understand Santa Fe has made such a proposal in this case.

Very truly yours,



W. Brett Smith

ILLEGIBLE

MEMORANDUM

TO: Bill LeMay, Mike Stogner, Dave Catanach
FROM: Bob Stovall *BS*
SUBJECT: Pre-hearing Statement Format
DATE: February 26, 1990

As we have discussed briefly, I am recommending that parties appearing before Division Examiners (or the Commission) should be required to submit to us on say Friday before the hearing a pre-hearing statement. The purpose of the statement for us is to enable us to better anticipate and control our hearing dockets. Before coming to hearing, a party would be required to inform us, and other parties if there are any, what they expect to present, how many witnesses and exhibits, estimated time, etc.

I have discussed this with some of the attorneys who appear regularly before us, and they fully support the idea. The biggest problem they have right now is that their clients often come to town Tuesday night to prepare for a Wednesday hearing. The attorney's often do not even know what they are going to be presenting until the day before the hearing. This is even more of a problem when a case is opposed.

If we impose the requirement to file the prehearing statement, the attorneys will be able to tell their clients that they must comply with our requirements and it will enable them to better prepare their cases. That will help us and the attorneys, and should result in a more efficient hearing process. We should at least have a better idea of how long cases are going to take, which will enable us to make sure that we have blocked sufficient time and have the court reporter scheduled for the necessary time. This requirement is very common for lawyers, and the lawyers I have spoken to strongly support our making this a part of our process.

I have drafted a proposed **PRE-HEARING STATEMENT** form which can be distributed with a future docket mailing. I would appreciate your comments on this form, and I will then distribute it to attorneys for comment. It is not my intent that this be a rigid format which can never be modified, but that it be a suggested format which can be adapted as needed for a particular case.

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.

APPLICATION OF

PRE-HEARING STATEMENT

This prehearing statement is submitted by _____ as required
by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

ATTORNEY

name, address, phone and
contact person

OPPOSITION OR OTHER PARTY

ATTORNEY

name, address, phone and
contact person

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.)

PROPOSED EVIDENCE

APPLICANT

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
--	------------------	-----------------

OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
--	------------------	-----------------

PROCEDURAL MATTERS

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



JIM BACA
COMMISSIONER

State of New Mexico
OFFICE OF THE
Commissioner of Public Lands
Santa Fe

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

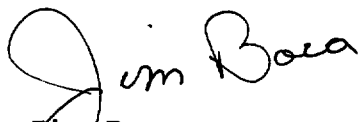
January 14, 1991

Mr. William LeMay
Director
Oil Conservation Division
Energy, Minerals and Natural Resources Department
Santa Fe, New Mexico 87504

Dear Mr. LeMay:

Pursuant to Section 70-2-4 NMSA 1978, I hereby designate Ms. Jami Bailey as my representative on the Oil Conservation Commission for the commission hearing to be held on January 17, 1991. If you have any questions concerning this designation, please let me know.

Sincerely,


Jim Baca
Commissioner of Public Lands

cc: Jami Bailey

*

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN

KAREN AUBREY

CANDACE HAMANN CALLAHAN

JASON KELLAHIN

OF COUNSEL

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

January 3, 1991

HAND DELIVERED

RECEIVED

JAN

OIL CONSERVATION DIVISION

William J. LeMay
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
310 Oil Santa Fe Trail
Santa Fe, New Mexico 87501

Re: Case No. 10211
Application of Santa Fe Energy Operating
Partners, L.P. for Compulsory Pooling,
Lea County, New Mexico

Dear Mr. LeMay

On behalf of Hanley Petroleum Inc., I request that the Oil Conservation Division issue the enclosed Subpoena to Santa Fe Energy Operating Partners, L.P.

Hanley Petroleum Inc. is a working interest owner in the acreage which is the subject of this application in the Undesignated South Corbin-Wolfcamp Pool and these documents are necessary to prepare our case in opposition to Santa Fe Energy's application.

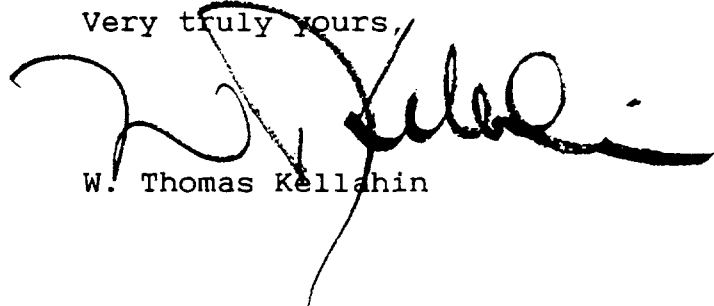
A copy of this request and subpoena has been faxed to James Bruce.

This case is currently scheduled for hearing on January 10, 1991 before the Division. If we receive the information covered by this subpoena, we will need at least two additional weeks to review this data and prepare our case. We, therefore, request that the hearing on January 10, 1991, be called for the purpose of production of data and that the case be continued to January 24, 1991.

Mr. William J. LeMay
January 3, 1991
Page 2

Your attention to this request is appreciated.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'W. Thomas Kellahin', with a long, sweeping horizontal stroke extending to the right.

W. Thomas Kellahin

WTK/tic
Enclosure

cc: Mr. Jim Rogers
Hanley Petroleum Inc.
415 West Wall, Suite 1500
Midland, Texas 79701

James Bruce, Esq.
Hinkle, Cox, Eaton, Coffield & Hensley
500 Marquette, N.W.
Albuquerque, New Mexico 87102

William F. Carr, Esq.
Campbell & Black, P.A.
110 North Guadalupe
Santa Fe, New Mexico 87501

BEFORE THE OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
SANTA FE ENERGY OPERATING PARTNERS, L.P.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

CASE NO. 10211

SUBPOENA DUCES TECUM

TO: Santa Fe Energy Operating Partners, L.P.
c/o James Bruce, Esq.
Hinkle, Cox, Eaton, Coffield & Hensley
500 Marquette, N.W.
Albuquerque, New Mexico 87102

Pursuant to the power vested in this Division, you are commanded to produce at 8:15 A.M., January 10, 1991, to the offices of the Oil Conservation Division, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico 87501 and make available for copying, all the following documents under the possession or control of Santa Fe Energy Operating Partners, L.P.:

For the following well:

Kachina "8" Federal Well No. 1 located in
NE/4NW/4, Section 8, Township 18 South, Range 33 East,
Lea County, New Mexico.

Produce the following data:

1. Any and all pressure data, including but not

*See
order
in
file*

*Revised
Confidential* →

limited to bottom hole pressure surveys;

2. Mechanical logs ~~and mud logs, if any;~~

3. Any and all Gas Oil Ratio Tests;

4. Any and all specific gravity information on the liquids;

5. Any and all production information;

→ 6. Any and all reserve calculations, including but not limited to volumetric calculations of reserves, including recoverable reserves;

→ 7. Any and all reservoir studies;

→ 8. Any and all economic studies including but not limited to estimates of payout and rates of return; and

9. *Any testing information contained in*
~~Complete~~ daily drilling and completion reports from inception to the latest available data, ~~for each well.~~

→ 10. Geologic interpretations by which you justify the well and evaluate its risk.

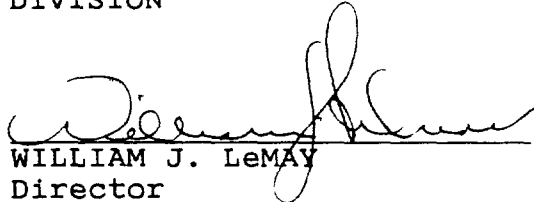
INSTRUCTIONS

This Subpoena Duces Tecum seeks all information available to you or in your possession, custody or control from any source, wherever situated, including but not limited to information from any files, records,

documents, employees, former employees, counsel and former counsel. It is directed to each person to whom such information is a matter of personal knowledge.

When use herein, "you" or "your" refers to the person or entity to whom this Subpoena Duces Tecum is addressed to include all of his or its attorneys, officers, agent, employees, directors, representatives, officials, departments, divisions, subdivisions, subsidiaries, or predecessors.

NEW MEXICO OIL CONSERVATION
DIVISION


WILLIAM J. LeMAY
Director

ISSUED THIS 3rd day of January, 1991, at
Santa Fe, New Mexico.

BEFORE THE OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
SANTA FE ENERGY OPERATING PARTNERS, L.P.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

CASE NO. 10211

CERTIFICATE OF SERVICE

I hereby certify that I have caused to be served
the original Subpoena Duces Tecum to Santa Fe Energy
Operating Partners, L.P., c/o James Bruce, Esq.,
Hinkle, Cox, Eaton, Coffield & Hensley, 500 Marquette,
N.W., Albuquerque, New Mexico 87102, on this _____ day
of January, 1991.

PROCESS SERVER

SUBSCRIBED AND SWORN to before me this _____ day
of _____, 1991.

Notary Public

My Commission Expires:

HINKLE, COX, EATON, COFFIELD & HENSLEY

LEWIS C. COX
PAUL W. EATON
CONRAD E. COFFIELD
HAROLD L. HENSLEY JR.
STUART D. SHANOR
ERIC D. LANPHERE
C. D. MARTIN
PAUL J. KELLY JR.
MARSHALL G. MARTIN
OWEN M. LOPEZ
DOUGLAS L. LUNSFORD
JOHN J. KELLY
T. CALDER EZZELL JR.
WILLIAM B. BURFORD
RICHARD E. OLSON
RICHARD R. WILFONG
THOMAS J. MCBRIDE
STEVEN D. ARNOLD
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NANCY S. CUSACK
JEFFREY L. FORNACIARI
JEFFREY D. HEWITT
JAMES BRUCE
JERRY F. SHACKELFORD
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FRANKLIN H. MCCALLUM
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BETTY H. LITTLE
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HOWARD R. THOMAS
PATRICIA A. WATTS
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ELLEN S. CASEY
S. BARRY PAISNER
MARGARET CARTER LUDEWIG
MARTIN MEYERS
GREGORY S. WHEELER
ANDREW J. CLOUTIER
JAMES A. GILLESPIE
GARY W. LARSON
STEPHANIE LANDRY
JOHN R. KULSETH, JR.
LISA K. SMITH

ATTORNEYS AT LAW
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ALBUQUERQUE, NEW MEXICO 87102-2121
(505) 768-1500
FAX (505) 768-1529

OF COUNSEL
O. M. CALHOUN
MACK EASLEY
JOE W. WOOD
RICHARD S. MORRIS
CLARENCE E. HINKLE (1904-1985)
W. E. BONDURANT, JR. (1913-1973)
ROY C. SNODGRASS, JR. (1914-1987)

January 8, 1991

700 UNITED BANK PLAZA
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ROSWELL, NEW MEXICO 88202
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FAX (505) 623-9332

2800 CLAYDESTA NATIONAL BANK BUILDING
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MIDLAND, TEXAS 79702
(915) 683-4691
FAX (915) 683-6518

1700 TEAM BANK BUILDING
POST OFFICE BOX 9238
AMARILLO, TEXAS 79105
(806) 372-5569
FAX (806) 372-9761

218 MONTEZUMA
POST OFFICE BOX 2068
SANTA FE, NEW MEXICO 87504
(505) 982-4554
FAX (505) 982-8623

*NOT LICENSED IN NEW MEXICO

FEDERAL EXPRESS

Mr. William Lemay
Director
New Mexico Oil Conservation Division
310 Old Santa Fe Trail
Room 206
Santa Fe, New Mexico 87501

Dear Mr. Lemay:

Enclosed for filing is a Motion to Quash Subpoena Duces
Tecum in OCD Case No. 10,211.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By: James Bruce

JB:le
Enclosure

cc: W. Thomas Kellahin

RECEIVED

JAN 11 1991

OIL CONSERVATION DIVISION

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY
OPERATING PARTNERS, L.P. FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

No. 10,211

MOTION TO QUASH SUBPOENA DUCES TECUM

Santa Fe Energy Operating Partners, L.P. (Santa Fe) hereby moves the Division to quash the Subpoena Duces Tecum issued January 3, 1991, which subpoena commands Santa Fe to appear before a Hearing Examiner of the Oil Conservation Division and to produce those documents set forth in the Subpoena Duces Tecum. As grounds therefor, Santa Fe states:

1. Hanley Petroleum is not entitled to the documents identified in the Subpoena under Division Rules 1211 and 1212.

2. The documents and information described in the subpoena are confidential and proprietary in nature, and insufficient need has been shown to justify the issuance of a subpoena or the production of the requested documents.

3. Santa Fe has previously offered certain information to Hanley Petroleum per the letter attached hereto as Exhibit A. In addition, Santa Fe is willing to provide additional data if Hanley Petroleum commits to joining in the well. Thus the subpoena is unnecessary and premature.

4. The information sought is irrelevant because it requests information and documents pertaining to the Kachina "8" Fed. Well No. 1, which is not the well at issue in the

above-referenced case. To require production of data on offsetting properties not at issue in this application would constitute an abuse of the Division's subpoena power.

5. The subpoena requests that information be produced at the hearing to be held on January 10, 1991 and lists no person(s) to whom the information is to be produced except for the Hearing Officer present on that date.

6. If production is ordered, Santa Fe will request that the Division keep the information confidential, and otherwise protect the information from disclosure to third parties.

WHEREFORE, Santa Fe requests that the Division quash the Subpoena Duces Tecum, or in the alternative direct that the requested information be produced only to the Hearing Examiner for his review and inspection. Further, Santa Fe requests that the Division protect this proprietary information and undertake adequate measures to assure that it will not be inadvertently disclosed to third parties.

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

BY 

James Bruce
500 Marquette, N.W.
Suite 800
Albuquerque, New Mexico 87102
(505) 768-1500

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

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing pleading was sent by Federal Express to W. Thomas Kellahin, 117 North Guadalupe, Santa Fe, New Mexico 87501 this 8th day of January, 1991.

By


James Bruce

Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company
Managing General Partner

CERTIFIED MAIL - RETURN RECEIPT

December 17, 1990

Hanley Petroleum, Inc.
415 West Wall, Suite 1500
Midland, Texas 79701-4473

ATTN: James W. Rogers

Re: Well Proposal
W/2NW/4 Sec. 8
T-18-S, R-33-E
Eddy County, New Mexico
Kachina "8" Fed. Com. #2

Dear Mr. Rogers:

Reference is made to our phone conversation of December 13, 1990 wherein we discussed the drilling of the above captioned well.

Santa Fe Energy Operating Partners, L.P. herein is willing to allow Representatives of Hanley Petroleum, Inc. to review the logs and drilling reports from spud date until 11/12/90 of the Kachina "8" Fed. #1 during normal business hours at Santa Fe's offices located at 550 West Texas, Suite 1330, Midland, Texas.

The viewing of this information is based on a commitment from Hanley Petroleum, Inc. to join in the drilling of this well or enter into a Farmout Agreement with Santa Fe Energy Operating Partners, L.P., and the information shown to Hanley will be kept Confidential.

If Hanley agrees to participate in the well, the contract area will cover the W/2NW/4 of Section 8, T-18-S, R-33-E from the surface to the base of the Wolfcamp Formation. The ownership of this area will be as follows:

Hanley Petroleum	50%
Santa Fe Energy	50%
Operating Partners, L.P.	

If Hanley elects to Farmout, the Agreement will cover the NW/4NW/4 Section 8 from the surface to the base of the Wolfcamp Formation.

- 1) Hanley will deliver an 80% NRI lease to Santa Fe, retaining an ORRI equal to the difference between existing burdens and 20%, but in no event will Hanley's ORRI be less than 2.50%.
- 2) Upon payout of said well, Hanley will have the option to convert its ORRI to a 25% Working Interest, proportionately reduced.

Page 2
Hanley Petroleum
December 17, 1990

- 3) Upon execution of a formal Agreement, Santa Fe will have 150 days to drill or cause to be drilled a well at a legal location in the W/2NW/4 of Section 8, T-18-S, R-33-E.
- 4) Santa Fe will earn rights from the surface down to 100' below total depth drilled, but in no event below the Wolfcamp Formation.

Hanley will have 5 days upon receipt of this letter to commit its interest to the options stated above and will have 10 days after reviewing the information above to make its election on these options.

In addition, Santa Fe is requesting to be placed on the January 10, 1991 docket for compulsory pooling, so a prompt reply is appreciated.

If you agree with the above captioned terms, please acknowledge your approval, by signing in the space provided below.

If you have any questions, please contact the undersigned.

Sincerely yours,

SANTA FE ENERGY OPERATING PARTNERS, L.P.
By: Santa Fe Pacific Exploration Company
Managing General Partner

By: Larry Murphy
Larry Murphy, Senior Landman

LM/efw

HANLEY PETROLEUM, INC. herein agrees this _____ day of December, 1990 to commit its interest in the NW/4NW/4 of Sec. 8 to an Operating Agreement or Farmout Agreement before the logs and drilling report (from spud date until 11/12/90) have been reviewed. In addition, Hanley agrees to make an election 10 days after the information stated above has been reviewed. The viewing of this information will be done no later than December 28, 1990 at Santa Fe's offices during normal business hours.

HANLEY PETROLEUM, INC.

By: _____

Type Name: _____

Title: _____

Date: _____

EFW1549

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

500 MARQUETTE N.W., SUITE 800
ALBUQUERQUE, NEW MEXICO 87102-2121

(505) 768-1500

FAX (505) 768-1529

OF COUNSEL
D. M. CALHOUN*
WACK EASLEY
JOE W. WOOD
EDWARD S. MORRISCLARENCE E. HINKLE (800-888-8888)
W. C. BONDURANT, JR. (800-973-9733)
ROY C. SHODGRASS, JR. (800-482-7777)

January 14, 1991

LEWIS C. COX
PAUL W. EATON
CONRAD C. COFFIELD
HAROLD L. HENSLEY JR.
STUART O. SHANOR
ERIC D. LANDMERE
C. D. MARTIN
PAUL J. KELLY JR.
MARSHALL G. MARTIN
OWEN M. LOPEZ
DOUGLAS L. LUNSFORD
JOHN J. KELLY
T. CALDER EZZELL JR.
WILLIAM S. BURFORD
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RICHARD R. WILFONG*
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JEFFREY D. HEWITT
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JERRY R. SHACKELFORD*
JEFFREY R. HELLBERG*
ALBERT L. RYDZ
THOMAS M. HINARRO
JOHN C. CHAMBERS*
MICHAEL A. GROSS
THOMAS D. HANES, JR.FRANKLIN H. MCCALLUM*
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LISA K. SMITH*700 UNITED BANK PLAZA
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(505) 822-6510
FAX (505) 822-61322500 CLAYDESTA NATIONAL BANK BUILDING
POST OFFICE BOX 3580
MIDLAND, TEXAS 79702
(915) 883-4691
FAX (915) 883-6518700 TEAM BANK BUILDING
POST OFFICE BOX 9238
AMARILLO, TEXAS 79106
(806) 372-5569
FAX (806) 372-9761215 MONTEZUMA
POST OFFICE BOX 2068
SANTA FE, NEW MEXICO 87504
(505) 982-4524
FAX (505) 982-8623

*NOT LICENSED IN NEW MEXICO

Mr. William LeMay
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504RE: Case No. 10,211

Dear Mr. LeMay:

Enclosed for filing is a request to appeal the above matter
to the Commission.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY
James Bruce

JB:kk

cc: W. Thomas Kellahin

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF SANTA FE ENERGY
OPERATING PARTNERS, L.P. FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

NO. 10211

MOTION TO ALLOW APPEAL OF, AND NOTICE OF APPEAL OF,
EXAMINER'S DECISION; AND MOTION TO STAY EXAMINER'S DECISION
PENDING APPEAL

Pursuant to Rule 1216, Santa Fe Energy Operating Partners, L.P. (Santa Fe) hereby moves the Oil Conservation Commission (the Commission) for permission to appeal to the Commission the decision of the Hearing Examiner issued on January 10, 1991, regarding a Subpoena Duces Tecum issued in favor of Hanley Petroleum, Inc. (Hanley Petroleum). As grounds therefore, Santa Fe states:

1. Santa Fe has pending before the Oil Conservation Division (the Division) Case No. 10211, requesting compulsory pooling of the W1/2NW1/4 of Section 8, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico. The party to be force pooled is Hanley Petroleum.
2. On January 3, 1991, the division issued a Subpoena Duces Tecum at the request of Hanley Petroleum, a copy of which is attached hereto as Exhibit A.
3. Santa Fe filed its Motion to Quash Subpoena Duces Tecum on January 9, 1991.

4. The Motion was argued on January 10, 1991, and the Examiner issued his decision requiring the production of the information listed in paragraphs 1, 2, 3, 4, 5, and 9 of the Subpoena, but granting the motion as to the information described in paragraphs 6, 7, 8, and 10 of the Subpoena.

5. Santa Fe asserted at hearing, and hereby re-asserts, that the Subpoena should be quashed in its entirety for the following reasons:

- a. The information sought by Hanley Petroleum is privileged and confidential, and was acquired by Santa Fe at substantial cost to it.
- b. Santa Fe offered (and continues to offer) to Hanley Petroleum the information listed in paragraphs 1, 2, 3, 4, 5, and 9 of the Subpoena, requesting in return that Hanley Petroleum agree to join in the well or enter into a farmout after viewing the data.
- c. Santa Fe is obligated to maintain the confidentiality of well data to satisfy its fiduciary obligations to its shareholders or partners.
- d. If the information sought by Hanley Petroleum is ordered produced, the order must require Hanley Petroleum to maintain the confidentiality of the information to protect Santa Fe and to prevent

Santa Fe from breaching agreements with third parties.

- e. Concurrent with the issuance of the Subpoena, Hanley Petroleum filed its own application to force pool the W1/2NW1/4 of said Section 8. Santa Fe asserts that if Hanley Petroleum is willing to drill a well in the W1/2NW1/4 of Section 8, then it has no need for the requested confidential information.

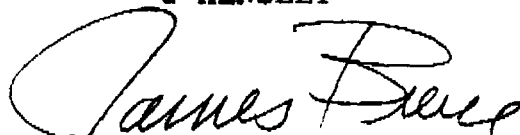
6. The decision of the Examiner compelling the production of confidential and privileged information constitutes a change in the Division's policy. In addition, this is a case of first impression before the Commission. Because of the decision's importance to Santa Fe, and to all oil and gas operators in this state, Santa Fe moves for permission to appeal this decision to the full Commission so that the Commission may clarify what confidential and proprietary information may be subpoenaed (if any), and under what circumstances, in a Division or Commission proceeding. Santa Fe also files this pleading as a notice of appeal of said decision.

7. Santa Fe also requests that the order of the Examiner be suspended or stayed pending a resolution of this issue by the full Commission.

WHEREFORE, Santa Fe requests that this matter be placed for argument before the full Commission, and that the Commission reverse the order of the Examiner as to the information requested in paragraphs 1, 2, 3, 4, 5, and 9 of the Subpoena, and order the Subpoena to be quashed in its entirety. Santa Fe also requests that the order of the Examiner be stayed pending a decision by the Commission.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD
& HENSLEY



James Bruce
500 Marquette N.W., Suite 800
Albuquerque, New Mexico 87102
(505) 768-1500
Attorneys for Santa Fe Energy
Operating Partners, L.P.

I hereby certify that a copy of the foregoing Motion was telecopied this 14th day of January, 1991, to W. Thomas Kellahin, Telecopy #: 505-982-2047, and mailed to him at P.O. Box 2265, Santa Fe, New Mexico, 87504.



James Bruce

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020
MIDLAND, TEXAS 79701

915 / 682-3715

January 15, 1991

VIA FEDERAL EXPRESS

William J. LeMay, Director
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

RE: Case No. 10211

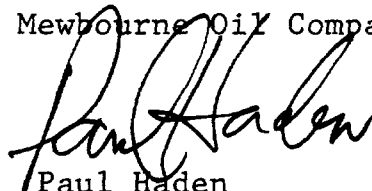
Dear Mr. LeMay:

Regarding the captioned case number, this letter is to advise the NMOCD that Mewbourne Oil Company, as an independent operator and as a neutral party to the captioned case strongly objects to any ruling by the NMOCD wherein a party named in the case is required to submit proprietary information to any other party named in the case prior to hearing date. Mewbourne Oil Company strongly objects to any ruling wherein any interested party in a particular case is required to submit to the opposition their daily drilling reports, completion reports, geologic exhibits (including but not limited to trend maps, isopachs or cross sections) reservoir engineering, well economics or any such interpretative or proprietary information. It certainly can be argued that different companies have different methods of drilling and/or completing their wells.

Your consideration of the above objections would be greatly appreciated. Please advise if you would like to discuss this matter further.

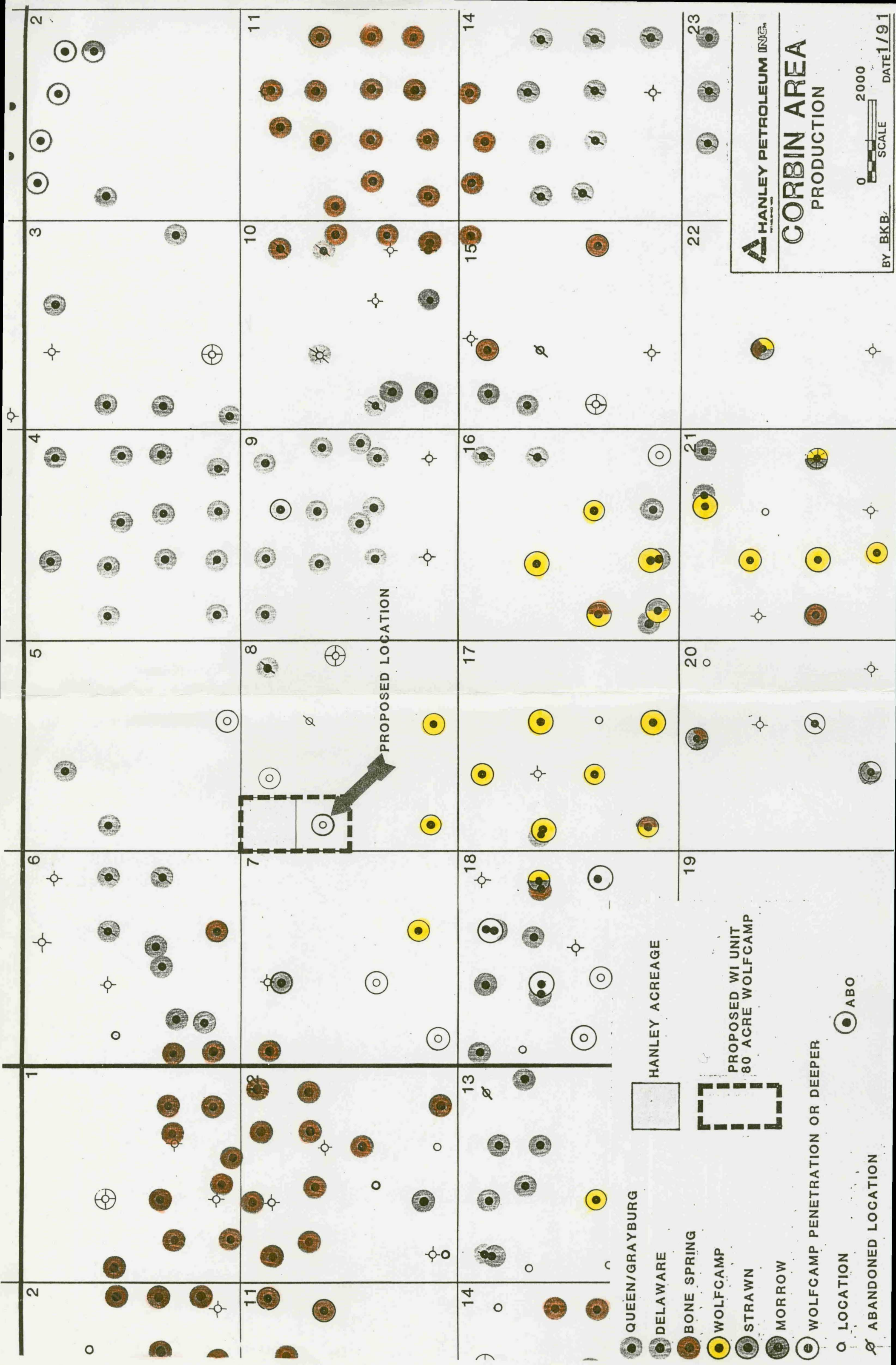
Sincerely,

Mewbourne Oil Company



Paul Haden
Landman

PH/nb



HINKLE, COX, EATON, COFFIELD & HENSLEY

LEWIS C. COX
PAUL W. EATON
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANDOR
ERIC D. LANPHERE
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ANDREW J. CLOUTIER
JAMES A. GILLESPIE
GARY W. LARSON
STEPHANIE LANDRY
JOHN R. KULSETH, JR.
LISA K. SMITH*

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CLARENCE E. HINKLE (1901-1965)
W. E. BONDURANT, JR. (1913-1973)
ROY C. SNODGRASS, JR. (1914-1967)

February 6, 1991

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*NOT LICENSED IN NEW MEXICO

VIA TELECOPY

Mr. William Lemay
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504
(505) 827-5741

Re: Santa Fe Energy/Hanley Petroleum; OCD Case Nos. 10,211 and 10,219

Dear Mr. Lemay:

This letter is written on behalf of Santa Fe Energy in response to Mr. Kellahin's letter of February 5, 1991. Santa Fe feels compelled to respond to the gross inaccuracies of Mr. Kellahin's letter.

1. Santa Fe Energy turned over to Hanley Petroleum all information which, we understood, the Commission will require Santa Fe Energy to produce. Attached hereto is a letter from Santa Fe Energy to Hanley Petroleum dated January 30, 1991, by which the well data was delivered. Santa Fe Energy did not "selectively" turn over data, and Santa Fe Energy resents the implication that it is not complying with Commission orders.

2. Hanley Petroleum had 8 days prior to the hearing scheduled for on February 7, 1991 to examine the data. Hanley Petroleum had sufficient time to examine the data, as is apparent from its letter to Santa Fe Energy dated February 4, 1991 (attached), giving notice of a change in well location. Thus, there was no need to continue the cases beyond February 7th.

3. The idea that Hanley Petroleum may appeal the Commission's subpoena decision is ludicrous. Hanley Petroleum's lease expires at the end of 1991. An appeal to the District

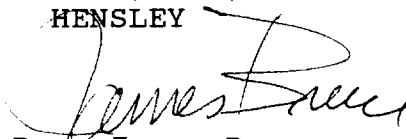
Mr. William Lemay
February 6, 1991
Page 2

Court would essentially mean that no well will be drilled by the lease expiration date, causing Hanley to lose its lease. Therefore, such statements by Mr. Kellahin are without merit.

Santa Fe Energy submits this letter to make clear that it is complying with all Division or Commission orders. Hanley Petroleum's statements and actions by and through its attorney are not only inappropriate, but are unduly delaying a hearing in this matter, and are also causing delay in drilling the well.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY


By: James Bruce

JB:le

cc: Larry Murphy (915) 687-1699
William F. Carr (505) 983-6043
W. Thomas Kellahin (505) 982-2047



Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company
Managing General Partner

January 30, 1991

Hanley Petroleum, Inc.
415 West Wall, Suite 1500
Midland, Texas 79701-4473

ATTN: James Rogers

RE: Subpeona Information
on Kachina 8 Fed. #1
Lea County, New Mexico

Dear Mr. Rogers:

In accordance with the Subpeona that will be issued today as advised by Santa Fe's Attorney, Jim Bruce.

Please find enclosed the following:

1. Mechanical Logs
2. Daily Drilling Reports
3. Production Information

If you have any questions, please advise.

Sincerely Yours,

SANTA FE ENERGY OPERATING PARTNERS, L.P.
By: Santa Fe Pacific Exploration Company,
Managing General Partner

By: Larry Murphy
Larry Murphy, Senior Landman

LM/tm

Hand Delivered By the signatory party above
to Hanley Petroleum, Inc. on the 30th day
of January, 1991.

Hanley Petroleum, Inc.

By: Peggy McGinnis

Printed Name: Peggy McGinnis

pt3030
Permian Basin District
550 W. Texas, Suite 1330
Midland, Texas 79701
915/687-3551

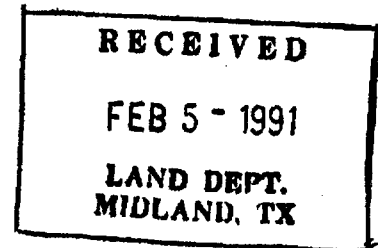
An Affiliate of Santa Fe Pacific Corporation



415 WEST WALL, SUITE 1500, MIDLAND, TEXAS 79701-4473/915-684-8051 FAX: 915-685-1104

LM	LES	February 4, 1991
GG	DB	
EW	DF	
PR	DRFT	
File		

Santa Fe Energy Operating Partners, L.P.
Permian Basin District
550 West Texas, Suite 1330
Midland, Texas 79701



Attn: Mr. Larry Murphy
Senior Landman

RE: Proposed Working Interest Unit
W2/NW/4 Section 8, T-18-S, R-33-E
Lea County, New Mexico

Gentlemen:

You have previously been furnished with information concerning the drilling of a proposed 11,500' Wolfcamp test well known as the Hanley "8" Federal #1, at a proposed location 1980' from the north and 660' from the west line, Section 8, T-18-S, R-33-E on the proposed captioned working interest unit. Hanley Petroleum Inc. hereby notifies you that it has changed the location of it's test well from the SW/4NW/4 location to a legal location in the NW/4NW/4 Section 8, T-18-S, R-33-E. This change in location is being made due to the fact that we believe the NW/4NW/4 location has, among other reasons, a better chance of producing greater reserves of oil and gas from the Wolfcamp formation than a location in the SW/4NW/4 Section 8.

We further propose that the Operating Agreement naming Hanley Petroleum Inc. as operator be amended to cover the W/2NW/4 Section 8 as to rights below the base of the Bone Springs formation. By excepting rights from the surface to the base of the Bone Springs will permit the parties owning the leasehold rights to separately develop the productive zones beneath the surface to the base of the Bone Springs for their own accounts.

Yours very truly,

James W. Rogers

Vice President Land

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY
OPERATING PARTNERS, L.P. FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

CASE NO. 10211

RESPONSE TO SUBPOENA DUCES TECUM

Applicant hereby responds to the Subpoena Duces Tecum issued by the Division on February 11, 1991, as follows:

1. Attached hereto as Exhibit A is a copy of the AFE provided to Harvey E. Yates Company for the Kachina "8" Fed. Well No. 1. (Applicant and HEYCO are the only working interest owners in said well.)

2. Applicant has not yet prepared an itemized tabulation of well costs for the Kachina "8" Fed. Well No. 1. A tabulation is not available because all invoices have not been received and paid, and such tabulation will not be available for approximately 60 days. Thus applicant cannot provide the requested data at this time. Applicant asserts that the daily drilling reports, previously provided to Hanley, do contain daily cost figures.


3. By this Response, Applicant has produced all information specifically requested to be produced by the Subpoena and which Applicant possesses. Applicant objects to the "Instructions" portion of the Subpoena insofar as it (a) seeks to broaden the scope of the requested data, (b) is ambiguous and unclear as to what additional data may be

sought thereunder, and (c) requests information that may be confidential and proprietary, constitutes privileged attorney-client communications, or constitutes attorney work product immune from discovery.

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By


James Bruce
500 Marquette, N.W.
Suite 800
Albuquerque, N.M. 87102
(505) 768-1500

Attorneys for Applicant

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing pleading was mailed this 14th day of February, 1991 to W. Thomas Kellahin, P. O. Box 2265, Santa Fe, New Mexico 87504, and William F. Carr, P. O. Box 2208, Santa Fe, New Mexico 87504.

By


James Bruce

9028

SANTA FE ENERGY RESOURCES, INC.

GENERALIZED WELL COST ESTIMATE

NAME: Kachina 8 Federal No. 1

LOC: 1980' FWL & 660' FNL, Section 8-18S-32E, Lea County, New Mexico

DESC: Drill and complete a 11,500' Wolfcamp well

ACCOUNT	DESCRIPTION OF COSTS	DRY HOLE	PRODUCER
501-000	TANGIBLE WELL COSTS		
-41	CONDUCTOR CSG	3,000	3,000
-41	SURFACE CSG	9,200	9,200
-41	PROTECTION CSG	34,430	34,430
-41	DRILLING LINER		
-41	PROD CSG		114,540
-41	PROD LINER		
-42	TUBING		43,660
-43	WELLHEAD	1,000	14,000
-44	PMPG UNIT		
-45	PRIME MOVER		
-50	OTHER DWN HOLE EQUIP		3,500
-50	RODS		
-50	SUBSURFACE PMPS		
-55	CSG EQUIP	640	940
-55	ELECTRICAL		
-55	MISC. TANGIBLES		1,000
-55	ROD EQUIP		
-55	TUBING EQUIP		2,000
	TOTAL TANGIBLE COSTS	48,270	226,270
541-000	LEASE FACILITY COSTS		
-50	FLOW LINES		3,000
-50	LABOR		15,000
-50	OTHER PROD EQUIP		15,000
-50	TANK FACILITIES		25,000
	TOTAL LEASE FACILITY COSTS	0	58,000
511-000	INTANGIBLE WELL COSTS		
-21	LOCATION	13,000	13,000
-22	FENCING	1,000	4,200
-26	WTR & FUEL FOR RIG		
-31	CONTRACTOR MOVING EXP		
-32	CONTRACT FOOTAGE OR TURNKEY	\$12.65/ft	145,475
-32	CONTRACTOR DAY WORK	3 @ \$4200	12,600
-33	DRLG FLUID & ADDITIVES	13,250	13,250
-34	BITS & REAMERS		
-36	CORING & CORE ANALYSES		
-37	CEMENT	21,000	43,000
-39	INSPECTION & TSTG OF TANG	1,000	5,000
-41	DIRECTIONAL DRLG SURVEYS		
-42	DRILLING EQUIP RENTAL	7,000	7,000
-43	OPEN HOLE LOGGING	17,000	17,000
-44	DRILL STEM TSTG	22,000	22,000
-45	MUD LOGGING	8,750	8,750
-51	TRANSPORTATION		5,000
-52	COMPLETION UNIT		15,000
-53	COMPLETION TOOL RENTAL		4,000
-54	CASED HOLE LOGS & PERFING		6,000
-55	STIMULATION		10,000
-56	RIG SITE SUPERVISION	12,250	18,250
-72	ADMINISTRATIVE OVERHEAD	4,600	9,200
-99	FSHG TOOLS & EXPENSES		
-99	TESTING: BHP, GOR, & PT.POT		5,000
	ABANDONMENT COST	10,000	
	OTHER INTANGIBLES		
0	CONTINGENCY (10%)	28,893	36,373
	TOTAL INTANGIBLES	317,818	400,098
	TOTAL COSTS	366,088	684,368

Drilling Dept: Michael R. BuntersDate: 5/26/90Operations Dept: Shirley L. DeLongDate: 5-30-90SEER Approval By: Tom J. DeLongDate: 5/31/90

Non Operator Approval By: _____

Date: _____

EXHIBIT

A

OIL CONSERVATION DIVISION
HINKLE, COX, EATON, COFFIELD & HENSLEY

91 FEB 19 AM 9 07

LEWIS C. COX
PAUL W. EATON
CONRAD E. COFFIELD
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C. D. MARTIN
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February 14, 1991

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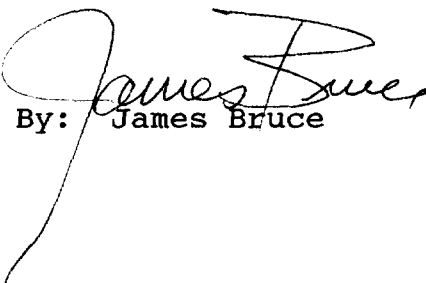
Re: Case No. 10,211

Dear Florene:

Enclosed for filing is the original Response to Subpoena
Duces Tecum in the above matter.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY


By: James Bruce

JB:le
Enclosure

ENRON
Oil & Gas Company

91 JAN 22 10 09 30

Gary L. Thomas
Vice President & General Manager
Midland Division

P. O. Box 2267
Midland, Texas 79702-2267
(915) 686-3600

January 17, 1991

William Lemay
Oil Conservation Commission
310 Old Santa Fe Trail
Room 206
Santa Fe, New Mexico

RE: Case No. 10,211, The Application of Santa Fe Energy
Operating Partners for Compulsory Pooling,
Lea County, New Mexico

Dear Mr. Lemay:

Enron Oil & Gas Company submits this letter in support of Santa Fe Energy in the above matter. Enron Oil & Gas Company strongly opposes the OCD issuing subpoenas which requires an applicant to provide confidential and proprietary data to an opposing party. It is the industry practice to maintain the confidentiality of geological, geophysical, and engineering data, and freely granting access to an operator's files will, in our opinion, have adverse effects on the oil and gas industry in New Mexico.

Sincerely,

ENRON OIL & GAS COMPANY



Gary L. Thomas
Vice President and General Manager

FCE/cl

HINKLE, COX, EATON, COFFIELD & HENSLEY

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January 22, 1991

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*NOT LICENSED IN NEW MEXICO

HAND DELIVERED

Mr. Jim Morrow
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico

Re: Case No. 10,211

Dear Mr. Morrow:

Please continue the above case until the February 7, 1991
Examiner Hearing.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By: James Bruce

JB:le

RECEIVED

JAN

OIL CONSERVATION DIVISION

HINKLE, COX, EATON, COFFIELD & HENSLEY

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January 14, 1991

Mr. William LeMay
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504

RE: Case No. 10,211

Dear Mr. LeMay:

Enclosed for filing is a request to appeal the above matter to the Commission.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY


James Bruce

JB:kk

cc: W. Thomas Kellahin

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF SANTA FE ENERGY
OPERATING PARTNERS, L.P. FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

NO. 10211

MOTION TO ALLOW APPEAL OF, AND NOTICE OF APPEAL OF,
EXAMINER'S DECISION; AND MOTION TO STAY EXAMINER'S DECISION
PENDING APPEAL

Pursuant to Rule 1216, Santa Fe Energy Operating Partners, L.P. (Santa Fe) hereby moves the Oil Conservation Commission (the Commission) for permission to appeal to the Commission the decision of the Hearing Examiner issued on January 10, 1991, regarding a Subpoena Duces Tecum issued in favor of Hanley Petroleum, Inc. (Hanley Petroleum). As grounds therefore, Santa Fe states:

1. Santa Fe has pending before the Oil Conservation Division (the Division) Case No. 10211, requesting compulsory pooling of the W1/2NW1/4 of Section 8, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico. The party to be force pooled is Hanley Petroleum.

2. On January 3, 1991, the division issued a Subpoena Duces Tecum at the request of Hanley Petroleum, a copy of which is attached hereto as Exhibit A.

3. Santa Fe filed its Motion to Quash Subpoena Duces Tecum on January 9, 1991.

4. The Motion was argued on January 10, 1991, and the Examiner issued his decision requiring the production of the information listed in paragraphs 1, 2, 3, 4, 5, and 9 of the Subpoena, but granting the motion as to the information described in paragraphs 6, 7, 8, and 10 of the Subpoena.

5. Santa Fe asserted at hearing, and hereby re-asserts, that the Subpoena should be quashed in its entirety for the following reasons:

- a. The information sought by Hanley Petroleum is privileged and confidential, and was acquired by Santa Fe at substantial cost to it.
- b. Santa Fe offered (and continues to offer) to Hanley Petroleum the information listed in paragraphs 1, 2, 3, 4, 5, and 9 of the Subpoena, requesting in return that Hanley Petroleum agree to join in the well or enter into a farmout after viewing the data.
- c. Santa Fe is obligated to maintain the confidentiality of well data to satisfy its fiduciary obligations to its shareholders or partners.
- d. If the information sought by Hanley Petroleum is ordered produced, the order must require Hanley Petroleum to maintain the confidentiality of the information to protect Santa Fe and to prevent

Santa Fe from breaching agreements with third parties.

- e. Concurrent with the issuance of the Subpoena, Hanley Petroleum filed its own application to force pool the W1/2NW1/4 of said Section 8. Santa Fe asserts that if Hanley Petroleum is willing to drill a well in the W1/2NW1/4 of Section 8, then it has no need for the requested confidential information.

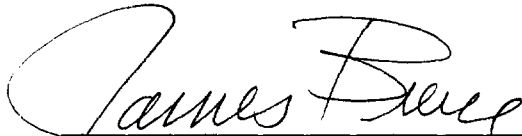
6. The decision of the Examiner compelling the production of confidential and privileged information constitutes a change in the Division's policy. In addition, this is a case of first impression before the Commission. Because of the decision's importance to Santa Fe, and to all oil and gas operators in this state, Santa Fe moves for permission to appeal this decision to the full Commission so that the Commission may clarify what confidential and proprietary information may be subpoenaed (if any), and under what circumstances, in a Division or Commission proceeding. Santa Fe also files this pleading as a notice of appeal of said decision.

7. Santa Fe also requests that the order of the Examiner be suspended or stayed pending a resolution of this issue by the full Commission.

WHEREFORE, Santa Fe requests that this matter be placed for argument before the full Commission, and that the Commission reverse the order of the Examiner as to the information requested in paragraphs 1, 2, 3, 4, 5, and 9 of the Subpoena, and order the Subpoena to be quashed in its entirety. Santa Fe also requests that the order of the Examiner be stayed pending a decision by the Commission.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD
& HENSLEY



James Bruce
500 Marquette N.W., Suite 800
Albuquerque, New Mexico 87102
(505) 768-1500
Attorneys for Santa Fe Energy
Operating Partners, L.P.

I hereby certify that a copy of the foregoing Motion was telecopied this 14th day of January, 1991, to W. Thomas Kellahin, Telecopy #: 505-982-2047, and mailed to him at P.O. Box 2265, Santa Fe, New Mexico, 87504.



James Bruce

BEFORE THE OIL CONSERVATION DIVISION

RECEIVED

JAN 1 1991

IN THE MATTER OF THE APPLICATION OF
SANTA FE ENERGY OPERATING PARTNERS, L.P.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

OIL CONSERVATION DIVISION

CASE NO. 10211

SUBPOENA DUCES TECUM

TO: Santa Fe Energy Operating Partners, L.P.
c/o James Bruce, Esq.
Hinkle, Cox, Eaton, Coffield & Hensley
500 Marquette, N.W.
Albuquerque, New Mexico 87102

Pursuant to the power vested in this Division, you are commanded to produce at 8:15 A.M., January 10, 1991, to the offices of the Oil Conservation Division, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico 87501 and make available for copying, all the following documents under the possession or control of Santa Fe Energy Operating Partners, L.P.:

For the following well:

Kachina "8" Federal Well No. 1 located in
NE/4NW/4, Section 8, Township 18 South, Range 33 East,
Lea County, New Mexico.

Produce the following data:

1. Any and all pressure data, including but not

- limited to bottom hole pressure surveys;
2. Mechanical logs and mud logs, if any;
 3. Any and all Gas Oil Ratio Tests;
 4. Any and all specific gravity information on the liquids;
 5. Any and all production information;
 - ⑥ 6. Any and all reserve calculations, including but not limited to volumetric calculations of reserves, including recoverable reserves;
 - ⑦ 7. Any and all reservoir studies;
 - ⑧ 8. Any and all economic studies including but not limited to estimates of payout and rates of return; and
 9. Complete daily drilling and completion reports from inception to the latest available data for each well.
 - ⑩ 10. Geologic interpretations by which you justify the well and evaluate its risk.

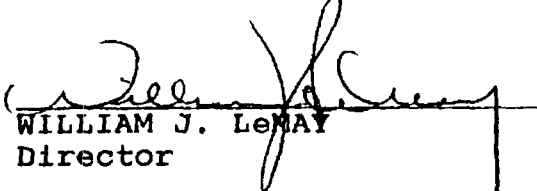
INSTRUCTIONS

This Subpoena Duces Tecum seeks all information available to you or in your possession, custody or control from any source, wherever situated, including but not limited to information from any files, records,

documents, employees, former employees, counsel and former counsel. It is directed to each person to whom such information is a matter of personal knowledge.

When use herein, "you" or "your" refers to the person or entity to whom this Subpoena Duces Tecum is addressed to include all of his or its attorneys, officers, agent, employees, directors, representatives, officials, departments, divisions, subdivisions, subsidiaries, or predecessors.

NEW MEXICO OIL CONSERVATION
DIVISION


WILLIAM J. LEMAY
Director

ISSUED THIS 3rd day of January, 1991, at
Santa Fe, New Mexico.

JUL 19 1991

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN
KAREN AUBREY

CANDACE HAMANN CALLAHAN

JASON KELLAHIN
OF COUNSEL

February 5, 1991

Mr. Michael E. Stogner
Oil Conservation Division
State Land Office
Santa Fe, New Mexico 87501

HAND DELIVERED

Re: Hanley Petroleum Inc.
Compulsory Pooling Case
NMOCD Case No. 10219

Santa Fe Operating Partners
Compulsory Pooling Case
NMOCD Case No. 10211

Motion for Stay of Examiner Hearings

Dear Mr. Stogner:

Our firm represents Hanley Petroleum Inc. in the above referenced matters. We are currently awaiting a decision by the Commission concerning Santa Fe's appeal of the Subpoena issues originally presented to Mr. Catanach on January 10th.

While I understand that Santa Fe has selectively turned over some of the data to Hanley which was the subject of the Subpoena, there is no representation by Mr. Bruce that they have fully complied with the Subpoena issued by Mr. Catanach. In addition, until the Commission issues its order, it is impossible to guess if Hanley will appeal the Commission order.

Simply stated, it is premature to go forward with either case until all parties find out what the Commission decides to do.

Should Santa Fe go forward with their case, we are faced with doing these cases in piecemeal before multiple examiners on different days.

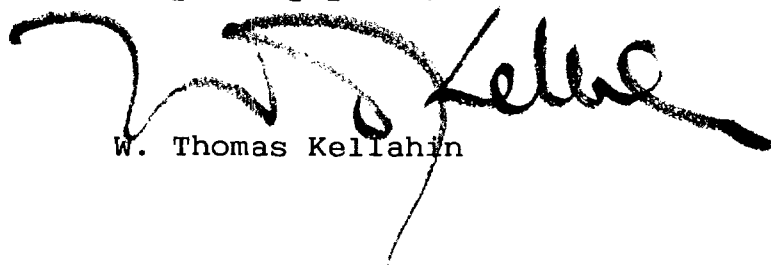
Mr. Michael E. Stogner
February 5, 1991
Page 2

In addition, Hanley is hereby amending its location from the SW/4SW/4 to the NW/4SW/4 of the section.

Accordingly, I move that the hearings of the referenced cases now set for February 7, 1991 be vacated and stayed pending resolution of the Subpoena appeal.

I have been contacted by Mr. Bruce today to determine if he supports or opposes this motion on behalf of Santa Fe. He informs me he is opposed.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'W. Thomas Kellahin', with a long, sweeping horizontal stroke extending to the right.

W. Thomas Kellahin

WTK/tic

cc: Jim Rogers
Robert G. Stovall
James G. Bruce

**HINKLE, COX, EATON, COFFIELD & HENSLEY**

ATTORNEYS AT LAW

500 MARQUETTE NW, SUITE 800
ALBUQUERQUE, NEW MEXICO 87102*file w/ Carl
file*

TELEPHONE: (505) 768-1500

TELECOPIER: (505) 768-1529

TELECOPIER LEAD SHEET2/6/91
(DATE)**PLEASE DELIVER THE FOLLOWING DOCUMENT**

TO:

William Lemay

COMPANY:

New Mexico Oil Conservation

TELECOPIER:

1-827-5741

TOTAL PAGES:

3

(INCLUDING THIS COVER SHEET)

FROM:

Sam Bruce

OPERATOR:

MargaretC/M#: 7705200/9058431

MESSAGE(S): PEREWITH THE FOLLOWING:

PLEASE CALL: () TO CONFIRM RECEIPT () AFTER REVIEW

()

CONFIRMATION

BY:

WITH:

DATE:

TIME:

ILLEGIBLE

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

500 MARQUETTE N.W., SUITE 800
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ROY C. SNEDECOR, JR. (1914-1987)

February 6, 1991

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VICTOR MOYERS
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*NOT A PART

OF FIRM

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218 MONTECUMA
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(505) 981-4504
FAX (505) 982-8823

VIA TELECOPY

Mr. William Lemay
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504
(505) 827-5741

Re: Santa Fe Energy/Hanley Petroleum; OCD Case Nos. 10,211 and 10,219

Dear Mr. Lemay:

This letter is written on behalf of Santa Fe Energy in response to Mr. Kellahin's letter of February 5, 1991. Santa Fe feels compelled to respond to the gross inaccuracies of Mr. Kellahin's letter.

1. Santa Fe Energy turned over to Hanley Petroleum all information which, we understood, the Commission will require Santa Fe Energy to produce. Attached hereto is a letter from Santa Fe Energy to Hanley Petroleum dated January 30, 1991, by which the well data was delivered. Santa Fe Energy did not "selectively" turn over data, and Santa Fe Energy resents the implication that it is not complying with Commission orders.

2. Hanley Petroleum had 8 days prior to the hearing scheduled for on February 7, 1991 to examine the data. Hanley Petroleum had sufficient time to examine the data, as is apparent from its letter to Santa Fe Energy dated February 4, 1991 (attached), giving notice of a change in well location. Thus, there was no need to continue the cases beyond February 7th.

3. The idea that Hanley Petroleum may appeal the Commission's subpoena decision is ludicrous. Hanley Petroleum's lease expires at the end of 1991. An appeal to the District

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HINKLE, COX, EATON, COFFIELD & HENSLEY

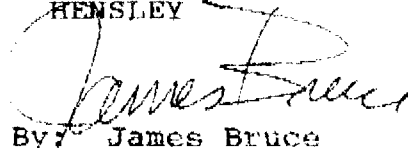
Mr. William Lemay
February 6, 1991
Page 2

Court would essentially mean that no well will be drilled by the lease expiration date, causing Hanley to lose its lease. Therefore, such statements by Mr. Kellahin are without merit.

Santa Fe Energy submits this letter to make clear that it is complying with all Division or Commission orders. Hanley Petroleum's statements and actions by and through its attorney are not only inappropriate, but are unduly delaying a hearing in this matter, and are also causing delay in drilling the well.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY


By: James Bruce

cc: Larry Murphy (915) 687-1699
William F. Carr (505) 983-6043
W. Thomas Kellahin (505) 982-2047

ILLEGIBLE

DIVISION

*Case
file*

91 JAN 16 10 11

Permian Exploration Corporation

118 West First Street
Roswell, New Mexico 88201
(505) 623-1225 FAX (505) 623-1801

Jim Manatt, President

January 16, 1991

VIA FACSIMILE TRANSMITTAL

Mr. William J. LeMay, Director
New Mexico Oil Conservation Division
310 Old Santa Fe Trail, Room 206
Santa Fe, New Mexico 87501

Re: Case No. 10211, The Application of Santa Fe Energy
Operating Partners, L.P. for Compulsory Pooling, Lea
County, New Mexico.

Dear Mr. LeMay:

Permian Exploration Corporation submits this letter in support of Santa Fe Energy in the above matter. Permian Exploration Corporation strongly opposes the OCD issuing subpoenas which require an applicant to provide confidential and proprietary data to an opposing party. It is the industry practice to maintain the confidentiality of geological, geophysical, and engineering data, and freely granting access to an operator's files will, in our opinion, have adverse effects on the oil and gas industry in New Mexico.

Very truly yours,


Jim Manatt

JM/ce

FAXED: 1/16/91
(505)827-5741

New Mexico

Statehouse Reporting Service

Published by

R. W. BYRAM & COMPANY OF NEW MEXICO
P. O. DRAWER 1867 AUSTIN, TEXAS 78767

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January 21, 1991

Vol. 27 - No. 38

IMPORTANT NOTICE: An Examiner hearing has been scheduled for February 21, 1991. Applications for hearings must be filed at least 22 days in advance of hearing date.

COMMISSION HEARING HELD - JANUARY 17 - SANTA FE

LEA COUNTY

Non-Standard Gas Proration Unit, Unorthodox Gas Well Locations, and
Simultaneous Dedication (Case 9949 - De Novo - Continued to February 28)

Continued to January 28 is the application of Chevron U.S.A., Inc. seeking approval for a non-standard 400-acre gas spacing and proration unit comprising Lots 11 through 14 of Sec. 5 and Lots 15 and 16 and the SE/4 of Sec. 6, all in T-21-S, R-36-E, Eumont Gas Pool, Lea County, said unit to be simultaneously dedicated to a well to be drilled at an unorthodox location 1175 feet from the South line and 1375 feet from the East line (Unit W) of said Sec. 6, to its No. 1 Orcutt (NCT-A) Well properly located 4600 feet from the North line and 1980 feet from the West line (Unit N) of said Sec. 5 (which is unorthodox for this proration unit) and to its No. 2 Graham State (NCT-E) Well located at an unorthodox location 1980 feet from the South and East lines (Unit R) of said Sec. 6. Said unit is located approximately 2.25 miles west by north of Oil Center, New Mexico. Upon application of Doyle Hartman, this case will be heard De Novo pursuant to the provisions of Rule 1220.

LEA COUNTY

Compulsory Pooling, a Non-Standard Gas Proration Unit and
Simultaneous Dedication (Case 9994 - De Novo - Continued to February 28)

Continued to January 28 is the application of Doyle Hartman seeking an order pooling all mineral interests in the Eumont Gas Pool underlying either the SE/4 of Sec. 5 and the NE/4 of Sec. 8, T-21-S, R-36-E, Lea County, forming a non-standard 320-acre gas spacing and proration unit for said pool, or IN THE ALTERNATIVE, the N/2 SE/4 and SE/4 SE/4 of said Sec. 5 and the NE/4 of said Sec. 8, forming a non-standard 280-acre non-standard gas spacing and proration unit for said pool. In either instance the applicant proposes to simultaneously dedicate all production from the Eumont Gas Pool to the existing No. 4 State "A" Well located 660 feet from the North and East lines (Unit A) of said Sec. 8, which is unorthodox for the proposed 280-acre unit, and to a second well to be drilled at an undetermined location in the SE/4 of said Sec. 5. Applicant further seeks to be designated operator of the non-standard gas proration unit so created and be entitled to recover out of the production therefrom its cost of drilling, completing and equipping a new infill well, plus a 200 percent risk factor for drilling, completing and equipping such new infill well, plus an equitable and proper percentage of the value of the existing wellbore of said No. 1 State "A" Well, and all costs of supervision and operation of such unit, and that such order also provide for any other relief which may be deemed equitable and proper. The subject area is located approximately 1.25 miles west of Oil Center, New Mexico. Upon application of Chevron, U.S.A., Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

CHAVES COUNTY

Pool Creation and Special Pool Rules (Case 9854 - De Novo - Dismissed)

Dismissed is the application of Stevens Operating Corporation seeking the creation of a new pool for the production of oil from the Fusselman formation comprising the S/2 of Sec. 21 and the N/2 of Sec. 28, T-10-S, R-27-E, Chaves County, and for the promulgation of special rules and regulations therefor including provisions for 320-acre oil spacing and proration units, designated well location requirements, a special gas-oil ratio limitation of 20,000 cubic feet of gas per barrel of oil, and a special 320-acre oil allowable of 650 barrels per day. Said area is located at Mile Post No. 174 on U. S. Highway 380. Upon application of Yates Petroleum Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

LEA COUNTY

Compulsory Pooling (Case 10211)

Santa Fe Energy Operating Partners, L. P. sought an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the following described acreage in Sec. 8, T-18-S, R-33-E, Lea County, and in the following manner: the W/2 NW/4 to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated South Corbin-Wolfcamp Pool; and the SW/4 NW/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated West Corbin-Delaware Pool, Undesignated Central Corbin-Queen Pool, Undesignated West Corbin-San Andres Pool, and Undesignated Corbin-Bone Spring Pool. Said units are to be dedicated to a single well to be drilled at a standard oil well location 1980 feet from the North line and 660 feet from the West line of said Sec. 8. Also to have been considered was allocation of well costs, charges for supervision, designation of applicant as operator of the well, and a charge

LEA COUNTY
Compulsory Pooling (Case 10211) (Continued)

for risk involved in drilling the well. Said unit is located approximately 7.5 miles southeast by south of Maljamar, New Mexico.

Note: This case was heard on an emergency basis with two days' notice to interested parties. It was heard as an interlocutory appeal by Santa Fe Energy Operating Partners, L. P. on a motion to quash a sub peona that had been granted in part by Oil Conservation Division Hearing Examiner Richard Catanach at the January 10, 1991 New Mexico Oil Conservation Division Examiner Hearing. The appeal motion was opposed by Hanley Petroleum Inc., which had brought the sub peona and been granted partial discovery by Catanach.

Appearances: James Bruce, attorney for Santa Fe Energy, Albuquerque; NM, William F. Carr, for Harvey E. Yates Company, Santa Fe, NM; Tom Kellahin, attorney for Hanley Petroleum Inc., Santa Fe, NM; W. Perry Pearce, attorney, Santa Fe.

Arguments: Bruce argued that the documents, generally referred to as "raw data" consisting of engineering and geologic information about Santa Fe Energy's No. 1 Kachina "8" Federal Well, should be protected from Hanley's sub peona as confidential and proprietary information. He said he had witnesses who could testify to the confidential importance of the information, and argued that the proceeding should be treated as a trial de novo of the sub peona's merits.

Kellahin said the hearing should not be an opportunity for Santa Fe Energy to have a second try at quashing the sub peona. He said the commission has or will have a transcript available that would detail the testimony and exhibits from the examiner hearing. Kellahin said the hearing was not de novo, but an administrative hearing on an interlocutory appeal. He said if Santa Fe Energy was now claiming confidentiality, after claiming irrelevance in the examiner hearing, then Hanley would be willing to sign a confidentiality agreement. He argued that the commission should examine the documents in camera that Santa Fe Energy does not want to hand over.

Bruce said the Division's rules of discovery give no absolute right to the information to Hanley. He said Santa Fe Energy had no objection to incorporating the record of the examiner hearing.

Carr suggested that the commission should issue an order upon its decision in this case, because, he said, it would give some needed guidance to other companies preparing forced pooling cases about the Oil Conservation Division's discovery policies.

Bruce said the Santa Fe Energy case could be precedent-setting and said any guidance on confidential information would be appreciated by the industry.

Kellahin objected, saying the hearing was not a rule-making procedure on which general notice had been given to the industry. He argued that the Oil Conservation Division has rules in place and said the commission would be making itself vulnerable if it went too far in this hearing.

Pearce said he was appearing simply as an industry attorney and not representing any particular client. He said he wanted to back Kellahin's comments. Pearce argued that it would be inappropriate for this hearing to be turned into general discussion on discovery policies for the Oil Conservation Division, with the industry not on notice that a hearing might be conducted.

Carr said he did not suggest that this hearing be a rule-making procedure.

Stovall said the order for the hearing did not make general notice available. He advised the commission to be very careful about dealing only with matters of the specific case.

Testimony: Bruce entered an area map. He said Santa Fe Energy originally wanted to drive the No. 1 8 as a laydown well in the northwest quarter and wanted to pool acreage with Hanley. When Hanley refused to join, he said, Santa Fe Energy drilled the No. 1 8 on its own spacing. He said Santa Fe Energy has planned the No. 2 8 and has applied to force-pool Hanley, and the sub peona was Hanley's response. Hanley also has filed a forced-pooling application of its own. Bruce said the examiner, when Hanley's sub peona was challenged by Santa Fe Energy in the January 10 hearing, approved the sub peona in part, ordering Santa Fe Energy to turn over some of the raw data demanded. He said Santa Fe Energy truly believes all the information is confidential and proprietary and that's why the company filed the interlocutory appeal motion to quash the sub peona.

He said Santa Fe Energy agrees with the examiner that the examiner called "interpretive data" does not have to be shared with Hanley. He said Santa Fe Energy also wants to protect the raw data. Bruce said every operator has large amounts of information it considers proprietary. He cited New Mexico Supreme Court Rules of Procedure Rule #26, which he said shows a court may enter an order denying access to or protecting information where providing the information would be financially burdensome.

Bruce said Santa Fe Energy has offered to provide the information sought by Hanley, if Hanley would agree to a farmout or to join the project. He said at the examiner hearing, "it was made clear" that Santa Fe Energy had foreclosed Hanley from a third option: that of being force pooled. He said that third option is illusory now that Hanley has filed an application to force-pool Santa Fe Energy. The offer Santa Fe Energy made is an acceptable practice in the industry, Bruce said. He added that Hanley could use other public geologic information on the area to generate its own information. The economic studies (which the examiner protected) are not confidential, they are irrelevant to the case, Bruce said. He said this is the data companies use to determine economic prospects; if another company got hold of them, the information could be of an economic advantage. If the commission beings allowing access to confidential information, there will be an explosion of the examiners' caseloads with sub peonas and

LEA COUNTY

Compulsory Pooling (Case 10211) (Continued)

motions to quash, Bruce said. In answer to a question, he said the No. 1 8 well was completed on January 13, 1991 (so the 90-day period to file information is not ended). It was spudded September 29, 1990, and drilled tight.

Carr spoke briefly as a representative of Harvey E. Yates Company, a financial partner in the No. 1 8. He said the commission not only is directed by the New Mexico Oil and Gas Act to make its own rules, it needs to be sensitive to the needs of the industry, Carr said currently anyone who wants a sub peona from the Oil Conservation Division gets it -- "it is treated as a ministerial act." This approach is wrong and invites abuse, he said. It is inconsistent with the rules of practice before the commission. He said the situation in this hearing is one that has "come up over and over for the last year -- it is out of hand."

One way to deal with the situation is to quash sub peonas when they are requested, Carr said. He said the Oil Conservation Division could use its technical experience to decide whether information sought should be public or protected on a case by case basis.

Kellahin attached Carr's "gloom and doom hypothesis," notice that Carr has argued successfully for the other side of the sub peona question when his clients were the ones wanting information.

He showed an area map with Wolfcamp completions and said there also is Bone Springs potential in the area, that the two zones are contiguous. He said the information Hanley seeks is material information regarding the location of the well within 80-acre spacing. He referred to Case 10210, in which, he said, Santa Fe Energy asked for an unorthodox location for a well in the south half of the southeast quarter of Sec. 5. Santa Fe Energy used the data in one case and then claimed it was confidential in the next, Kellahin said, which he said is eminently unfair."

He said Hanley has conceded the items on the sub peona that the examiner Richard Catanach, denied and ruled protected. he said Hanley is not seeking a general shopping sortie through Santa Fe Energy's proprietary information, but merely important information on one well. He said Santa Fe Energy, because it plans the second well, delayed completion on its first well to take advantage of the 90-day limit. He said Oil Conservation Commission Rule 1105, which sets the 90-day limit, also gives the commission discretion to release information sooner than in 90 days.

He said if the information's confidentiality is such a concern for Santa Fe Energy, then the two force pooling cases should be continued to 120 days, "which would give them plenty of time to hold the information for 90 days."

* * * * *

EXAMINER HEARING SET - JANUARY 24 - SANTA FE

Jim Morrow, Michael E. Stogner or David R. Catanach - Examiner

SAN JUAN COUNTY

Compulsory Pooling (Case 10195 - Continued from January 10)

Koch Exploration Company seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 1, 3, 4, 8 and 9, the NW/4 NE/4, and the S/2 NE/4 (E/2 equivalent) of Sec. 27, T-32-N, R-9-W, San Juan County, to form a 312.49-acre gas spacing and proration unit for said pool. Said unit is to be dedicated to its No. 1 Federal Blancett Com C Well to be drilled at a standard coal gas well location in the NE/4 equivalent of said Sec. 27. Also to be considered will be allocation of well costs, charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling the well. Said unit is located approximately 3 miles south of Mile Post No. 260 on the New Mexico/Colorado Stateline.

LEA COUNTY

Amend Division Order No. R-6849 (Case 10216)

Cross Timbers Oil Company seeks to amend Division Order No. R-6849 to increase the gas-oil ratio for the West Nadine-Blinebry Pool to 10,000 cubic feet of gas per barrel of oil produced. Applicant further seeks to cancel overproduction of oil from said West Nadine-Blinebry Pool from its No. 4 McAllister Well located in the SE/4 SW/4 (Unit N) of Sec. 5, T-20-S, R-38-E, Lea County. Said well is located approximately 4 miles east-southeast of Nadine, New Mexico.

SANDOVAL COUNTY

Gas Reiniecton/Pressure Maintenance Project (Case 10141 - Continued from January 10)

Samuel Gary Jr. and Associates, Inc. seeks authority to institute a gas reinjection/pressure maintenance project in its San Isidro (Shallow) Unit Area located in T-20 and 21-N, R-2 and 3-W, Sandoval County, by the injection of gas into the Rio Puerco-Mancos Oil Pool through the open hole interval from approximately 3793 feet to 4188 feet in its No. 16 San Isidro Well located 660 feet from the South line and 630 feet from the East line (Unit P) of Sec. 11, T-20-S, R-3-W, Sandoval County, Said project area is located approximately 5 to 13 miles west-southwest of Cuba, New Mexico.

CHAVES COUNTY

Salt Water Disposal (Case 10179 - Continued from January 10)

Stevens Operating Corporation seeks authority to dispose of produced salt water into the Devonian formation, Twin Lakes-Devonian Pool, in the perforated intervals from 7211 feet to 7405 feet (7211 feet to 7245 feet and 7392 feet to 7405 feet) in its No. 9 o'Brien "C" well located 1870 feet from the North line and 80 feet from the West line (Unit E) of Sec. 1, T-9-S, R-28-E, Chaves County. Said well is located approximately 18 miles east of the Bitter Lake National Wildlife Refuge.

EDDY COUNTY

Compulsory Pooling (Case 10217)

Yates Energy Corporation seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the SW/4 NW/4 (Unit E) of Sec. 12, T-18-S, R-31-E, Eddy County, to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools within said vertical extent developed on 40-acre oil spacing which presently includes, but is not necessarily limited to the Undesignated Tamano-Bone Spring Pool and Shugart Pool. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be allocation of well costs, charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling the well. Said unit is located approximately 2.5 miles south of mile marker No. 3 on New Mexico State Highway 529.

EDDY COUNTY

Amend Division Order No. R-9389 (Case 10218)

Mewbourne Oil Company seeks to amend the compulsory pooling provisions of Division Order No. R-9389 to include all possible spacing and proration units for a well presently being drilling the SE/4 SW/4 of Sec. 1, T-18-S, R-27-E, Eddy County; the applicant therefore requests that the following units within the pooled interval be included as a part of said Order No. R-9389; the SW/4 forming a standard 160-acre gas spacing and proration unit; the S/2 SW/4 or E/2 SW/4 to form an 80-acre oil spacing and proration unit; and the SE/4 SW/4 to form a standard 40-acre oil spacing and proration unit. Said area is located approximately 5.5 miles southeast of Riverside, New Mexico.

EDDY COUNTY

Unorthodox Oil Well Location and Simultaneous Dedication (Case 10185) (Readvertised)

Avon Energy Corporation seeks approval for an unorthodox oil well location for its No. 100 Turner "B" Well to be drilled 150 feet from the South line and 50 feet from the West line (Unit M) of Sec. 20, T-17-S, R-31-E, Grayburg-Jackson Pool, Turner "B" Grayburg-Jackson Waterflood Project. Said well is to be simultaneously dedicated to an existing 40-acre oil spacing and proration unit comprising the SW/4 SW/4 of said Sec. 20 to which is currently dedicated the No. 43 Turner "B" Well located at a standard oil well location 660 feet from the South line and 560 feet from the West line (Unit M) of said Sec. 20. Said unit is located approximately 8.5 miles southwest of Maljamar, New Mexico.

EDDY COUNTY

Unorthodox Oil Well Location and Simultaneous Dedication (Case 10187) (Readvertised)

Avon Energy Corporation seeks approval for an unorthodox oil well location for its No. 99 Turner "B" Well to be drilled 2590 feet from the South line and 100 feet from the West line (Unit L) of Sec. 29, T-17-S, R-31-E, Grayburg-Jackson Pool, Turner "B" Grayburg-Jackson Waterflood Project. Said well is to be simultaneously dedicated to an existing 40-acre oil spacing and proration unit comprising the NW/4 SW/4 (Unit L) of said Sec. 29 to which is currently dedicated the Nos. 80 and 86 Turner "B" Wells both located at previously approved unorthodox oil well locations in the NW/4 SW/4 of said Sec. 29. Said unit is located approximately 8.75 miles southwest of Maljamar, New Mexico.

SAN JUAN COUNTY

Unorthodox Coal Gas Well Location (Case 10182 - Continued from January 10)

Meridian Oil, Inc. seeks approval of an unorthodox coal gas well location for its existing No. 44 Angel Peak "B" well located 485 feet from the North line and 2310 feet from the West line (Unit C) of Sec. 24, T-28-N, R-11-W, Basin-Fruitland Coal Gas Pool, the N/2 of said Sec. 24 to be dedicated to the subject well forming a standard 320-acre gas spacing and proration unit for said pool. Said well is located approximately 4.5 miles south-southeast of Bloomfield, New Mexico.

SAN JUAN COUNTY

Unorthodox Coal Gas Well Location (Case 10183 - Continued from January 10)

Meridian Oil, Inc. seeks approval of an unorthodox coal gas well location for the existing Union Texas Petroleum Corporation No. 31 Angel Peak "B" Well located 990 feet from the North line and 1650 feet from the West line (Unit C) of Sec. 25, T-28-N, R-11-W, San Juan County, the W/2 of said Sec. 25 to be dedicated to the subject well forming a standard 320-acre gas spacing and proration unit for said pool. Said unit is located approximately 5.5 miles south by east of Bloomfield, New Mexico.

LEA COUNTY

Compulsory Pooling (Case 10211 - Continued from January 10)

Santa Fe Energy Operating Partners, L. P. seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the following described acreage in Sec. 8, T-18-S, R-33-E, Lea County, and in the following manner: the W/2 NW/4 to form a standard 80-acre oil spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing within said vertical extent, which presently

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

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SANTA FE, NEW MEXICO 87504-2265

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FAX COVER SHEET

DATE: FEB 5, 1991

NUMBER OF PAGES: 3
(including cover)

TO: Michael E. Stogner

FROM: W. Thomas Kellahin

cc: Immigration Division

OF: Kellahin, Kellahin & Aubrey

FAX # 982-2047

RE: Santa Fe Operating

Special Instructions:

Request for Stay of Examiner Hearings

☐ Confidential

☐ Urgent

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Transmitted February 5, 1991 to Michael E. Stogner from

W. Thomas Kellahin

Hard copy to follow via U.S. Mail

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THOMAS KELLAHIN

KAREN AUBREY

KANDACE HAMANN CALLAHAN

LASON KELLAHIN
OF COUNSEL

February 5, 1991

Mr. Michael E. Stogner
Oil Conservation Division
State Land Office
Santa Fe, New Mexico 87501

HAND DELIVERED

Re: Hanley Petroleum Inc.
Compulsory Pooling Case
NMOCD Case No. 10219

Santa Fe Operating Partners
Compulsory Pooling Case
NMOCD Case No. 10211

Motion for Stay of Examiner Hearings

Dear Mr. Stogner:

Our firm represents Hanley Petroleum Inc. in the above referenced matters. We are currently awaiting a decision by the Commission concerning Santa Fe's appeal of the Subpoena issues originally presented to Mr. Catanach on January 10th.

While I understand that Santa Fe has selectively turned over some of the data to Hanley which was the subject of the Subpoena, there is no representation by Mr. Bruce that they have fully complied with the Subpoena issued by Mr. Catanach. In addition, until the Commission issues its order, it is impossible to guess if Hanley will appeal the Commission order.

Simply stated, it is premature to go forward with either case until all parties find out what the Commission decides to do.

Should Santa Fe go forward with their case, we are faced with doing these cases in piecemeal before multiple examiners on different days.

Mr. Michael E. Stogner
February 5, 1991
Page 2

In addition, Hanley is hereby amending its location from the ~~SW/4SW/4~~ to the ~~NW/4SW/4~~ of the section.

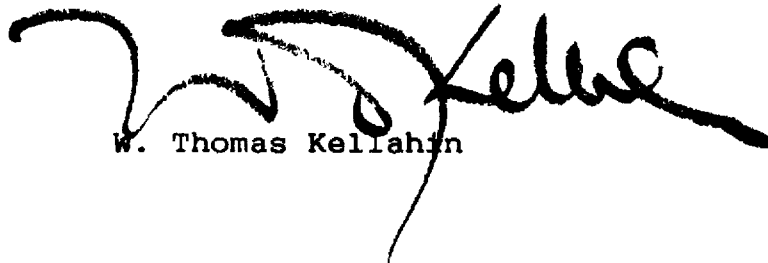
SW/4 NW/4

NW/4 NW/4

Accordingly, I move that the hearings of the referenced cases now set for February 7, 1991 be vacated and stayed pending resolution of the Subpoena appeal.

I have been contacted by Mr. Bruce today to determine if he supports or opposes this motion on behalf of Santa Fe. He informs me he is opposed.

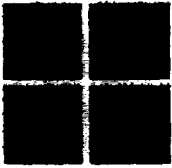
Very truly yours,



W. Thomas Kellahin

WTK/tic

cc: Jim Rogers
Robert G. Stovall
James G. Bruce

**HINKLE, COX, EATON, COFFIELD & HENSLEY**ATTORNEYS AT LAW
500 MARQUETTE NW, SUITE 800
ALBUQUERQUE, NEW MEXICO 87102

TELEPHONE: (505) 768-1500

TELECOPIER: (505) 768-1529

TELECOPIER LEAD SHEET2-5-91

(DATE)

PLEASE DELIVER THE FOLLOWING DOCUMENTTO: Michael E. StognerCOMPANY: Oil Conservation DivisionTELECOPIER: (505) 827-5741TOTAL PAGES INCLUDING THIS COVER SHEET: 2pgsFROM: Jim BruceOPERATOR: LouC/M#: 7705200-9050420

MESSAGE(S): HERewith THE FOLLOWING: _____

PLEASE CALL ☐ TO CONFIRM RECEIPT ☐ AFTER REVIEW☐ _____**CONFIRMATION**

BY: _____

WITH: _____

DATE: _____

TIME: - **ILLEGIBLE**

HINKLE, COX, EATON, COFFIELD & HENSLEY

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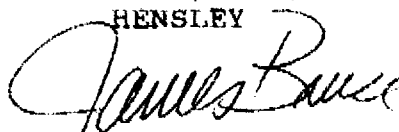
VIA TELECOPYMr. W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504
Telecopy No. (505) 982-2047Mr. Michael E. Stogner
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504
Telecopy No. (505) 827-5741

Re: Santa Fe Energy/Hanley Petroleum; OCD Case Nos. 10211 and 10219

Dear Tom:

My clients informed me that they turned over well logs and other information to Hanley Petroleum on Wednesday, January 30th, although no Order on the subpoena has yet been entered by the Commission. As a result, we plan on moving forward with the hearing on February 7, 1991, and will strenuously object to any motion to continue either case. Please call me if you have any questions.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By: James Bruce

JB:le

cc: Larry Murphy (Telecopy No. (915) 687-1699
Wm. F. Carr (Telecopy No. (505) 983-6043

*Include
Bill Carr on
any decision.*

BuSpar[®]
(buspirone HCl)

Robert Stowell
OCD

But this is just a rough
draft.

1	I N D E X		
2	January 10,, 1990		
	Examiner Hearing		
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10	Examination by [namethree]		[
	Redirect Examination by JAMES BRUCE		[
11	Recross-examination by W. THOMAS KELLAHIN		[
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16	Examination by [namethree]		[
17	CLOSING STATEMENTS:		
	By [MrOne]		[
18	By [MrTwo]		[
19	** ** ** **		
20	APPLICANT'S EXHIBITS:	MRKD	ADMTD
21	1.	[[
22	2.	[[
23	INTERVENOR'S EXHIBITS:		
24	1.	[[
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A P P E A R A N C E S

BEFORE: DAVID CATANACH, Hearing Examiner

FOR THE DIVISION:

ROBERT G. STOVALL, ESQ.
General Counsel
Oil Conservation Commission
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

FOR THE APPLICANT:

HINKLE, COX, EATON, COFFIELD & HENSLEY
Attorneys at Law
BY: JAMES BRUCE, ESQ.
218 Montesuma
Santa Fe, New Mexico 87501

FOR HANLEY PETROLEUM,
INC.:

KELLAHIN, KELLAHIN, & AUBREY
Attorneys at Law
BY: W. THOMAS KELLAHIN ESQ.
117 N. Guadalupe
Santa Fe, New Mexico 87501

** * **

1 EXAMINER CATANACH: At this time, we'll call case 10211.

2 MR. STOVALL: The application of Santa Fe Energy
3 Operating Partners, L.P. for compulsory pooling, Lea County,
4 New Mexico, Mr. Examiner. Call for appearances, and then I'll
5 state the background of the case for the record.

6 MR. BRUCE: Mr. Examiner, Jim Bruce of the Hinkle law
7 firm representing Santa Fe Energy Operating Partners, L.P.

8 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin from the
9 Santa Fe law firm of Kellahin, Kellahin & Aubrey appearing on
10 behalf of Hanley Petroleum, Inc.

11 MR. STOVALL: Mr. Examiner, this case was actually
12 announced, I believe, this morning as being continued. But
13 for the record, let's state that Mr. Kellahin has filed a
14 subpoena and a request for continuance. Mr. Bruce has agreed
15 to the continuance of the case itself, a substantive case.
16 And the case should be continued to the January 24th docket.

17 At issue today is the question of the subpoena
18 itself. As I stated, Mr. Kellahin has filed a subpoena
19 requesting certain information with respect to Santa Fe
20 Exploration's Kachina 8 Federal Number 1 well which is an
21 offset well to the well which is the subject of the compulsory
22 pooling application. Mr. Bruce has filed a motion to quash
23 the subpoena. Both of these will be made part of the record
24 in the case.

25 We are here this afternoon at the request of the

1 parties to hear argument on the motion to quash and make a
2 determination whether to grant the motion to quash or deny it
3 in which case the subpoena will stand. Without further ado, I
4 think the parties may make their argument. I guess since
5 we're actually here on the motion to quash, Mr. Bruce has the
6 lead.

7 MR. BRUCE: Mr. Examiner, Santa Fe Energy is before you,
8 as Mr. Stovall stated, on its motion to quash the subpoena
9 issued by the division at the request of Hanley Petroleum.
10 Santa Fe requests that the subpoena be quashed or
11 alternatively that a protective order be issued. The
12 information requested by Hanley pertains mainly to the Kachina
13 8 Number 1 well which was drilled to the Wolfcamp formation by
14 Santa Fe and is located in the northeast of the northwest of
15 Section 8, 18 South, 33 East. The unit is the east half of
16 the northwest quarter.

17 Although this is not in the record, at the hearing
18 up coming in two weeks, Santa Fe will testify that it
19 originally wanted to drill the 8 Number 1 well as a north half
20 northwest laydown unit. However, Hanley informed Santa Fe
21 that it didn't want to join the well, farm out, sell its lease
22 or otherwise support the well. As a result, Santa Fe formed a
23 standup unit and drilled the well at its own risk and
24 obviously at no cost to Hanley. Santa Fe would also like to
25 point out that there are 14 Wolfcamp wells in Sections 7, 8,

1 17, and 18, not counting the 8 Number 1 well. Thus there is
2 plenty of public information available for Hanley to do its
3 own geological study of this area. Santa Fe used this data
4 from the other wells to decide to drill the 8 Number 1 well.
5 If anything, the 8 Number 1 well only confirmed Santa Fe's
6 geological study. Nonetheless, what I want to point out is
7 that probably 95 percent or more of the information Santa Fe
8 used to make its decision to drill the 8 Number 1 well and the
9 8 Number 2 well which is at issue in this case is already
10 available to Hanley.

11 Now before the 8 Number 1 well was completed, Santa
12 Fe decided to drill the 8 Number 2 well. Hanley now claims
13 it's entitled to all of Santa Fe's data in order to make a
14 decision to join in the 8 Number 2 well. Hanley has requested
15 certain types of data. First, they requested raw data from
16 the 8 Number 1 well such as logs and daily drilling reports.
17 They have also requested reserve calculations, reservoir
18 studies, geologic interpretations and economic studies. These
19 go beyond the 8 Number 1 well. These are more of a regionwide
20 data that they are requesting. I don't really think it can be
21 disputed that all of this data is confidential and proprietary
22 to Santa Fe. And I'm sure that Mr. Kellahin will get up here
23 and tell you that Hanley has a right to this information. We
24 do not believe that's correct, and there are sound legal and
25 practical reasons that Hanley should not be entitled to this

1 information.

2 I would note first that we're in an administrative
3 proceeding and not before the courts. The OCD was formed to
4 deal with the special problems and the special nature of the
5 oil and gas business. And I believe the OCD has a duty to
6 take special consideration of the unique nature of this
7 business. Every oil company has information that it considers
8 proprietary, and the OCD should protect that information
9 unless there is some absolutely compelling reason for its
10 production. There is none here, and I'll discuss this in a
11 minute.

12 Second, even if you use as guidelines district
13 court rules, production of the requested material is not
14 required. Rule 1-26 (C) of the Rules of Civil Procedure for
15 the district courts provides that protective orders may be
16 entered by a court holding that materials requested during
17 discovery not be produced or certain matters not be inquired
18 into or that the discovery be done only with certain persons
19 present. The rule specifically mentions confidential data as
20 being protectible. With these principles in mind, let's look
21 at some of this data that Hanley has requested. First, Hanley
22 has requested the raw data on the Kachina 8 Number 1, as I
23 mentioned, such as logs and drilling reports. This
24 information is being kept tight by Santa Fe, which is an
25 accepted industrywide practice. Santa Fe has offered this

1 data to Hanley and is still willing to present this data to
2 Hanley if Hanley will commit either to farming out or joining
3 in the well.

4 I believe Hanley will say this shows a lack of good
5 faith. It's already been alleged in their application.
6 However, this is not a practice which -- I should say this is
7 a practice which Santa Fe and other operators have agreed to
8 in the past. I know this case has been brought up before, in
9 the INRON case in case 9907, an OCD case, Santa Fe and Texaco
10 agreed to a similar deal with INRON, the applicant in that
11 case. And that was when Santa Fe was being force pooled.
12 Santa Fe thinks this is a fair arrangement and it comports
13 with industry practice.

14 Second, the good faith requirement of the
15 compulsory pooling statutes doesn't require production of
16 confidential data. In fact, we believe that Santa Fe has a
17 duty to protect its confidential information for the benefit
18 of its shareholders or its limited partners. Santa Fe, in
19 trying to make a good deal for itself, is complying with the
20 good faith requirements of the rule. And although we haven't
21 taken testimony on that, we believe that at hearing we will
22 show our good faith.

23 Now as to information such as reservoir studies,
24 geological interpretations, reserve calculations, like I said,
25 Hanley could obtain the vast bulk of this information from the

1 public records. Instead it wants to benefit from the
2 considerable effort put forth by Santa Fe both geological and
3 engineering work in building this prospect, but Hanley wants
4 to do it at no cost to itself. This should not be permitted.
5 What Hanley wants in effect is to see the opinions of Santa
6 Fe's experts because it must be unwilling to pay for its own.
7 I would also point out that in rule 1-26 (B), the rule
8 provides that a party seeking discovery from an expert should
9 pay that expert a reasonable fee for his time. If production
10 of these expert opinions is ordered by the division, Hanley
11 should be required to pay Santa Fe a fee, which we think would
12 be substantial based on the effort put into it, for the
13 efforts Santa Fe took or it made in putting this prospect
14 together. However, because of the highly proprietary nature
15 of the material, I urge that the OCD just not order it
16 produced in the first place.

17 Hanley has also requested Santa Fe's economic
18 studies. Now Santa Fe is extremely adamant about not giving
19 up that information. For one thing, I think you could ask the
20 witnesses in this room who are still listening to this case,
21 economic data varies from company to company. And we fail to
22 see how that would benefit Hanley, first of all. Second,
23 revealing it to third parties may give others a competitive
24 advantage over Santa Fe. We do not think that is proper.
25 Hanley has not shown the reason it needs this data, and the

1 OCD should not order it produced.

2 Once again, in summary, I would like to reiterate
3 that the vast bulk of the data on the south Corbin Wolfcamp
4 pool is publicly available to Hanley. Hanley has not shown a
5 sufficient need for the documents, and there is no requirement
6 under the pooling statutes that Santa Fe produce this data to
7 Hanley. As a result, Santa Fe urges the division to quash the
8 subpoena. And if production is ordered however, Santa Fe
9 requests that it be produced only to the hearing examiner to
10 aid in his determination of the case. If that is not done, we
11 believe that Santa Fe must be compensated for the labors of
12 its experts and the data of course must remain confidential
13 within the OCD. Thank you.

14 EXAMINER CATANACH: Mr. Bruce, is that what you were
15 referring to when you cited the protection order, that this
16 information only be disclosed to the examiner?

17 MR. BRUCE: Yes.

18 EXAMINER CATANACH: Mr. Kellahin?

19 MR. KELLAHIN: Thank you, Mr. Examiner. Let me respond
20 to Mr. Bruce by dividing my response into three different
21 areas for your consideration. The first area is to talk about
22 discovery and what would be permitted and allowed in a context
23 within district court and how that is translated and applied
24 to administrative agencies such as the division, second of
25 all, to address the question of relevancy, and then finally to

1 talk about the confidentiality.

2 We already have in place before the division
3 examiner a set of rules and regulations of which you're
4 eminently familiar. But unfortunately, for whatever reason,
5 the discovery practice that is available before this division
6 is not often exercised. It is a discovery practice that
7 parallels discovery practice in the district court. Mr.
8 Stovall can tell you, as I think Mr. Bruce would agree, were
9 we in a district court posture, I would be getting all the
10 information on this subpoena. There would be simply no
11 question about it.

12 Mr. Bruce attempts to hide behind the guise that
13 somehow the practice before this regulatory agency should be
14 different. Just the opposite is true, Mr. Examiner. Let me
15 refer you to a couple of points that demonstrate why Mr. Bruce
16 is wrong about that concept. I made a copy of your rules and
17 regulations of procedure just to have a quick reference here.
18 Rules 12-11 and Rules 12-12 deal with the attendance and
19 production of evidence at hearings. Rule 12-12 is the rule of
20 evidence. It doesn't take a moment to read that and see the
21 broad nature of what you can accomplish as a division examiner
22 when you require people to appear before you. It talks about
23 applying in a relaxed manner the types of rules we have before
24 district court proceedings in a trial by a district judge.
25 Under the discovery rules which are 1-026, there are broad

1 latitudes given to all parties. The theme of that process is
2 to have fairness. It is eminently unfair to any party not to
3 have access of everyone's relevant data, not only so the trial
4 examiner can see the data but so both sides' experts can
5 utilize that data and come to whatever conclusion they want.
6 It does not serve the legitimate purposes of justice to
7 suggest that the hearing examiner can look at this data
8 without having it tested by the opposition. And that's what
9 we're dealing with, an adversarial process where all parties
10 are dealing with a level playing field and the ability to use
11 the data regardless of the source.

12 And it matters not who went to the expense of
13 generating that data. The proprietary nature and the expense
14 of generating that data is a bogus argument. Regardless of
15 who paid for it, it's discoverable in district court. When
16 you look at your own procedures for handling well logs, it's
17 interesting to note rule 1105. I've got some copies here of
18 that one for you. In the context of a hearing before this
19 division and the commission, there are no confidentiality
20 rules. What is brought before you cannot be held in
21 confidence. This is a public access body, and any public
22 member is entitled to the information introduced before you as
23 a hearing examiner. The commission has taken care of the
24 problem Mr. Bruce raises with regards to the logs because if
25 you'll look at the top of the second page of rule 1105, some

1 of the information I seek is the information that would be
2 produced on the C-105 and the logs. And what it does is it
3 gives an operator a 30-day grace period where when he goes out
4 and has a new well, a new discovery, it gives him 30 days to
5 consolidate his acreage, take benefit of that knowledge and go
6 out and lease his acreage. But after that, it's public
7 knowledge, and he's required to file those logs.

8 MR. STOVALL: Mr. Kellahin, do you mean 30 or 90 days?

9 MR. KELLAHIN: I'm sorry. 90 days. He's required to
10 file the logs and file the C-105. But look at the last
11 sentence, notwithstanding that 90-day period, that
12 information, if pertinent, can be introduced in any public
13 hearing before the division or its examiners regardless of the
14 request that they be kept in confidence. Mr. Bruce wants to
15 tell you that somehow we're special. Administrative agencies
16 have some kind of different rules they play the game by. It's
17 not a game of hide and seek, Mr. Examiner. We're entitled to
18 have the data. Unfortunately, we don't yet have a case before
19 the New Mexico Supreme Court from the Oil Conservation
20 Division, but I will suggest to you I think it will follow the
21 case I'm about to share with you. It's a case¹ reported before
22 the New Mexico Supreme Court. Judge Sutin wrote it back a
23 number of years ago in 1975. They thing's been in place for
24 15 years, and it talks about the fact that discovery rules,
25 all of them, are available before a regulatory administrative

1 agency. I'll share that with you and opposing counsel. I
2 didn't bother to search farther. There's probably other
3 references to the fact that we're all playing by the same
4 rules. And I guess I'm surprised that lawyers that operate
5 before this agency don't take advantage of discovery more
6 often. But there's no reason we can't. And in this case,
7 it's compelling, Mr. Examiner. To have available the
8 information from the Kachina 8 Number 1 well in the northeast
9 of the northwest of Section 5 -- of Section 8 in order to
10 judge and evaluate what's going to happen to my client.

11 Hanley has filed its own competing forced pooling
12 application against Santa Fe Energy. That information was
13 certainly relevant enough that Santa Fe Energy sought to
14 utilize Mr. Thoma's testimony and introduced in the case we
15 just heard earlier today, case 10210, on Exhibit Number 4, his
16 geologic interpretation of that carbonate utilizing as a key
17 component of his justification for that unorthodox well the
18 Number 8 Kachina 1 well. If they can utilize that before this
19 examiner in a public forum, then they have waived any
20 confidentiality if it ever existed so that I should have that
21 information available to my own geologist so he can
22 independently judge the quality of that information and reach
23 his own conclusions. Santa Fe Energy by their actions in that
24 previous case have waived the confidentiality notwithstanding
25 what occurred at the end of that hearing. I will suggest to

1 you that the division has no authority to seal an exhibit or
2 preclude me from having it.

3 Let's look for a moment at the relevance of why the
4 offsetting well for which I seek the data is important to my
5 client. You can look at Mr. Thoma's Exhibit 4. I have got an
6 exhibit that we would use at our hearing, and I will show it
7 to you as simply a way of illustration of why that one
8 Wolfcamp completion by Santa Fe is now so critically important
9 as a key component to various elements with regards to the
10 competing forced pooling applications of all parties.

11 I'll mark this as Hanley Exhibit Number 1 for
12 purposes of this motion, Mr. Examiner. It is the Corbin area.
13 It shows an indication of the producing wells in this area and
14 the formation in which they produce. One of the critical
15 elements is the risk involved to whoever is decided by the
16 division to be the operator, whether it's Hanley or Santa Fe
17 Energy. There's a component of risk. And it's to be assessed
18 against any nonconsenting working interest owner in that
19 80-acre spacing unit with regards to either the Wolfcamp or
20 any other formation. You can see that the development of the
21 Wolfcamp to the south, either on this display or in Mr.
22 Thoma's Exhibit 4 has been extended by the Kachina 8 Number 1
23 well in section 8. Look how important that is to you as an
24 expert and to my experts in extending that carbonate in the
25 Wolfcamp. It's going to make significant difference as to the

1 risk involved whether Hanley takes it or whether Santa Fe
2 takes it. And if you look at that spacing unit, it is Hanley
3 which has the single largest working interest in that spacing
4 unit. There is no other single working interest owner in that
5 spacing unit that's got as large as an interest as we do. The
6 other key component though and one that Mr. Thoma has not
7 shown you is the fact that this location or the spacing unit
8 is approximately equal distance between the Wolfcamp and the
9 Bone Springs. There's a Bone Springs component to this case
10 that is very relevant. The Bone Springs oil production is on
11 40 acres, and you can see where it is off to the north and
12 west. In this case, there will be a discussion and a decision
13 by these experts about the potential of the Bone Springs and
14 where you locate the well in the spacing unit to optimize or
15 minimize the risk. An argument is created that's relevant
16 that this could require whoever is the operator to allocate
17 his costs between the two pools. We have a split risk
18 situation between the Bone Springs and the Wolfcamp. And
19 again the Kachina 8 Number 1 well plays a critically important
20 point in understanding the relevancy of that argument. The
21 documents we seek to have produced will give us information
22 about the tests of this well. It will give us information to
23 determine whether or not we'll need to modify any mud program,
24 any casing cementing program, how to analyze and judge the
25 qualities of the AFE. There will be a dispute between these

1 parties over the well costs. Inherently involved in that is
2 an economic argument. Mr. Bruce tells me it's not relevant,
3 but you know it is, which operator can drill this project at
4 the least expense to all interest owners. And one of those
5 inherently is the economics of the project. We think we're
6 entitled to that information, and we ask for that information.
7 If there's production information, we're entitled to have it.
8 It is not available to us in the general public. We believe
9 we're entitled to have that because it is relevant.

10 Finally, Mr. Bruce wants to hide behind some claim
11 of confidentiality. When you look at rules of discovery,
12 1-026, it talks about trade secrets. By stretch of
13 imagination maybe you can characterize some of this as some
14 kind of trade secret. I really doubt it. The overwhelming
15 abundance of decisions with regards to protective orders for
16 proprietary information almost always requires disclosure to
17 the other litigants, and the protective order would preclude
18 discovery and disclosure to third parties outside the
19 litigation. And in fact, that's what happened in Mr. Bruce's
20 case in the INRON case. That's the one where he and Mr. Carr,
21 and Bruce was on the other side of that argument that day, but
22 back in May of '90 in case 9907 it was order number R-9190.
23 Unfortunately, there was no record made on the subpoena
24 problem. But it is my understanding, and Mr. Bruce can
25 correct me if I'm wrong, that their Mr. Stogner was in a

1 position where INRON had their claim of proprietary data for
2 the offsetting well, and Mr. Bruce was seeking it for Santa Fe
3 in order to handle the forced pooling case. Mr. Stogner
4 decided that in order to keep a level playing field for all
5 parties that he would deny INRON the opportunity to use the
6 information from that well. And they couldn't have it,
7 couldn't use it, couldn't introduce it. Well, I think after
8 the hearing, everybody agreed that that was not an appropriate
9 solution. And therefore, the parties agreed to a
10 confidentiality and exchanged the data.

11 I would suggest to you that the argument about
12 paying for whatever it cost to generate the logs is totally
13 inappropriate. What Mr. Bruce has confused is that under the
14 discovery rules, if I take his expert's deposition, I'm
15 obligated to pay his transportation and his hourly rate while
16 I ask him questions. But I sure don't have to pay for the
17 value of the log that they ran that's in their file. That's
18 not how it's done. I believe it's appropriate, Mr. Examiner,
19 that the commission make a substantial step forward as it
20 already has with regards to hearings by ambush, playing hide
21 and seek with data. With Mr. Stovall's assistance and
22 recommendations, the division has for the most part avoided
23 hearings by ambush. At least now we know who's going to come
24 beat on you. They're required to file their prehearing
25 statements the week before. And so there is that element of

1 unfairness removed from the process. But there's nothing fair
2 about letting one party keep information that is necessary in
3 order to have a fair adversarial process before this division
4 from disclosing it to the other side. I said awhile ago, I
5 think Santa Fe's waived it. They showed the isopack a while
6 ago. It can't mean much to them if they showed it in the case
7 before. They're just trying to keep us behind the stick here.
8 The options I see for you, Mr. Examiner, are to deny the
9 motion and require the documents to be produced. I think
10 that's the right answer.

11 Another alternative would be to dismiss their
12 application. If they're not prepared to make their
13 information available and to test their beliefs and
14 conclusions based upon that data, let them dismiss their case.
15 You could continue their case until the 90-day period has
16 fully run. Let them have another few weeks to lease up the
17 rest of the acreage. My understanding is there's no acreage
18 available in Section 8 for any third party to take advantage
19 of. It's a done deal. We're dealing with the people now that
20 we'd be dealing with at the hearing. You could, I guess, do
21 what Mr. Stogner did and say that Santa Fe can't use the data.
22 That's really only half an answer at best. It's sort of like
23 walking in with your hands behind your back and half a
24 blindfold on. If they can't use it, there's no reason I
25 shouldn't be able to use it. And we need it for all the

1 reasons I've expressed as to why they're relevant. And I
2 think for the most part lawyers have gone very far out of the
3 way to avoid discovery. You know, these engineers and
4 geologists don't want to spend their time taking depositions.
5 Rules allow it. And for the most part, we don't do it because
6 the information is generally available and we let our own
7 experts work with it. But here where you have a key well that
8 is on the edges of this reservoir that plays an important part
9 in deciding how to proceed, I think you do a disservice to
10 what you are obligated to do if I'm not allowed to have that
11 information. We would request that the motion be denied and
12 that the subpoena be enforced and the documents be produced
13 today.

14 MR. BRUCE: Do I get a rebuttal, Mr. Examiner?

15 MR. STOVALL: Yeah, if you make it concise, because I do
16 want to perhaps address some questions. Go ahead.

17 MR. BRUCE: My friend Tom, of course, has been on both
18 sides of this issue before too. He's not the only one. This
19 is a limited practice here at the OCD. But contrary to what
20 Tom says, this wouldn't be a step forward for the industry or
21 for the OCD. It would be a step backward. I think if you
22 asked any, if you asked the vast majority of companies, there
23 are times when they just have to keep information
24 confidential. We believe this is one of those cases.

25 Now, first, Mr. Kellahin says that district court

1 rules apply. Then he says confidentiality rules don't apply
2 although district court rules have a confidentiality
3 provision. Then he pulls out a case that says district court
4 rules do apply. This case says rules similar in scope. It
5 doesn't mandate exact district court rules apply in this case.
6 I think the bottom line is that the OCD does have flexibility
7 in addressing this issue. And there is a reason many
8 operators don't take advantage of the discovery rules. Like I
9 said, I think it's a step back. They don't want to be
10 flogging their opponents or their company's competitors in the
11 oil business for this information all the time. They have
12 lots of information they want privileged. And they recognize
13 that there is information out there that other companies have
14 that they want privileged, that the other companies want
15 privileged.

16 I think what you're going to find is if you do deny
17 my motion is that in virtually every case, every compulsory
18 pooling case, unless you're dealing with unleased mineral
19 interest owners or people who can't be located, you're going
20 to have a counterapplication, you're going to have subpoenas,
21 et cetera, et cetera, et cetera. As to the hearing in case
22 10210, Santa Fe was under severe constraints. It had to
23 present evidence to support its case. It has an expiring
24 farmout. It's in a bind. It did make a motion to protect
25 that exhibit until the OCD can decide this issue. And there

1 is precedent for the OCD holding matters confidential, as I
2 mentioned informally to Mr. Stovall, I believe, testimony
3 regarding the potash area, certain potash industry information
4 has been kept confidential. I think everybody in this room
5 who has had anything to do with drilling a well in the potash
6 area realizes how tough it is to crack that information held
7 by the potash industry.

8 MR. STOVALL: Let me point out, Mr. Bruce, that I believe
9 any information being held confidential with respect to the
10 potash, I don't believe is on file -- and the examiner can
11 correct me -- with us. I believe it is filed with the state
12 land office or the bureau of land management.

13 MR. BRUCE: Okay.

14 MR. STOVALL: Under that impression and I don't know of
15 any other case.

16 MR. BRUCE: I don't want to get into it any further. The
17 other case that Mr. Kellahin did mention, the INRON case, the
18 factual situation was much different there. There was one
19 well in the area. Texaco and Santa Fe desired that
20 information. INRON wouldn't give it to them. In this case,
21 as I stated before, there's 14 Wolfcamp wells in the area
22 which provide the vast bulk of the information Hanley wants.
23 We request that the motion be granted.

24 EXAMINER CATANACH: Is that it?

25 MR. STOVALL: I'd like to ask some questions just for the

1 examiner's guidance in this issue. I think you have made the
2 distinction in the division in examining the subpoena and the
3 motion. In examining this well, there are essentially two
4 types of data being requested. One is the raw data, the
5 uninterpreted physical data regarding the well, and the other
6 is interpretive data; that is, the interpretation of the raw
7 data combined with whatever other data is available by Santa
8 Fe's technical folks.

9 I'd like to focus for the moment on that
10 interpretive data which is really the work product of Santa
11 Fe's people. And Mr. Bruce has argued and it is part of his
12 motion that that work product, that that evaluation should
13 not -- regardless of what we do with the raw data, the
14 evaluation materials should not be made available because it
15 is in fact the work product of Santa Fe and is not a -- it
16 represents their expert analysis of the raw data on what's
17 available.

18 MR. KELLAHIN: Let me draw a distinction quickly. Work
19 product applies to attorney work product?

20 MR. STOVALL: I'm sorry. That is not the term I mean to
21 use, not in that sense.

22 MR. KELLAHIN: In the conventional nonlawyer sense,
23 you're talking about the engineer's work product?

24 MR. STOVALL: Yes.

25 MR. KELLAHIN: In the lawyer sense, it's only the

1 attorney work product that's subject to protection under a
2 privilege, which I don't believe Mr. Bruce --

3 MR. STOVALL: That's not even an issue, and I did not
4 mean to use it as that term of art that you're referring to.
5 I think on those items, for example, looking at the subpoena,
6 the items requested, item number 6 is an interpretive type of
7 information. You take raw data and crunch the numbers in some
8 way to come up with something. That's reserve calculations.
9 Item number 7, the reservoir studies, that certainly is
10 interpretive type evaluation. Item number 10 certainly is
11 interpretive, geologic interpretation. You take the raw data
12 and tell us what's out there. Item number 8 is also in-house
13 created from information. I think it's in a little bit
14 different category because it has to do with, I think,
15 economics.

16 But for the moment, Mr. Kellahin, is there not a
17 reason why if you could obtain the raw data that Hanley
18 couldn't make its own evaluations and would it not want to
19 make its own evaluations as to whether to participate and
20 invest in this well?

21 MR. KELLAHIN: Certainly so and also undertake
22 operations, but separate and apart is our absolute right to
23 test the conclusions and interpretation of their experts. And
24 in the district court discovery forum, we would be entitled to
25 have their exhibits. We would get Exhibit Number 4, Mr.

1 Thoma's interpretation of his geology. And we would have that
2 prior to the hearing, and we could prepare our experts for the
3 hearing in that fashion. And I would suggest to you that's
4 really the way we ought to do it here rather than do it by
5 guess and by golly. You might get a more meaningful, well
6 thought out combat of opposing positions if everybody had full
7 disclosure on each side and you came well prepared to worry
8 about what was important. But there is a difference. There
9 is a difference between the raw data and the interpretive
10 data. We've asked for all of it.

11 MR. BRUCE: Once again I would reiterate. Santa Fe said,
12 Agree to commit or farm out; we won't give you that data.

13 MR. STOVALL: Go back to more. There's agreement then
14 that there is a difference between raw data and interpretive
15 data and they could be separated out in terms of the motion?

16 MR. KELLAHIN: No question, Mr. Stovall, they could be
17 separated.

18 MR. STOVALL: One of the interesting issues that comes up
19 in this industry is that it certainly is like no other
20 industry that I know of anyplace in the country. It's the
21 only place where you try to go drill wells that you don't need
22 because of some reason that's not economic. It's also one of
23 the industries, the only industry I know, where people are
24 asked to make investment decisions without access to available
25 information. And that concerns me a little bit in this arena.

1 It's the only industry that I know of where on a regular
2 basis, and it's obviously due to the geophysical nature of oil
3 and gas in a reservoir, conservation laws, where a party can
4 be forced in effect to make an investment either by committing
5 dollars or by in effect giving up their asset for a time to
6 compensate for not paying those dollars. If you get force
7 pooled, you pay for it with your interest plus some risk
8 penalty.

9 Mr. Bruce, I would be curious to hear from you why
10 a party who is not being asked to invest should not have all
11 of at least the essential raw information available to make a
12 decision whether or not to invest.

13 MR. BRUCE: The party who is being asked to invest?

14 MR. STOVALL: In other words, in this case, Santa Fe is
15 saying, Hanley, we want you to make a decision whether or not
16 to invest in this next well, but we want you to make it with
17 less than all of the available -- and I'll refer to the raw
18 information for the moment, not interpretive information.

19 MR. BRUCE: Sure, sure. But Santa Fe really doesn't want
20 to force pool Hanley. They would prefer, you know, and the
21 land man testified about that, and it's not necessary today.
22 They prefer to have partners. They don't want to bear the
23 whole cost, the whole risk of that well.

24 MR. STOVALL: I understand. And let me point out, I'm
25 saying, you're asking them to make a decision without all the

1 information, not --

2 MR. BRUCE: We're not asking them to be force pooled.
3 But we are saying either agree to pay your share or farm out
4 under which they would bear no cost.

5 MR. STOVALL: Or they have a third option, to be force
6 pooled.

7 MR. BRUCE: To be force pooled.

8 MR. STOVALL: And then make a determination at that
9 point. But what you're saying, what Santa Fe is saying, what
10 the industry says in a situation like this is make an
11 investment decision whether or not to participate or how to
12 participate, I guess really, you're going to participate in
13 some way in this well. You make a decision how to
14 participate, but we are going to withhold from you some of the
15 information which we have available in order to make the
16 initial decision that there will be a well drilled.

17 MR. BRUCE: Well, for one thing, like I say, I don't -- I
18 keep sounding like a broken record. But if they would agree
19 to commit or farm out, they'll get everything they want.

20 MR. STOVALL: But I'm telling you, Why should they not
21 have information before they make a decision to do one or the
22 other?

23 MR. BRUCE: Well, I, you know, go back to the traditional
24 posture of maintaining information. I mean, Santa Fe is
25 definitely trying to do the best it can for its shareholders.

1 Is that required, to give all the best information that it may
2 have to an opponent?

3 MR. STOVALL: If Santa Fe were seeking to sell, and they
4 may do this, since it's called operating partners, I assume
5 they have partners in a well. And I believe under investment
6 rules, they're required to make information available to the --

7 MR. BRUCE: The operating partner, Santa Fe Energy
8 Operating Partners, this goes into excruciating detail, is a
9 limited partnership, you know, in the traditional limited
10 partnership sense. But it does have other partners in deals.
11 For instance, in this case right here, the leasehold that
12 Santa Fe owns, and I don't know, it may be in Santa Fe's name,
13 is owned -- its partner in that deal is Hayco.

14 MR. STOVALL: Notwithstanding whether or not it's Santa
15 Fe and how it operates, drilling deals are sold in the
16 investment marketplace. And those investments are subject to
17 investment regulatory agency regulations such as the SEC or
18 state securities commission. There may be some exemptions
19 that get them out from under it, but the premise is that most
20 investment regulations are that the potential investor should
21 have all information available before they make an investment
22 decision; is that not correct?

23 MR. BRUCE: I don't know. Did that require a response?
24 I don't know.

25 MR. STOVALL: Do you agree with that statement?

1 MR. BRUCE: In the SEC setting, yeah, but we're not
2 dealing with investment securities here.

3 MR. STOVALL: Well, we were drawing analogies, and I'm
4 drawing --

5 MR. KELLAHIN: In the regular business world, the oil and
6 gas operator has the opportunity not to sell his interest if
7 he is uncomfortable that the opponent has not shared all the
8 data. But in this forum, we're going to use the police powers
9 of the State to make that decision for him, and we're going to
10 make them in this context without all the information. I
11 think we've made it even worse than the example you were
12 citing where at least in the open market that operator has the
13 ultimate benefit of avoiding the transaction.

14 MR. BRUCE: Mr. Stovall, I mean, like I said, I'm
15 sounding like a broken record. But if they're force pooled,
16 they don't have to pay any money up front. So it's not like a
17 deal selling securities where somebody should know everything
18 before they're shelling out the money.

19 MR. STOVALL: They have to pay money though. They are
20 committed to paying that money in one form or another, are
21 they not?

22 MR. BRUCE: It comes out of production. I agree. But
23 they're not being -- I guess this goes back to why forced
24 pooling statutes were enacted in the first place, so people
25 could choose not to put any money up front. But if they're

1 asking -- if they would agree to pay or farm out, they would
2 get all the information. But in the forced pooling context,
3 they're really not paying anything.

4 MR. STOVALL: Oh, I think I could get into all sorts of --

5 MR. BRUCE: But Santa Fe and Hayco would be taking the
6 entire risk. And if that well was dry, would Hanley pay
7 anything? No. The 200 percent penalty or whatever penalty is
8 assessed is made to induce someone, to help induce someone to
9 drill that well. So, yes, if you look at it if it is a really
10 good well and is paying, yeah, Hanley would be paying in some
11 fashion because they would be paying out of production. But
12 if that well is a dog, Santa Fe and Hayco just bought the farm
13 on that well and Hanley didn't have to pay a dime.

14 MR. STOVALL: And Santa Fe and Hayco make the decision to
15 drill that well. Given all those factors, they've got their
16 own money going in, it's in the same bank. And they've made
17 the decision to place their money at risk based upon
18 information which includes the information from a direct
19 offset well. They've got a -- if you're playing poker,
20 they've got one card. They can see all five.

21 MR. BRUCE: But they made that decision before they had
22 all the information from that offset. They made the
23 decision --

24 MR. STOVALL: We don't know that. We just know that they
25 now -- and that was not irrevocable until a bit hits the

1 ground.

2 MR. BRUCE: Well, that's true. But they started
3 proposing this well. Their management made the decision to
4 drill this well before they had all of the information from
5 the 8 Number 1 well.

6 MR. STOVALL: Uh-huh. And management had the opportunity
7 and still has the opportunity, as I say, all the way along to
8 withdraw from that well. They may have made that decision
9 prior to the number 1 well being drilled and then drilled the
10 number 1 and came back and said, No, we don't want to drill
11 that well. We don't want to drill the second well. Based
12 upon that information, they made the preliminary decision to
13 drill the well. They've now got the information, and they're
14 making -- they're confirming that decision and asking Hanley
15 to go along with that decision. And Hanley doesn't know what
16 that information says with respect to the other information
17 that's available to determine whether they agree with the
18 decision or whether they would rather let Santa Fe and Hayco
19 take the risk for Hanley.

20 MR. BRUCE: I mean, Hanley doesn't want to pay or wants
21 to see -- doesn't know if they want to pay, but they do want
22 to operate. That seems a little inconsistent too.

23 MR. STOVALL: We hadn't gotten to that part yet.

24 MR. BRUCE: There's inconsistencies all around. [TAPE]

25 MR. THOMA: Could I speak off the record?

1 [SPEAKER]: I think we've got to make a legal argument.
2 If you'd like to take a minute and talk to Bruce, then --

3 [SPEAKER]: I think there's something that's missing
4 here, misunderstanding between what you're saying and what Jim
5 is arguing and what --

6 MR. STOVALL: Let's go off the record. Mr. Bruce, would
7 you like to talk to your client?

8 (A discussion was held off the record from 5:55 p.m.
9 until 6:05 p.m.)

10 {PREPB} Tom, the unidentified speaker was Mr. John L. Thoma,
11 T-h-o-m-a. Okay. [TAPE 2, SIDE B, END]

12 EXAMINER CATANACH: Are you ready, Mr. Bruce?

13 MR. BRUCE: Yes.

14 MR. STOVALL: I assume you would like to say something
15 based upon your geologist's --

16 MR. BRUCE: Yeah, just one thing. And I think a couple
17 people here, it may be I'm not explaining myself, but what
18 Santa Fe is saying to Hanley is, Look, we will give you the
19 data you want, the logs and reports, the raw data. Now after
20 you get that data, after you look at it, then we want you to
21 do one of two things, commit or farm out.

22 MR. STOVALL: Are you not leaving them the option to go
23 nonconsent on the forced pooling order; is that what you're
24 saying?

25 MR. BRUCE: That's correct. We do not want them -- we

1 don't want to force pool.

2 MR. KELLAHIN: That precludes us the option of being the
3 operator and going forward with our own pooling case. That's
4 an empty gesture, Mr. Examiner.

5 MR. BRUCE: Oh, it's not empty, and the examiner knows
6 it. We would -- well, I mean, that could still leave the
7 issue of operatorship open, if they agreed to commit. I
8 suppose there could be a hearing solely on who operates that
9 well.

10 MR. KELLAHIN: Every subpoena issued, Mr. Examiner, can
11 always be successfully quashed by a claim that it's
12 confidential. And if you're going to believe that, then you
13 can always hide behind this confidentiality. What we want is
14 the opportunity at this hearing to utilize the same data that
15 they're going to be able to utilize at that very hearing.

16 MR. STOVALL: Mr. Kellahin, has Hanley filed an
17 application to force pool and seek an operatorship? Is there
18 one filed with the division at this point?

19 MR. KELLAHIN: We're on the docket for a hearing on the
20 24th at this moment.

21 MR. STOVALL: And then I assume we will consolidate these
22 two cases for a hearing at that time?

23 MR. KELLAHIN: That is the plan.

24 MR. STOVALL: Mr. Examiner, I think we could sit here for
25 another hour or so and argue fine points and what have you. I

1 think it is probably safe to say that practice before the
2 division has probably been unlike practice before any other
3 adjudicatory body in that there has been a relatively very low
4 flow of information prior to a hearing. Most parties come to
5 a hearing not knowing what the other party in a case is going
6 to have ahead of time. I'm not sure that that gets us the
7 best type of case. I think the preparation is what makes a
8 better case in front of the division. I've also got some
9 concerns about some basic rights, comments I made earlier with
10 respect to having access to available information to make a
11 decision.

12 I think in the INRON case, which Mr. Bruce and Mr.
13 Kellahin have referred to, I think we took one approach to
14 leveling the playing field, if you will, we'll give you an
15 equality saying, If you don't give it, you can't use it. I
16 think we could stick with that approach if we wanted to. I
17 don't think that necessarily provides the best result. I
18 don't see a good, sound argument why Hanley should not have
19 access to raw information, information which has not been
20 interpreted in any way by Hanley. On the other hand, once
21 they obtain that raw data, then they can make their own
22 evaluations and make their own decisions based upon the same
23 information.

24 I think interpretive data, what I would identify as
25 interpretive data would be referring to Mr. Kellahin's

1 subpoena, item number 6, any and all reserve calculations
2 including but not limited to volumetric calculations of the
3 reserves including recoverable reserves; item number 7, any
4 and all reservoir studies; item number 8, any and all economic
5 studies, including but not limited to estimates of pay out and
6 rates of return; and item number 10, geologic interpretations
7 by which you justify the well and evaluate its risk.

8 One other comment on the record is in considering
9 this case, another option that we had discussed is a policy
10 matter is that if information isn't available, it would be
11 indicative of a reduced risk on the pooling operator's part.
12 Certainly if he had more information, he wouldn't be entitled
13 to the risk. I think that, again, is sort of a skewed way to
14 deal with a difficult question. And I think the division at
15 this point is ready to deal with this difficult question of
16 getting information ahead of time. My recommendation, Mr.
17 Examiner, is that this subpoena be quashed with respect to
18 items 6, 7, 8, and 10, that it be allowed to stand with
19 respect to the other information, noting that item number 5
20 referring to production information, I would identify that as
21 just simply raw volumes.

22 I would advise the examiner and the parties also
23 that certainly what works for the goose works for the gander
24 and discovery works both ways. Historically, it has been most
25 of the discovery comes up in forced pooling cases, and most of

1 it comes from an opponent to a forced pooling application. I
2 don't think that that necessarily is the limitation. I would
3 advise also, Mr. Examiner, that this is a very narrow
4 precedent in terms of the division's moving towards a more
5 open discovery. It is not our intention to move in the
6 direction of a public service commission or federal energy
7 regulatory commission which would take three and a half years
8 to decide what they're going to look at, and the rest of the
9 world kind of stops while they do it.

10 I mean, any discovery that is going to be here is
11 going to be direct, concise. Also it states that part of the
12 reason or one of the reasons for granting, allowing the
13 subpoena on the specific items that are not being quashed is
14 that this is directly relevant information, it is an offset
15 well to the same pool by the same operator, and the
16 information is not available from any other source. I don't
17 think that this necessarily would indicate that Santa Fe would
18 be required to produce all of its information on other wells
19 in the Wolfcamp in the area. As Mr. Bruce pointed out, that
20 information is available from public records. And it's not
21 the division's job to force one party to do the other party's
22 research and evaluation.

23 Given that, my recommendation, Mr. Examiner, is
24 that, as I say, items 5, 6, 7, 7 -- excuse me, 6, 7, 8 and 10
25 on Mr. Kellahin's subpoena be quashed and that the subpoena

1 stand with respect to the other items. Oh, one other thing.
2 With respect to the protective order, Mr. Bruce, I'm going to
3 recommend a modified protective order different from what Mr.
4 Bruce has suggested, that this information be made available
5 only to Hanley. And, of course, the examiner, should it
6 become relevant, Hanley should be directed not to release the
7 information to any other party prior to the hearing. At the
8 hearing then, it becomes a question of what to deal with, what
9 is submitted in the record. I recognize also that my
10 recommendation does not address the issue of exhibits to be
11 presented in the given hearing, and we haven't gotten into
12 that which could get into those interpretive areas. We're
13 dealing only with raw data at this time. And, Mr. Examiner,
14 after you make a ruling, we're going to have to make some
15 determination with respect to Exhibit Number 4 in case -- was
16 it 10210, I believe?

17 EXAMINER CATANACH: The motion to quash by Santa Fe
18 Energy is hereby sustained as to item number 6, 7, 8 and 10 in
19 the subpoena issued by the division as requested by Hanley
20 Petroleum Corporation. And that's the ruling on that.

21 MR. KELLAHIN: The subpoena requires production as of
22 today's hearing, Mr. Examiner.

23 MR. STOVALL: Mr. Kellahin, would you be willing to work
24 with Mr. Bruce and his client as to -- we don't want to get
25 real technical and --

1 MR. KELLAHIN: I understand.

2 MR. STOVALL: -- establish contempt. But I think an
3 adequate -- Mr. Bruce, what are you able to do as far as those
4 specific --

5 MR. BRUCE: Let me talk about it with my clients. I
6 don't even think they have all the data here today.

7 MR. STOVALL: Well, I would just urge you to reach an
8 agreement on that based upon the --

9 MR. BRUCE: I'm sure we can. But since the case wasn't
10 being held today, we certainly did not bring the data with us.

11 MR. STOVALL: I understand that. And I'd hardly suggest
12 that we'd hold Santa Fe in contempt for that failure.

13 MR. BRUCE: I will call Mr. Kellahin tomorrow.

14 MR. STOVALL: Mr. Examiner, nothing further in this case.
15 However, I'm going to suggest that we're going to have to
16 reopen case 10210 to discuss Exhibit Number 4, and I think
17 that should be discussed in the context of that case because
18 an order will affect that case.

19 EXAMINER CATANACH: Reopen briefly case 10210 and briefly
20 discuss Exhibit Number 4 that was entered by Santa Fe in that
21 case which was a geologic interpretation isopack map.

22 MR. STOVALL: I'll point out, as the record will reflect,
23 Mr. Kellahin does not represent anybody who is a party in that
24 case. I think he's properly using geologic interpretation. I
25 would suggest that while there's nothing in our rules that

1 specifically addresses the issue. I think that the record in
2 that case can be kept confidential until such time as an order
3 is issued in that case.

4 MR. BRUCE: That's acceptable.

5 EXAMINER CATANACH: Then that's what we'll do in that
6 case, keep the record confidential until an order is issued in
7 this case. We'll take case 10210 under advisement. This
8 hearing is adjourned.

9 (The deposition was concluded at the approximate hour of 6:15
10 p.m.)

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25

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN
KAREN AUBREY

CANDACE HAMANN CALLAHAN

JASON KELLAHIN
OF COUNSEL

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

April 25, 1991

RECEIVED

APR 27 1991

OIL CONSERVATION DIVISION

HAND DELIVERED

William J. LeMay
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
310 Oil Santa Fe Trail
Santa Fe, New Mexico 87501

Re: Case No. 10211
Application of Santa Fe Energy Operating
Partners, L.P. for Compulsory Pooling,
Lea County, New Mexico

Dear Mr. LeMay

On behalf of Hanley Petroleum Inc., I request that the Oil Conservation Division issue the enclosed Subpoena to Santa Fe Energy Operating Partners, L.P.

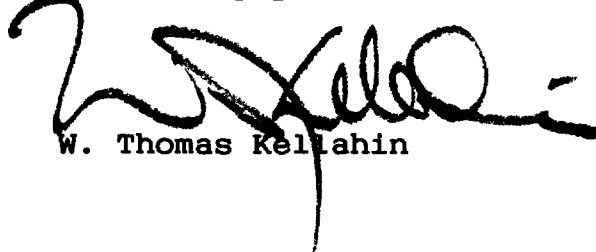
Hanley Petroleum Inc. is a working interest owner in the acreage which is the subject of Santa Fe's pooling application in the Undesignated South Corbin-Wolfcamp Pool. The subpoena seeks data from Santa Fe's newest Wolfcamp well, a northeast diagonal offset to the area involved in this case.

This case is currently scheduled for hearing on May 9, 1991 before the Commission. If we receive the information covered by this subpoena, we will need at least one week to review this data and prepare our case. We, therefore, request that the documents be produced at the Division Examiner hearing now set on May 2, 1991.

Mr. William J. LeMay
April 25, 1991
Page 2

Your attention to this request is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a long horizontal flourish extending to the right.

W. Thomas Kellahin

WTK/tic
Enclosure

cc: Mr. Jim Rogers
Hanley Petroleum Inc.
415 West Wall, Suite 1500
Midland, Texas 79701

James Bruce, Esq.
Hinkle, Cox, Eaton, Coffield & Hensley
500 Marquette, N.W.
Albuquerque, New Mexico 87102

William F. Carr, Esq.
Campbell & Black, P.A.
110 North Guadalupe
Santa Fe, New Mexico 87501

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

IN THE MATTER OF THE APPLICATION OF
SANTA FE ENERGY OPERATING PARTNERS, L.P.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

CASE NO. 10211

SUBPOENA DUCES TECUM

TO: Santa Fe Energy Operating Partners, L.P.
c/o James Bruce, Esq.
Hinkle, Cox, Eaton, Coffield & Hensley
500 Marquette, N.W.
Albuquerque, New Mexico 87102

Pursuant to the power vested in this Division, you are commanded to produce at 8:15 A.M., May 2, 1991, to the offices of the Oil Conservation Division, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico 87501 and make available for copying, all the following documents under the possession or control of Santa Fe Energy Operating Partners, L.P.:

For the following well:

Kachina "5" Federal Well No. 1 located in
SW/4SE/4, Section 5, Township 18 South, Range 33 East,
Lea County, New Mexico.

Produce the following data:

1. Any and all pressure data, including but not

- limited to bottom hole pressure surveys;
2. Mechanical logs and mud logs, if any;
 3. Any and all Gas Oil Ratio Tests;
 4. Any and all specific gravity information on the liquids;
 5. Any and all production information including test data; and
 6. Complete daily drilling and completion reports from inception to the latest available data for this well.

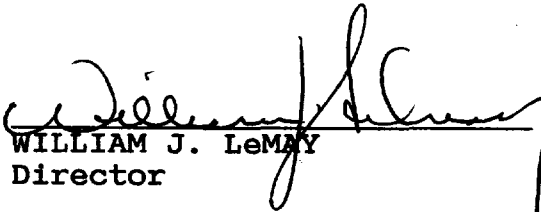
INSTRUCTIONS

This Subpoena Duces Tecum seeks all information available to you or in your possession, custody or control from any source, wherever situated, including but not limited to information from any files, records, documents, employees, former employees, counsel and former counsel. It is directed to each person to whom such information is a matter of personal knowledge.

When used herein, "you" or "your" refers to the person or entity to whom this Subpoena Duces Tecum is addressed to include all of his or its attorneys, officers, agent, employees, directors, representatives,

officials, departments, divisions, subdivisions,
subsidiaries, or predecessors.

NEW MEXICO OIL CONSERVATION
DIVISION


WILLIAM J. LEMAY
Director

ISSUED THIS _____ day of _____, 1991, at
Santa Fe, New Mexico.

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

IN THE MATTER OF THE APPLICATION OF
SANTA FE ENERGY OPERATING PARTNERS, L.P.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

CASE NO. 10211

CERTIFICATE OF SERVICE

I hereby certify that I have caused to be served
the original Subpoena Duces Tecum to Santa Fe Energy
Operating Partners, L.P., c/o James Bruce, Esq.,
Hinkle, Cox, Eaton, Coffield & Hensley, 500 Marquette,
N.W., Albuquerque, New Mexico 87102, on this ____ day
of _____, 1991.

PROCESS SERVER

SUBSCRIBED AND SWORN to before me this ____ day
of _____, 1991.

Notary Public

My Commission Expires:



New Mexico
Petroleum Recovery Research Center

A Division of
New Mexico Institute of Mining and Technology
Telephone (505) 835-5142

OIL CONSERVATION DIVISION
RECEIVED

'91 MAY 20 AM 9 17
Socorro, NM 87801

Facsimile (505) 835-6031
Verify (505) 835-5406

May 16, 1991

Bill LeMay
Oil Conservation Commission
P.O. Box 2088
Santa Fe, NM 87501

Re: Cases 10211 & 10219

Dear Bill,

My thoughts on Hanley versus Santa Fe Energy.

1. Hanley's choice of a depositional model is suspect because they may have the reef in the wrong location. Also, there is a question about the origin of the reef. The size of the reservoir pods (blocks) as described by the model proposed by Hanley, is dependent on the slope of the reef front. If they had the wrong reef in the wrong location, their interpretation is not correct. I fail to understand why the location of a significant geologic occurrence such as the Permo-Penn Reef Trend is not precisely known by all geologists active in the area.

2. The pressure-production information presented by Santa Fe demonstrates that 80 ac drainage occurs in the Wolfcamp. There is no need for 40 ac spacing. Hanley's case for 40 ac was based, in part, on the questionable depositional model. Hanley did not present an engineering evaluation of the available pressure versus production information while Santa Fe made good use of the available information.

3. From my perspective, Santa Fe did an excellent job integrating the available geologic and engineering data. Their zonal interpretation (10 ft or more of tight mudstone between the carbonate layers) of the oil-water contact question was stronger than Hanley's single zone concept. Hanley's failure to recognize that all Wolfcamp zones were not perforated when they constructed their production maps indicates an incomplete effort.

4. Cost allotment seemed reasonable and I believe that either Santa Fe or Hanley could operate in the area. If Hanley truly wishes to drill a Bone Springs test, 40 ac spacing seems appropriate.

5. Santa Fe presented a much stronger case than Hanley's weak effort. I support a 200% penalty.

Sincerely,

Bill Weiss

W.W. Weiss
Field Petroleum Engineer

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN
KAREN AUBREY

CANDACE HAMANN CALLAHAN

JASON KELLAHIN
OF COUNSEL

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

January 3, 1991

HAND DELIVERED

RECEIVED

JAN 8 1991

OIL CONSERVATION DIVISION

William J. LeMay
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
310 Oil Santa Fe Trail
Santa Fe, New Mexico 87501

Re: Case No. 10211
Application of Santa Fe Energy Operating
Partners, L.P. for Compulsory Pooling,
Lea County, New Mexico

Dear Mr. LeMay

On behalf of Hanley Petroleum Inc., I request that the Oil Conservation Division issue the enclosed Subpoena to Santa Fe Energy Operating Partners, L.P.

Hanley Petroleum Inc. is a working interest owner in the acreage which is the subject of this application in the Undesignated South Corbin-Wolfcamp Pool and these documents are necessary to prepare our case in opposition to Santa Fe Energy's application.

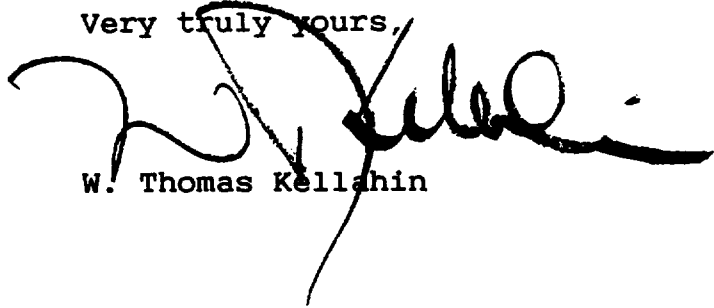
A copy of this request and subpoena has been faxed to James Bruce.

This case is currently scheduled for hearing on January 10, 1991 before the Division. If we receive the information covered by this subpoena, we will need at least two additional weeks to review this data and prepare our case. We, therefore, request that the hearing on January 10, 1991, be called for the purpose of production of data and that the case be continued to January 24, 1991.

Mr. William J. LeMay
January 3, 1991
Page 2

Your attention to this request is appreciated.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'W. Thomas Kellahin', is written over the typed name. The signature is fluid and cursive, with a large initial 'W' and a long, sweeping tail that extends to the right.

W. Thomas Kellahin

WTK/tic
Enclosure

cc: Mr. Jim Rogers
Hanley Petroleum Inc.
415 West Wall, Suite 1500
Midland, Texas 79701

James Bruce, Esq.
Hinkle, Cox, Eaton, Coffield & Hensley
500 Marquette, N.W.
Albuquerque, New Mexico 87102

William F. Carr, Esq.
Campbell & Black, P.A.
110 North Guadalupe
Santa Fe, New Mexico 87501

BEFORE THE OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
SANTA FE ENERGY OPERATING PARTNERS, L.P.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

CASE NO. 10211

SUBPOENA DUCES TECUM

TO: Santa Fe Energy Operating Partners, L.P.
c/o James Bruce, Esq.
Hinkle, Cox, Eaton, Coffield & Hensley
500 Marquette, N.W.
Albuquerque, New Mexico 87102

Pursuant to the power vested in this Division, you are commanded to produce at 8:15 A.M., January 10, 1991, to the offices of the Oil Conservation Division, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico 87501 and make available for copying, all the following documents under the possession or control of Santa Fe Energy Operating Partners, L.P.:

For the following well:

Kachina "8" Federal Well No. 1 located in
NE/4NW/4, Section 8, Township 18 South, Range 33 East,
Lea County, New Mexico.

Produce the following data:

1. Any and all pressure data, including but not

- limited to bottom hole pressure surveys;
2. Mechanical logs and mud logs, if any;
 3. Any and all Gas Oil Ratio Tests;
 4. Any and all specific gravity information on the liquids;
 5. Any and all production information;
 6. Any and all reserve calculations, including but not limited to volumetric calculations of reserves, including recoverable reserves;
 7. Any and all reservoir studies;
 8. Any and all economic studies including but not limited to estimates of payout and rates of return; and
 9. Complete daily drilling and completion reports from inception to the latest available data for each well.
 10. Geologic interpretations by which you justify the well and evaluate its risk.

INSTRUCTIONS

This Subpoena Duces Tecum seeks all information available to you or in your possession, custody or control from any source, wherever situated, including but not limited to information from any files, records,

documents, employees, former employees, counsel and former counsel. It is directed to each person to whom such information is a matter of personal knowledge.

When use herein, "you" or "your" refers to the person or entity to whom this Subpoena Duces Tecum is addressed to include all of his or its attorneys, officers, agent, employees, directors, representatives, officials, departments, divisions, subdivisions, subsidiaries, or predecessors.

NEW MEXICO OIL CONSERVATION
DIVISION



WILLIAM J. LEMAY
Director

ISSUED THIS 3rd day of January, 1991, at
Santa Fe, New Mexico.

BEFORE THE OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
SANTA FE ENERGY OPERATING PARTNERS, L.P.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

CASE NO. 10211

CERTIFICATE OF SERVICE

I hereby certify that I have caused to be served
the original Subpoena Duces Tecum to Santa Fe Energy
Operating Partners, L.P., c/o James Bruce, Esq.,
Hinkle, Cox, Eaton, Coffield & Hensley, 500 Marquette,
N.W., Albuquerque, New Mexico 87102, on this ____ day
of January, 1991.

PROCESS SERVER

SUBSCRIBED AND SWORN to before me this ____ day
of _____, 1991.

Notary Public

My Commission Expires:

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

500 MARQUETTE N.W., SUITE 800
ALBUQUERQUE, NEW MEXICO 87102-2121

(505) 768-1500

FAX (505) 768-1529

OF COUNSEL
D. M. CALMOUN*
MACK EASLEY
JOE W. WOOD
RICHARD S. MORRIS

CLARENCE E. HINKLE (1904-1965)
W. E. BONDURANT, JR. (1913-1973)
ROY C. SNOODGRASS, JR. (1914-1987)

January 8, 1991

LEWIS C. COX
PAUL W. EATON
CONRAD E. COFFIELD
HAROLD L. HENSLEY JR.
STUART D. SHANOR
ERIC D. LANPHERE
C. D. MARTIN
PAUL J. KELLY JR.
MARSHALL G. MARTIN
OWEN M. LOPEZ
DOUGLAS L. LUNSFORD
JOHN J. KELLY
T. CALDER EZZELL JR.
WILLIAM B. BURFORD*
RICHARD E. OLSON
RICHARD R. WILFONG*
THOMAS J. McBRIDE
STEVEN D. ARNOLD
JAMES J. WECHSLER
NANCY S. CUSACK
JEFFREY L. FORMACIARI
JEFFREY D. HEWETT
JAMES BRUCE
JERRY F. SHACKELFORD*
JEFFREY W. HELLBERG*
ALBERT L. PITTS
THOMAS M. HNASKO
JOHN C. CHAMBERS*
MICHAEL A. GROSS
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FRANKLIN H. MCCALLUM*
GREGORY J. NIBERT
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MARK C. DOW
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FRED W. SCHWENDIMANN
JAMES M. HUDSON
STANLEY K. KOTOVSKY JR.
BETTY H. LITTLE*
JEFFREY S. BAIRD*
RUTH S. MUSGRAVE
HOWARD R. THOMAS
PATRICIA A. WATTS
MACDONNELL GORDON
REBECCA NICHOLS JOHNSON
WILLIAM R. JOHNSON
ELLEN S. CASEY
S. BARRY PAISNER
MARGARET CARTER LUDEWIG
MARTIN MEYERS
GREGORY S. WHEELER
ANDREW J. CLOUTIER
JAMES A. GILLESPIE
GARY W. LARSON
STEPHANIE LANDRY
JOHN R. KULSETH, JR.
LISA K. SMITH*

*NOT LICENSED IN NEW MEXICO

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FAX (915) 683-6518

1700 TEAM BANK BUILDING
POST OFFICE BOX 9238
AMARILLO, TEXAS 79105
(806) 372-5569
FAX (806) 372-9761

218 MONTEZUMA
POST OFFICE BOX 2068
SANTA FE, NEW MEXICO 87504
(505) 982-4554
FAX (505) 982-8623

FEDERAL EXPRESS

Mr. William Lemay
Director
New Mexico Oil Conservation Division
310 Old Santa Fe Trail
Room 206
Santa Fe, New Mexico 87501

Dear Mr. Lemay:

Enclosed for filing is a Motion to Quash Subpoena Duces
Tecum in OCD Case No. 10,211.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By: James Bruce

JB:le
Enclosure

cc: W. Thomas Kellahin

RECEIVED

JAN 9 1991

OIL CONSERVATION DIVISION

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY
OPERATING PARTNERS, L.P. FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

No. 10,211

MOTION TO QUASH SUBPOENA DUCES TECUM

Santa Fe Energy Operating Partners, L.P. (Santa Fe) hereby moves the Division to quash the Subpoena Duces Tecum issued January 3, 1991, which subpoena commands Santa Fe to appear before a Hearing Examiner of the Oil Conservation Division and to produce those documents set forth in the Subpoena Duces Tecum. As grounds therefor, Santa Fe states:

1. Hanley Petroleum is not entitled to the documents identified in the Subpoena under Division Rules 1211 and 1212.
2. The documents and information described in the subpoena are confidential and proprietary in nature, and insufficient need has been shown to justify the issuance of a subpoena or the production of the requested documents.
3. Santa Fe has previously offered certain information to Hanley Petroleum per the letter attached hereto as Exhibit A. In addition, Santa Fe is willing to provide additional data if Hanley Petroleum commits to joining in the well. Thus the subpoena is unnecessary and premature.
4. The information sought is irrelevant because it requests information and documents pertaining to the Kachina "8" Fed. Well No. 1, which is not the well at issue in the

above-referenced case. To require production of data on offsetting properties not at issue in this application would constitute an abuse of the Division's subpoena power.

5. The subpoena requests that information be produced at the hearing to be held on January 10, 1991 and lists no person(s) to whom the information is to be produced except for the Hearing Officer present on that date.

6. If production is ordered, Santa Fe will request that the Division keep the information confidential, and otherwise protect the information from disclosure to third parties.

WHEREFORE, Santa Fe requests that the Division quash the Subpoena Duces Tecum, or in the alternative direct that the requested information be produced only to the Hearing Examiner for his review and inspection. Further, Santa Fe requests that the Division protect this proprietary information and undertake adequate measures to assure that it will not be inadvertently disclosed to third parties.

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By 

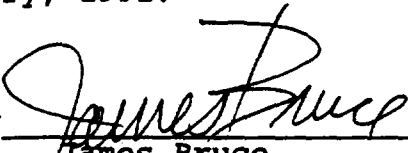
James Bruce
500 Marquette, N.W.
Suite 800
Albuquerque, New Mexico 87102
(505) 768-1500

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

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing pleading was sent by Federal Express to W. Thomas Kellahin, 117 North Guadalupe, Santa Fe, New Mexico 87501 this 8th day of January, 1991.

By


James Bruce

Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company
Managing General Partner

CERTIFIED MAIL - RETURN RECEIPT

December 17, 1990

Hanley Petroleum, Inc.
415 West Wall, Suite 1500
Midland, Texas 79701-4473

ATTN: James W. Rogers

Re: Well Proposal
W/2NW/4 Sec. 8
T-18-S, R-33-E
Eddy County, New Mexico
Kachina "8" Fed. Com. #2

Dear Mr. Rogers:

Reference is made to our phone conversation of December 13, 1990 wherein we discussed the drilling of the above captioned well.

Santa Fe Energy Operating Partners, L.P. herein is willing to allow Representatives of Hanley Petroleum, Inc. to review the logs and drilling reports from spud date until 11/12/90 of the Kachina "8" Fed. #1 during normal business hours at Santa Fe's offices located at 550 West Texas, Suite 1330, Midland, Texas.

The viewing of this information is based on a commitment from Hanley Petroleum, Inc. to join in the drilling of this well or enter into a Farmout Agreement with Santa Fe Energy Operating Partners, L.P., and the information shown to Hanley will be kept Confidential.

If Hanley agrees to participate in the well, the contract area will cover the W/2NW/4 of Section 8, T-18-S, R-33-E from the surface to the base of the Wolfcamp Formation. The ownership of this area will be as follows:

Hanley Petroleum	50%
Santa Fe Energy	50%
Operating Partners, L.P.	

If Hanley elects to Farmout, the Agreement will cover the NW/4NW/4 Section 8 from the surface to the base of the Wolfcamp Formation.

- 1) Hanley will deliver an 80% NRI lease to Santa Fe, retaining an ORRI equal to the difference between existing burdens and 20%, but in no event will Hanley's ORRI be less than 2.50%.
- 2) Upon payout of said well, Hanley will have the option to convert its ORRI to a 25% Working Interest, proportionately reduced.



Page 2
Hanley Petroleum
December 17, 1990

- 3) Upon execution of a formal Agreement, Santa Fe will have 150 days to drill or cause to be drilled a well at a legal location in the W/2NW/4 of Section 8, T-18-S, R-33-E.
- 4) Santa Fe will earn rights from the surface down to 100' below total depth drilled, but in no event below the Wolfcamp Formation.

Hanley will have 5 days upon receipt of this letter to commit its interest to the options stated above and will have 10 days after reviewing the information above to make its election on these options.

In addition, Santa Fe is requesting to be placed on the January 10, 1991 docket for compulsory pooling, so a prompt reply is appreciated.

If you agree with the above captioned terms, please acknowledge your approval, by signing in the space provided below.

If you have any questions, please contact the undersigned.

Sincerely yours,

SANTA FE ENERGY OPERATING PARTNERS, L.P.
By: Santa Fe Pacific Exploration Company
Managing General Partner

By: Larry Murphy
Larry Murphy, Senior Landman

LM/efw

HANLEY PETROLEUM, INC. herein agrees this _____ day of December, 1990 to commit its interest in the NW/4NW/4 of Sec. 8 to an Operating Agreement or Farmout Agreement before the logs and drilling report (from spud date until 11/12/90) have been reviewed. In addition, Hanley agrees to make an election 10 days after the information stated above has been reviewed. The viewing of this information will be done no later than December 28, 1990 at Santa Fe's offices during normal business hours.

HANLEY PETROLEUM, INC.

By: _____

Type Name: _____

Title: _____

Date: _____

EFW1549

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

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RICHARD S. MORRISCLARENCE C. HIRSH (200888)
W. E. BONDURANT, JR. (883487)
ROY C. SNODGRASS, JR. (8844887)700 UNITED BANK PLAZA
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(505) 982-4554
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NORMAN G. MARTIN
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JEFFREY D. HENKITT
JAMES BRUCE
JERRY K. SHACKELFORD
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THOMAS H. KRABCO
JOHN C. CHAMBERS
MICHAEL A. SWOOS
THOMAS D. HANTEL JR.FRANKLIN H. McCALLUM
GREGORY J. HIBERY
DAVID T. MARRETT
MARK C. DOW
MARK H. RICHARDSON
FRED W. SCHWENDTMANN
JAMES N. HUDSONSTANLEY K. KOTOWSKY JR.
BETTY H. LITTLE
JEFFREY S. BARTO
RUTH S. HUSGRAVE
HOWARD R. THOMAS
PATRICIA A. WATTS
MACDONNELL GORDON
REBECCA NICHOLS JOHNSON
WILLIAM R. JOHNSON
ELLEN S. GIBBY
S. BARRY PRISNER
MARGARET CARTER LUDWIG
MARTIN MEYERS
GREGORY S. WHEELER
ANDREW J. OLOUTER
JAMES A. GILLESPIE
GARY W. LARSON
STEPHANIE LANDRY
JOHN R. ALLESTY JR.
LISA K. SMITH

January 14, 1991

*NOT LICENSED IN NEW MEXICO

Mr. William LeMay
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504RE: Case No. 10,211

Dear Mr. LeMay:

Enclosed for filing is a request to appeal the above matter
to the Commission.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY
James Bruce

JB:kk

cc: W. Thomas Kellahin

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF SANTA FE ENERGY
OPERATING PARTNERS, L.P. FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

NO. 10211

MOTION TO ALLOW APPEAL OF, AND NOTICE OF APPEAL OF,
EXAMINER'S DECISION; AND MOTION TO STAY EXAMINER'S DECISION
PENDING APPEAL

Pursuant to Rule 1216, Santa Fe Energy Operating Partners, L.P. (Santa Fe) hereby moves the Oil Conservation Commission (the Commission) for permission to appeal to the Commission the decision of the Hearing Examiner issued on January 10, 1991, regarding a Subpoena Duces Tecum issued in favor of Hanley Petroleum, Inc. (Hanley Petroleum). As grounds therefore, Santa Fe states:

1. Santa Fe has pending before the Oil Conservation Division (the Division) Case No. 10211, requesting compulsory pooling of the W1/2NW1/4 of Section 8, Township 18 South, Range 33 East, NMPM, Lea County, New Mexico. The party to be force pooled is Hanley Petroleum.

2. On January 3, 1991, the division issued a Subpoena Duces Tecum at the request of Hanley Petroleum, a copy of which is attached hereto as Exhibit A.

3. Santa Fe filed its Motion to Quash Subpoena Duces Tecum on January 9, 1991.

4. The Motion was argued on January 10, 1991, and the Examiner issued his decision requiring the production of the information listed in paragraphs 1, 2, 3, 4, 5, and 9 of the Subpoena, but granting the motion as to the information described in paragraphs 6, 7, 8, and 10 of the Subpoena.

5. Santa Fe asserted at hearing, and hereby re-asserts, that the Subpoena should be quashed in its entirety for the following reasons:

- a. The information sought by Hanley Petroleum is privileged and confidential, and was acquired by Santa Fe at substantial cost to it.
- b. Santa Fe offered (and continues to offer) to Hanley Petroleum the information listed in paragraphs 1, 2, 3, 4, 5, and 9 of the Subpoena, requesting in return that Hanley Petroleum agree to join in the well or enter into a farmout after viewing the data.
- c. Santa Fe is obligated to maintain the confidentiality of well data to satisfy its fiduciary obligations to its shareholders or partners.
- d. If the information sought by Hanley Petroleum is ordered produced, the order must require Hanley Petroleum to maintain the confidentiality of the information to protect Santa Fe and to prevent

Santa Fe from breaching agreements with third parties.

- e. Concurrent with the issuance of the Subpoena, Hanley Petroleum filed its own application to force pool the W1/2NW1/4 of said Section 8. Santa Fe asserts that if Hanley Petroleum is willing to drill a well in the W1/2NW1/4 of Section 8, then it has no need for the requested confidential information.

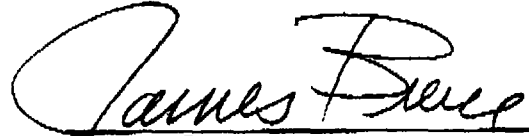
6. The decision of the Examiner compelling the production of confidential and privileged information constitutes a change in the Division's policy. In addition, this is a case of first impression before the Commission. Because of the decision's importance to Santa Fe, and to all oil and gas operators in this state, Santa Fe moves for permission to appeal this decision to the full Commission so that the Commission may clarify what confidential and proprietary information may be subpoenaed (if any), and under what circumstances, in a Division or Commission proceeding. Santa Fe also files this pleading as a notice of appeal of said decision.

7. Santa Fe also requests that the order of the Examiner be suspended or stayed pending a resolution of this issue by the full Commission.

WHEREFORE, Santa Fe requests that this matter be placed for argument before the full Commission, and that the Commission reverse the order of the Examiner as to the information requested in paragraphs 1, 2, 3, 4, 5, and 9 of the Subpoena, and order the Subpoena to be quashed in its entirety. Santa Fe also requests that the order of the Examiner be stayed pending a decision by the Commission.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD
& HENSLEY



James Bruce
500 Marquette N.W., Suite 800
Albuquerque, New Mexico 87102
(505) 768-1500
Attorneys for Santa Fe Energy
Operating Partners, L.P.

I hereby certify that a copy of the foregoing Motion was telecopied this 14th day of January, 1991, to W. Thomas Kellahin, Telecopy #: 505-982-2047, and mailed to him at P.O. Box 2265, Santa Fe, New Mexico, 87504.



James Bruce

MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020

MIDLAND, TEXAS 79701

915 / 682-3715

January 15, 1991

VIA FEDERAL EXPRESS

William J. LeMay, Director
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

RE: Case No. 10211

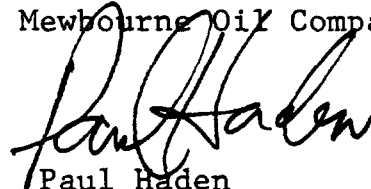
Dear Mr. LeMay:

Regarding the captioned case number, this letter is to advise the NMOCD that Mewbourne Oil Company, as an independent operator and as a neutral party to the captioned case strongly objects to any ruling by the NMOCD wherein a party named in the case is required to submit proprietary information to any other party named in the case prior to hearing date. Mewbourne Oil Company strongly objects to any ruling wherein any interested party in a particular case is required to submit to the opposition their daily drilling reports, completion reports, geologic exhibits (including but not limited to trend maps, isopachs or cross sections) reservoir engineering, well economics or any such interpretative or proprietary information. It certainly can be argued that different companies have different methods of drilling and/or completing their wells.

Your consideration of the above objections would be greatly appreciated. Please advise if you would like to discuss this matter further.

Sincerely,

Mewbourne Oil Company



Paul Haden
Landman

PH/nb

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN
KAREN AUBREY

JASON KELLAHIN
OF COUNSEL

June 20, 1991

Robert G. Stovall, Esq
Oil Conservation Commission
State Land Office
Santa Fe, New Mexico 87501

HAND DELIVERED

James Bruce, Esq
Hinkle, Cox, Eaton, Coffield & Hensley
500 Marquette, NW
Albuquerque, N.M. 87102

DELIVERED BY
TELEFAX

William F. Carr, Esq.
Campbell & Black
P. O. Box 2208
Santa Fe, New Mexico 87501

HAND DELIVERED

Re: OCC Cases 10211 and 10219 DeNovo
Santa Fe Energy Operating Partners and
Hanley Petroleum Inc for compulsory
pooling, Lea County, N.M.
Commission Order R-9480-B

Gentlemen:

On behalf of Hanley Petroleum Inc., we have reviewed the Commission's Order R-9480-B entered June 12, 1991 in the referenced cases. There are three matters I wish to resolve in an attempt to avoid having to file for a rehearing of this order:

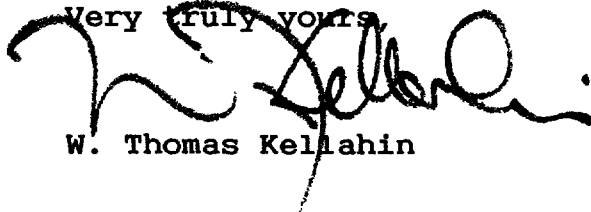
(1) Hanley is entitled to a new thirty day election period upon notice by Santa Fe following the Commission DeNovo Order. On April 10, 1991, the Division entered Order R-9480-A staying Examiner Order R-9480 and voiding the Santa Fe notification letter of April 4, 1991. The DeNovo Order fails to specifically deal with this matter and Hanley is concerned that it will not be provided an election period to participate under this pooling order.

Robert Stovall, Esq.
James Bruce, Esq.
William F. Carr, Esq.
June 20, 1991
Page 2

(2) Hanley is entitled to drill its own 40-acre oil well on its tract. Decretory Paragraph (2) the DeNovo Order provides that "all mineral interests, whatever they may be, from the surface to the base of the Wolfcamp...are hereby pooled to form an 80-acre oil spacing and proration unit to be dedicated to the well...." Hanley is concerned that this language now precludes them from drilling a well on its 40-acre tract for any pool spaced on 40-acre oil, including but not limited to the Bone Springs.

(3) Hanley is entitled to challenge the actual costs of the Santa Fe well including the allocation of costs between the Bone Springs and the Wolfcamp by obtaining a cost allocation hearing pursuant to the provisions of Decretory Paragraph (6) of the Division Order as affirmed by the Commission. Hanley is concerned that unless it files for a Rehearing, it will be precluded from raising the allocation question as summarized in Finding (13)(e) of the Examiner Order.

I request that the Commission, with the concurrence of Santa Fe Energy Operating Partners, L.P. and HEYCO, provide me with a written decision confirming my interpretation of the above issues upon which Hanley may then rely in making its decision about filing for a Rehearing. In order to avoid any deadline or filing problems for this case, I also request that we receive a response not later than 5:00 PM June 26, 1991.

Very truly yours,

W. Thomas Kellahin

cc: By Telefax: Jim Rogers (Hanley)

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

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W. E. BONDURANT, JR. (903-4873)
ROY C. KNOODRIDGE, JR. (984-4847)

June 20, 1991

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MARSHALL S. MARTIN
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JAMES M. HUDSONSTANLEY K. KOTOVSKY, JR.
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REBECCA NICHOLS JOHNSON
WILLIAM R. JOHNSON
ELLEN S. CREE
S. BARRY PIERCE
MARGARET CARTER LUDWIG
NATHAN MEYERS
GREGORY S. WICKER
ANDREW J. CLUTTER
JAMES A. GLENN
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(505) 982-4554
FAX (505) 982-9823**VIA TELECOPY**W. Thomas Kellahin
Kellahin, Kellahin & Aubrey
P. O. Box 2265
Santa Fe, New Mexico 87504
Telecopy No. (505) 982-2047Robert G. Stovall
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87504
Telecopy No. (505) 827-5741William F. Carr
Campbell & Black
P. O. Box 2208
Santa Fe, New Mexico 87504
Telecopy No. (505) 983-6043Re: OCD Case Nos. 10211 (De Novo) and 10219 (De Novo)
Order No. R-9480-B

Gentlemen:

On behalf of Santa Fe Energy, I make the following comments regarding Tom's letter of June 20, 1991:

1. I agree that Hanley is entitled to a new thirty day election period. Santa Fe Energy will be mailing an AFE to Hanley with a written request to join in the well.

2. I agree that Hanley is entitled to drill a well on its acreage to any oil pool or formation currently spaced on 40 acres. Based on Finding No. 18 in Order No. R-9480-B, Santa Fe

HINKLE, COX, EATON, COFFIELD & HENSLEY

W. Thomas Kellahin
Robert G. Stovall
William F. Carr
June 20, 1991
Page 2

Energy asserts that Hanley cannot drill a Wolfcamp well on a non-standard 40 acre unit.

3. I agree that Hanley is entitled to challenge actual well costs under Paragraph 6 of the Division's Order No. R-9480. Since the Commission affirmed and adopted the original order, Paragraph 6 thereof still applies, and no further clarification by the Commission is needed.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY


By: James Bruce

JB:le

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
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TELECOPIER: (505) 983-6043

June 25, 1991

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Kellahin, Kellahin & Aubrey
117 N. Guadalupe Street
Santa Fe, New Mexico 87501

HAND-DELIVERED

Robert G. Stovall, Esq.
Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87504

MAILED

James Bruce, Esq.
Hinkle, Cox, Eaton, Coffield & Hensley
500 Marquette, NW, Suite 800
Albuquerque, New Mexico 87102

MAILED

Re: New Mexico Oil Conservation Commission Cases 10211 and 10219 (De Novo)
Applications of Santa Fe Energy Operating Partners, L.P. and Hanley
Petroleum Inc. for Compulsory Pooling, Lea County, New Mexico;
Commission Order No. R-9480-B

Gentlemen:

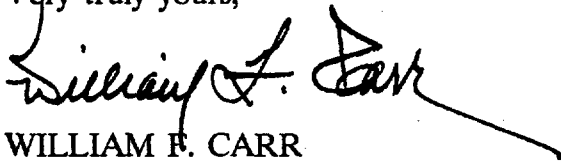
Harvey E. Yates Company responds to the June 20, 1991 letter of W. Thomas Kellahin concerning the above-referenced Oil Conservation Commission Order as follows:

- (1) HEYCO agrees that Hanley is entitled to a new thirty (30) day election period to determine whether or not to participate in the Santa Fe well following submission of a written request to participate and an AFE from Santa Fe;
- (2) HEYCO agrees that under Order No. R-9480-B Hanley is entitled to drill its own 40-acre oil well on the tract governed by this pooling order to any oil pool or formation currently spaced on 40-acre spacing. Hanley cannot, however, drill any well on the spacing unit or complete any well in the Wolfcamp formation since operating rights have been placed in Santa Fe Energy Operating Partners, L.P. by Order No. R-9480-B;

W. Thomas Kellahin, Esq.
Robert G. Stovall, Esq.
James Bruce, Esq.
June 25, 1991
Page Two

- (3) Hanley is entitled to challenge actual well costs under Paragraph 6 of Division Order No. R-9480-B. It is HEYCO's position that pursuant to Order No. R-9480-B, Hanley clearly has this right and no clarification of this Oil Conservation Order is required.

Very truly yours,

A handwritten signature in cursive script, appearing to read "William F. Carr", with a long horizontal flourish extending to the right.

WILLIAM F. CARR
ATTORNEY FOR HARVEY E. YATES COMPANY
WFC:mlh

cc w/enc.: Mr. Larry Brooks



State of New Mexico
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT
Santa Fe, New Mexico 87505



BRUCE KING
GOVERNOR

January 14, 1992

ANITA LOCKWOOD
CABINET SECRETARY

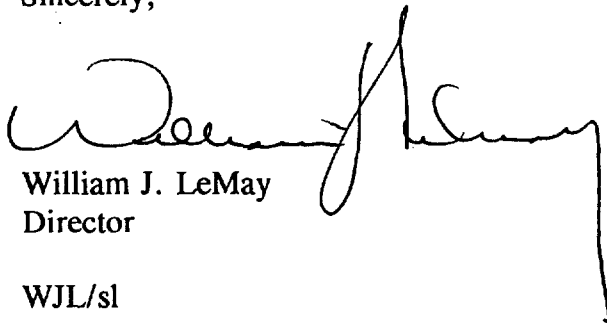
MATTHEW BACA
DEPUTY SECRETARY

Mr. James Bruce
Hinkle, Cox, Eaton,
Coffield & Hensley
Attorneys at Law
500 Marquette Northwest
Suite 800
Albuquerque, New Mexico 87102-2121

Dear Mr. Bruce:

Based upon your letter of January 10, 1992, and in accordance with provisions of Division Order No. R-9480-B, Santa Fe Energy is hereby granted an extension of time in which to complete the well on the unit pooled by said order until February 13, 1992.

Sincerely,



William J. LeMay
Director

WJL/sl

cc: Case Nos. 10211 and 10219
OCD - Hobbs District Office

VILLAGRA BUILDING - 408 Gallateo
Forestry and Resources Conservation Division
P.O. Box 1948 87504-1948
827-5830
Park and Recreation Division
P.O. Box 1147 87504-1147
827-7465

2040 South Pacheco
Office of the Secretary
827-5950
Administrative Services
827-5925
Energy Conservation & Management
827-5900
Mining and Minerals
827-5970

LAND OFFICE BUILDING - 310 Old Santa Fe Trail
Oil Conservation Division
P.O. Box 2088 87504-2088
827-5800

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

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JOE W. WOOD
RICHARD S. MORRISCLARENCE E. HINKLE (PROPOSED)
W. E. SCHULZ, JR. (1984-1992)
ROY C. SHODENBASS, JR. (1984-1992)

January 10, 1992

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PAUL W. EATON
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STUART D. SHANOR
ERIC D. LANPHERE
C. D. MARTIN
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GARY D. COMPTON*
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GREGORY J. NIBERT
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FRED W. SCHWENDMANN*
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S. BARRY FARNER
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ANDREW J. OLIVER
JAMES A. GALLERIE
GARY M. LARSEN
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SANTA FE, NEW MEXICO 87504
(505) 988-1884
FAX (505) 988-8623**VIA TELECOPY**Mr. William Lemay
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504
Telecopy No. (505) 827-5741Re: Order No. R-9480-B (Santa Fe Energy Kachina 8 No. 2 Well,
W&NW¼ Section 8, Township 18 South, Range 33 East, Lea
County)

Dear Mr. Lemay:

The above compulsory pooling order provided that the subject well be commenced by September 15, 1991, and drilled to completion or abandonment within 120 after commencement. Santa Fe Energy commenced the well on September 13, 1991. Since that time they have attempted twice (unsuccessfully) to complete the well in the Wolfcamp AG Zone. The second completion attempt, including a re-stimulation program, was just finished a couple days ago. Santa Fe Energy is currently moving uphole to the Wolfcamp AF Zone, where they will attempt to complete the well. However, the well will not be completed or abandoned within the 120 day period. Therefore, Santa Fe Energy requests a 30 day extension in which to complete the subject well. Please call me if you have any questions.

OK to Grant
no log extension
Pace
Feb. 13

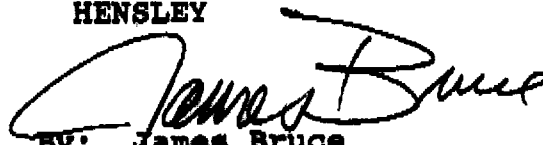
ILLEGIBLE

HINKLE, COX, EATON, COFFIELD & HENSLEY

Mr. William Lemay
January 10, 1992
Page 2

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY



By: James Bruce

JB:le

cc: W Thomas L. Whin (Via Telecopy)
Telecopy No. (505) 982-2047

ILLEGIBLE

**HINKLE, COX, EATON, COFFIELD & HENSLEY**

ATTORNEYS AT LAW
500 MARQUETTE NW, SUITE 800
ALBUQUERQUE, NEW MEXICO

TELEPHONE: (505) 768-1500

TELECOPIER: (505) 768-1529

TELECOPY COVER LETTER

PLEASE DELIVER THE FOLLOWING PAGES TO:

NAME:

Mr. William Lemay

COMPANY:

NMOC

FAX #:

(505) 827-5741

RE:

FROM:

James BruceTOTAL NUMBER OF PAGES: 305 (INCLUDING THIS COVERSHEET)

DATE:

1-10-92

MESSAGE:

Client/Matter No.:

7705200-9055426

THE INFORMATION CONTAINED IN THIS FACSIMILE MESSAGE IS INTENDED ONLY FOR THE USE OF THE INDIVIDUAL OR ENTITY TO WHICH IT IS ADDRESSED AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, CONFIDENTIAL AND EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAW. If the reader of this message is not the intended recipient, or the employee or agent responsible for delivery to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is in error. If you have received this facsimile in error, please notify us immediately by telephone and return the original message to us at the above address via U.S. Postal Service.

HINKLE, COX, EATON, COFFIELD & HENSLEY
OIL CONSERVATION DIVISION

ATTORNEYS AT LAW

500 MARQUETTE N.W., SUITE 800

ALBUQUERQUE, NEW MEXICO 87102-2121

(505) 768-1500

FAX (505) 768-1529

OF COUNSEL
O. M. CALHOUN*
MACK EASLEY
JOE W. WOOD
RICHARD S. MORRIS

CLARENCE E. HINKLE (1901-1985)
W. E. BONDURANT, JR. (1913-1973)
ROY C. SNODGRASS, JR. (1914-1987)

January 10, 1992

700 UNITED BANK PLAZA

POST OFFICE BOX 10

ROSWELL, NEW MEXICO 88202

(505) 622-6510

FAX (505) 623-9332

2800 CLAYDESTA NATIONAL BANK BUILDING

POST OFFICE BOX 3580

MIDLAND, TEXAS 79702

(915) 683-4691

FAX (915) 683-6518

1700 TEAM BANK BUILDING

POST OFFICE BOX 9238

AMARILLO, TEXAS 79105

(806) 372-5569

FAX (806) 372-9761

218 MONTEZUMA

POST OFFICE BOX 2068

SANTA FE, NEW MEXICO 87504

(505) 982-4554

FAX (505) 982-8623

LEWIS C. COX
PAUL W. EATON
CONRAD E. COFFIELD
HAROLD L. HENSLEY JR.
STUART D. SHANOR
ERIC D. LANPHERE
C. D. MARTIN
PAUL J. KELLY, JR.
MARSHALL G. MARTIN
OWEN M. LOPEZ
DOUGLAS L. LUNSFORD
JOHN J. KELLY
T. CALDER EZZELL, JR.
WILLIAM B. BURFORD*
RICHARD E. OLSON
RICHARD R. WILFONG*
THOMAS J. MCBRIDE
STEVEN D. ARNOLD
JAMES J. WECHSLER
NANCY S. CUSACK
JEFFREY L. FORNACIARI
JEFFREY D. HEWETT
JAMES BRUCE
JERRY F. SHACKELFORD*
JEFFREY W. HELLBERG*
ALBERT L. PITTS
THOMAS M. HNASKO
JOHN C. CHAMBERS*
GARY D. COMPTON*
MICHAEL A. GROSS

THOMAS D. HAINES, JR.
FRANKLIN H. MCCALLUM*
GREGORY J. NIBERT
DAVID T. MARLETTE*
MARK C. DOW
KAREN M. RICHARDSON*
FRED W. SCHWENDIMANN
JAMES M. HUDSON
JEFFREY S. BAIRD*
PATRICIA A. MORRIS
MACDONNELL GORDON
REBECCA NICHOLS JOHNSON
WILLIAM P. JOHNSON

STANLEY K. KOTOVSKY, JR.
BETTY H. LITTLE*
RUTH S. MUSGRAVE
HOWARD R. THOMAS
ELLEN S. CASEY
S. BARRY PAISNER
MARGARET CARTER LUDEWIG
MARTIN MEYERS
GREGORY S. WHEELER
ANDREW J. CLOUTIER
JAMES A. GILLESPIE
GARY W. LARSON
STEPHANIE LANDRY
JOHN R. KULSETH, JR.
USA K. SMITH*
JAMES K. SCHUSTER*

*NOT LICENSED IN NEW MEXICO

VIA TELECOPY

Mr. William Lemay
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504
Telecopy No. (505) 827-5741

Re: Order No. R-9480-B (Santa Fe Energy Kachina 8 No. 2 Well,
W $\frac{1}{2}$ NW $\frac{1}{4}$ Section 8, Township 18 South, Range 33 East, Lea
County)

Dear Mr. Lemay:

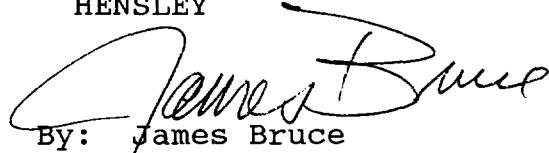
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HINKLE, COX, EATON, COFFIELD & HENSLEY

Mr. William Lemay
January 10, 1992
Page 2

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

A handwritten signature in cursive script, appearing to read "James Bruce", written in dark ink. The signature is fluid and stylized, with a long horizontal stroke extending from the end.

By: James Bruce

JB:le

cc: W. Thomas Kellahin (Via Telecopy)
Telecopy No. (505) 982-2047

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN
KAREN AUBREY

CANDACE HAMANN CALLAHAN

JASON KELLAHIN
OF COUNSEL

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

February 11, 1991

HAND DELIVERED

RECEIVED

FEB 11 1991

OIL CONSERVATION DIVISION

William J. LeMay
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
310 Oil Santa Fe Trail
Santa Fe, New Mexico 87501

Re: Case No. 10211
Application of Santa Fe Energy Operating
Partners, L.P. for Compulsory Pooling,
Lea County, New Mexico

Dear Mr. LeMay

On behalf of Hanley Petroleum Inc., I request that the Oil Conservation Division issue the enclosed Subpoena to Santa Fe Energy Operating Partners, L.P.

Hanley Petroleum Inc. is a working interest owner in the acreage which is the subject of this application in the Undesignated South Corbin-Wolfcamp Pool and these documents are necessary to prepare our case in opposition to Santa Fe Energy's application.

A copy of this request and subpoena has been faxed to James Bruce.

This case is currently scheduled for hearing on February 21, 1991 before the Division. We, therefore, request that the production of this data be by delivery to my office not later than 4:00 P.M., Friday, February 15, 1991.

Mr. William J. LeMay
February 11, 1991
Page 2

Your attention to this request is appreciated.

Very truly yours

A handwritten signature in dark ink, appearing to read 'W. Thomas Kellahin', written over the typed name.

W. Thomas Kellahin

WTK/tic
Enclosure

cc: Mr. Jim Rogers
Hanley Petroleum Inc.
415 West Wall, Suite 1500
Midland, Texas 79701

James Bruce, Esq.
Hinkle, Cox, Eaton, Coffield & Hensley
500 Marquette, N.W.
Albuquerque, New Mexico 87102

William F. Carr, Esq.
Campbell & Black, P.A.
110 North Guadalupe
Santa Fe, New Mexico 87501

BEFORE THE OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
SANTA FE ENERGY OPERATING PARTNERS, L.P.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

CASE NO. 10211

SUBPOENA DUCES TECUM

TO: Santa Fe Energy Operating Partners, L.P.
c/o James Bruce, Esq.
Hinkle, Cox, Eaton, Coffield & Hensley
500 Marquette, N.W.
Albuquerque, New Mexico 87102

Pursuant to the power vested in this Division, you are commanded to produce at 4:00 P.M., February 15, 1991, to the offices of Kellahin, Kellahin & Aubrey, 117 North Guadalupe, Santa Fe, New Mexico 87501 and make available for copying, all the following documents under the possession or control of Santa Fe Energy Operating Partners, L.P.:

For the following well:

Kachina "8" Federal Well No. 1 located in NE/4NW/4, Section 8, Township 18 South, Range 33 East, Lea County, New Mexico.

Produce the following data:

1. Any and all Estimated Well Costs ("AFE") for the subject well;

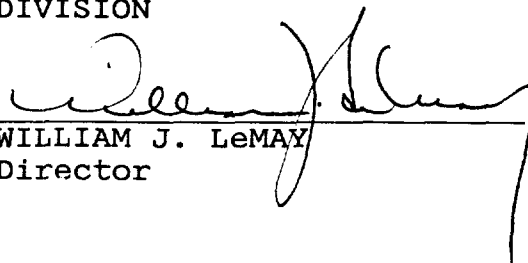
2. Itemized tabulation of actual costs for the subject well;

INSTRUCTIONS

This Subpoena Duces Tecum seeks all information available to you or in your possession, custody or control from any source, wherever situated, including but not limited to information from any files, records, documents, employees, former employees, counsel and former counsel. It is directed to each person to whom such information is a matter of personal knowledge.

When use herein, "you" or "your" refers to the person or entity to whom this Subpoena Duces Tecum is addressed to include all of his or its attorneys, officers, agent, employees, directors, representatives, officials, departments, divisions, subdivisions, subsidiaries, or predecessors.

NEW MEXICO OIL CONSERVATION
DIVISION


WILLIAM J. LeMAY
Director

ISSUED THIS 11th day of February, 1991, at
Santa Fe, New Mexico.

BEFORE THE OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
SANTA FE ENERGY OPERATING PARTNERS, L.P.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

CASE NO. 10211

CERTIFICATE OF SERVICE

I hereby certify that I have caused to be served the original Subpoena Duces Tecum to Santa Fe Energy Operating Partners, L.P., c/o James Bruce, Esq., Hinkle, Cox, Eaton, Coffield & Hensley, 500 Marquette, N.W., Albuquerque, New Mexico 87102, on this _____ day of February, 1991.

PROCESS SERVER

SUBSCRIBED AND SWORN to before me this _____ day
of _____, 1991.

Notary Public

My Commission Expires:

Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company
Managing General Partner

CERTIFIED MAIL - RETURN RECEIPT

December 17, 1990

Hanley Petroleum, Inc.
415 West Wall, Suite 1500
Midland, Texas 79701-4473

ATTN: James W. Rogers

Re: Well Proposal
W/2NW/4 Sec. 8
T-18-S, R-33-E
Eddy County, New Mexico
Kachina "8" Fed. Com. #2

Dear Mr. Rogers:

Reference is made to our phone conversation of December 13, 1990 wherein we discussed the drilling of the above captioned well.

Santa Fe Energy Operating Partners, L.P. herein is willing to allow Representatives of Hanley Petroleum, Inc. to review the logs and drilling reports from spud date until 11/12/90 of the Kachina "8" Fed. #1 during normal business hours at Santa Fe's offices located at 550 West Texas, Suite 1330, Midland, Texas.

The viewing of this information is based on a commitment from Hanley Petroleum, Inc. to join in the drilling of this well or enter into a Farmout Agreement with Santa Fe Energy Operating Partners, L.P., and the information shown to Hanley will be kept Confidential.

If Hanley agrees to participate in the well, the contract area will cover the W/2NW/4 of Section 8, T-18-S, R-33-E from the surface to the base of the Wolfcamp Formation. The ownership of this area will be as follows:

Hanley Petroleum	50%
Santa Fe Energy	50%
Operating Partners, L.P.	

If Hanley elects to Farmout, the Agreement will cover the NW/4NW/4 Section 8 from the surface to the base of the Wolfcamp Formation.

- 1) Hanley will deliver an 80% NRI lease to Santa Fe, retaining an ORRI equal to the difference between existing burdens and 20%, but in no event will Hanley's ORRI be less than 2.50%.
- 2) Upon payout of said well, Hanley will have the option to convert its ORRI to a 25% Working Interest, proportionately reduced.

Permian Basin District
550 W. Texas, Suite 1330
Midland, Texas 79701
915/687-3851

RECEIVED

Page 1
Hanley Petroleum
December 17, 1990

- 3) Upon execution of a formal Agreement, Santa Fe will have 150 days to drill or cause to be drilled a well at a legal location in the W/2NW/4 of Section 8, T-18-S, R-33-E.
- 4) Santa Fe will earn rights from the surface down to 100' below total depth drilled, but in no event below the Wolfcamp Formation.

Hanley will have 5 days upon receipt of this letter to commit its interest to the options stated above and will have 10 days after reviewing the information above to make its election on these options.

In addition, Santa Fe is requesting to be placed on the January 10, 1991 docket for compulsory pooling, so a prompt reply is appreciated.

If you agree with the above captioned terms, please acknowledge your approval, by signing in the space provided below.

If you have any questions, please contact the undersigned.

Sincerely yours,

SANTA FE ENERGY OPERATING PARTNERS, L.P.
By: Santa Fe Pacific Exploration Company
Managing General Partner

By: Larry Murphy
Larry Murphy, Senior Landman

LM/efw

HANLEY PETROLEUM, INC. herein agrees this _____ day of December, 1990 to commit its interest in the NW/4NW/4 of Sec. 8 to an Operating Agreement or Farmout Agreement before the logs and drilling report (from spud date until 11/12/90) have been reviewed. In addition, Hanley agrees to make an election 10 days after the information stated above has been reviewed. The viewing of this information will be done no later than December 28, 1990 at Santa Fe's offices during normal business hours.

HANLEY PETROLEUM, INC.

By: _____

Type Name: _____

Title: _____

Date: _____

EFW1549

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY
OPERATING PARTNERS, L.P. FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

No. 10,211

MOTION TO QUASH SUBPOENA DUCES TECUM

Santa Fe Energy Operating Partners, L.P. (Santa Fe) hereby moves the Division to quash the Subpoena Duces Tecum issued January 3, 1991, which subpoena commands Santa Fe to appear before a Hearing Examiner of the Oil Conservation Division and to produce those documents set forth in the Subpoena Duces Tecum. As grounds therefor, Santa Fe states:

1. Hanley Petroleum is not entitled to the documents identified in the Subpoena under Division Rules 1211 and 1212.

2. The documents and information described in the subpoena are confidential and proprietary in nature, and insufficient need has been shown to justify the issuance of a subpoena or the production of the requested documents.

3. Santa Fe has previously offered certain information to Hanley Petroleum per the letter attached hereto as Exhibit A. In addition, Santa Fe is willing to provide additional data if Hanley Petroleum commits to joining in the well. Thus the subpoena is unnecessary and premature.

4. The information sought is irrelevant because it requests information and documents pertaining to the Kachina "8" Fed. Well No. 1, which is not the well at issue in the

above-referenced case. To require production of data on offsetting properties not at issue in this application would constitute an abuse of the Division's subpoena power.

5. The subpoena requests that information be produced at the hearing to be held on January 10, 1991 and lists no person(s) to whom the information is to be produced except for the Hearing Officer present on that date.

6. If production is ordered, Santa Fe will request that the Division keep the information confidential, and otherwise protect the information from disclosure to third parties.

WHEREFORE, Santa Fe requests that the Division quash the Subpoena Duces Tecum, or in the alternative direct that the requested information be produced only to the Hearing Examiner for his review and inspection. Further, Santa Fe requests that the Division protect this proprietary information and undertake adequate measures to assure that it will not be inadvertently disclosed to third parties.

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By 

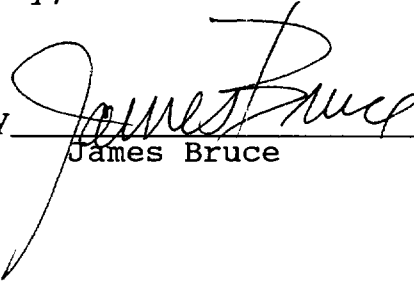
James Bruce
500 Marquette, N.W.
Suite 800
Albuquerque, New Mexico 87102
(505) 768-1500

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

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing pleading was sent by Federal Express to W. Thomas Kellahin, 117 North Guadalupe, Santa Fe, New Mexico 87501 this 8th day of January, 1991.

By

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

James Bruce

Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company
Managing General Partner

CERTIFIED MAIL - RETURN RECEIPT

December 17, 1990

Hanley Petroleum, Inc.
415 West Wall, Suite 1500
Midland, Texas 79701-4473

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T-18-S, R-33-E
Eddy County, New Mexico
Kachina "8" Fed. Com. #2

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Permian Basin District
550 W. Texas, Suite 1330
Midland, Texas 79701
915/687-3651

EXHIBIT

A

Page 2
Hanley Petroleum
December 17, 1990

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SANTA FE ENERGY OPERATING PARTNERS, L.P.
By: Santa Fe Pacific Exploration Company
Managing General Partner

By: Larry Murphy
Larry Murphy, Senior Landman

LM/efw

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HANLEY PETROLEUM, INC.

By: _____

Type Name: _____

Title: _____

Date: _____

EFW1549



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

BRUCE KING
GOVERNOR

February 14, 1991

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Hanley Petroleum Inc.
c/o W. Thomas Kellahin
Kellahin, Kellahin & Aubrey
P.O. Box 2265
Santa Fe, NM 87504-2265

*RE: Applicant's second request to amend and readvertise Case
No. 10219 - Application of Hanley Petroleum Inc. for
compulsory pooling, Lea County, New Mexico.*

Dear Mr. Kellahin:

Your request by letter dated February 12, 1991 to readvertise this matter to the March 7, 1991 hearing is hereby **denied**. This issued has been previously addressed with you concerning your request of February 5, 1991 in my letter dated February 6, 1991

I have discussed this matter with the Division's General Counsel and it is still our opinion that because the well location in this case is not essential, and by moving the location from one standard location to another, readvertisement is not necessary and this matter can be addressed at the hearing.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/ag

cc: Oil Conservation Division -

Robert G. Stovall
William J. LeMay
David R. Catanach

James Bruce - Albuquerque
William F. Carr - Santa Fe
Case Files: ~~10211~~ and 10219