

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

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

September 14, 1993

HAND DELIVERED

Mr. William J. LeMay
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail, 2nd Floor
Santa Fe, New Mexico 87501

Re: Application of Conoco Inc. and
Marathon Oil Company for Exceptions to Rule 5(b) of
the Special Rules and Regulations of the South
Dagger Draw Upper Pennsylvanian Pool (Division
Order R-5353), or in the Alternative, for the
Creation of a New Pool with the Adoption of Special
Rules for said Pool, Eddy County, New Mexico.

Dear Mr. LeMay:

On behalf of Conoco Inc. and Marathon Oil Company,
please find enclosed our referenced application which we
request be set for hearing on the next available
Examiner's docket now scheduled for October 7, 1993.

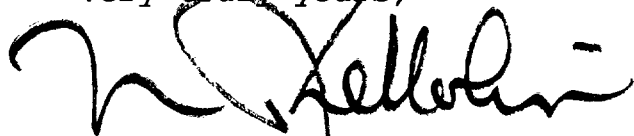
By copy of this letter and application, sent
certified mail, we are notifying all interested parties
of their right to appear at the hearing and participate
in this case, including the right to present evidence
either in support of or in opposition to the application
and that failure to appear at the hearing may preclude
them from any involvement in this case at a later date.

Mr. William J. LeMay
September 14, 1993
Page Two

Pursuant to the Division's Memorandum 2-90, all parties are hereby informed that if they appear in this case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, August 27, 1993, with a copy delivered to the undersigned.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



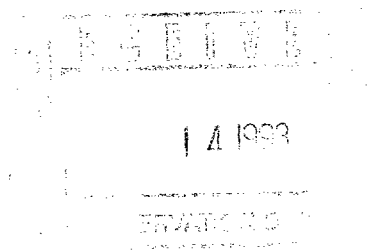
W. Thomas Kellahin

WTK/mg
Enclosure

cc: Conoco Inc. and Marathon Oil Company,
and
By Certified Mail - Return Receipt
All Parties Listed on Exhibit "B" of Application

PROPOSED ADVERTISEMENT

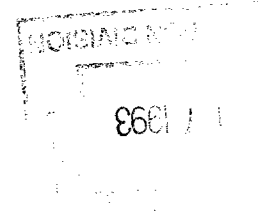
CASE 10596 Application of Conoco Inc. and Marathon Oil Company for Exceptions to Rule 5(b) of the Special Rules and Regulations of the South Dagger Draw Upper Pennsylvanian Pool (Division Order R-5353), or in the Alternative, for the Creation of a New Pool with the Adoption of Special Rules for said Pool, Eddy County, New Mexico. Applicants seek exceptions to Rule 5(b) of Order R-5353 thereby authorizing simultaneous dedication of both gas wells and oil wells to the same spacing unit with Sections 34, 35, 36 T20S, R24E and Sections 34, 35, 36 of T20-1/2S, R23E, Eddy County, New Mexico. In the alternative, Applicants seeks the contraction of the South Dagger Draw Upper Pennsylvanian Pool and the concomitant creation of a new pool for the described acreage with the adoption of Special Rules and Regulations including those set forth in Order R-5353 but modified to allow simultaneous dedication of spacing units to multiple gas and oil wells and establishment of appropriate allowables therefor. Said area is located approximately 10 miles southeast from Hope, New Mexico.



BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

APPLICATION OF CONOCO INC. AND
MARATHON OIL COMPANY FOR EXCEPTIONS
TO RULE 5(b) OF THE SPECIAL RULES
AND REGULATIONS OF THE SOUTH DAGGER
DRAW UPPER PENNSYLVANIAN POOL
(DIVISION ORDER R-5353), OR IN THE
ALTERNATIVE, FOR THE CREATION OF A
NEW POOL WITH THE ADOPTION OF
SPECIAL RULES FOR SAID POOL,
EDDY COUNTY, NEW MEXICO.



No. 10848

ENTRY OF APPEARANCE

COMES NOW CAMPBELL, CARR, BERGE & SHERIDAN, P.A., and hereby
enters its appearance in the above referenced case on behalf of Yates Petroleum
Corporation.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.,

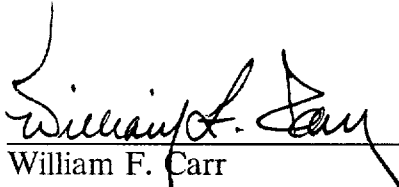
By: William F. Carr
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR YATES
PETROLEUM CORPORATION

CERTIFICATE OF MAILING

I hereby certify that on this 17th day of September, 1993, I have caused to be mailed a copy of our Entry of Appearance in the above-captioned case to:

W. Thomas Kellahin, Esq.
Kellahin and Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504



William F. Carr

**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. 10848

APPLICATION OF CONOCO INC. AND
MARATHON OIL COMPANY FOR EXCEPTIONS
TO RULE 5(b) OF THE SPECIAL RULES
AND REGULATIONS OF THE SOUTH DAGGER
DRAW UPPER PENNSYLVANIAN POOL
AS PROMULGATED BY (DIVISION ORDER R-5353),
OR IN THE ALTERNATIVE, FOR THE
CREATION OF A NEW POOL WITH THE
ADOPTION OF SPECIAL RULES FOR SAID POOL,
EDDY COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Campbell, Carr, Berge & Sheridan, P.A.,
as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Conoco Inc. _____
Marathon Oil Company _____

name, address, phone and
contact person

ATTORNEY

W. Thomas Kellahin, Esq. _____
Kellahin & Kellahin _____
Post Office Box 2265 _____
Santa Fe, NM 87504-2265 _____
(505) 982-4285 _____

OPPOSITION OR OTHER PARTY

Yates Petroleum Corporation _____
c/o D'nese Fly _____
105 South Fourth Street _____
Artesia, New Mexico 88210 _____
(505) 748-1471 _____

name, address, phone and
contact person

ATTORNEY

William F. Carr, Esq. _____
Campbell, Carr, Berge & Sheridan, P.A. _____
Post Office Box 2208 _____
Santa Fe, New Mexico 87504 _____
(505) 988-4421 _____

STATEMENT OF CASE

APPLICANT

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

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

Yates Petroleum Corporation will appear and present evidence in opposition to the creation of a new pool within the South Dagger Draw Upper Penn Pool in what applicants have defined as a Transition Area and the promulgation of special pool rules therefore including the proposed limitation on gas allowables. Yates supports a pool wide exception to Rule 5(b) of the General Rules and Regulations for Associated Oil and Gas pools (Order No. R-5353).

PROPOSED EVIDENCE

APPLICANT

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

OPPOSITION

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

D'nese Fly, Geologist

15 Min.

Approximately 5

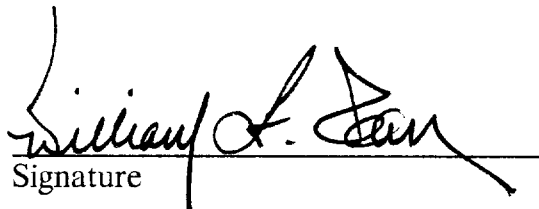
Pinson McWhorter, Engineer

10 Min.

Approximately 4

PROCEDURAL MATTERS

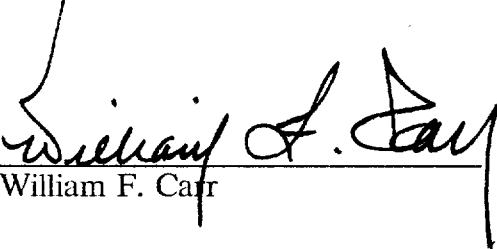
(Please identify any procedural matters which need to be resolved prior to hearing)


Signature

CERTIFICATE OF MAILING

I hereby certify that on this 15th day of October, 1993, I have caused to be mailed a copy of our Pre-Hearing Statement in the above-captioned case to:

W. Thomas Kellahin, Esq.
Kellahin & Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504



William F. Carr

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY

PATRICIA A. MATTHEWS
MICHAEL H. FELDEWERT
DAVID B. LAWRENZ
TANYA M. TRUJILLO

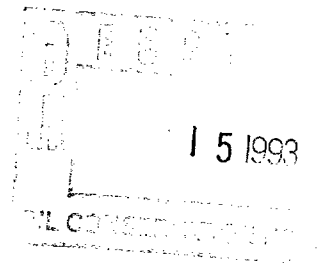
JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

October 15, 1993

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503



Re: Oil Conservation Division Case No. 10848
Application of Conoco Inc. and Marathon Oil Company for exception to Rule 5(b) of the Special Rules and Regulations of the South Dagger Draw-Upper Pennsylvanian Pool as promulgated by Division Order No. R-5353, as amended, or in the alternative, for the creation of a new pool with the adoption of special rules for said pool, Eddy County, New Mexico.

Dear Mr. LeMay:

Enclosed is a Subpoena Duces Tecum which we would appreciate the Division executing for Yates Petroleum Corporation in the above-referenced case.

Your attention to this matter is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read 'William F. Carr'. The signature is fluid and cursive, written over the printed name.

WILLIAM F. CARR

WFC:mlh

Enclosures

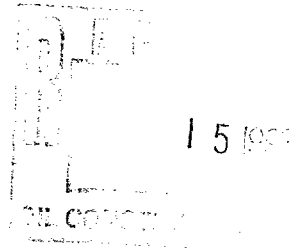
cc: Pinson McWhorter
Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

W. Thomas Kellahin
Kellahin & Kellahin
117 North Guadalupe Street
Santa Fe, New Mexico 87501

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

APPLICATION OF CONOCO INC. AND
MARATHON OIL COMPANY FOR EXCEPTION
TO RULE 5(b) OF THE SPECIAL RULES
AND REGULATIONS OF THE SOUTH DAGGER
DRAW-UPPER PENNSYLVANIAN POOL
AS PROMULGATED BY DIVISION ORDER
NO. R-5353, AS AMENDED, OR IN THE
ALTERNATIVE, FOR THE CREATION
OF A NEW POOL WITH THE ADOPTION
OF SPECIAL RULES FOR SAID POOL,
EDDY COUNTY, NEW MEXICO.



CASE NO. 10848

SUBPOENA DUCES TECUM

TO: CONOCO INC.
c/o W. Thomas Kellahin
Kellahin & Kellahin
117 North Guadalupe Street
Santa Fe, New Mexico 87501

Pursuant to the power invested in this Division, you are commanded to appear and produce at 8:15 a.m., October 21, 1993 at 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 Conoco Inc., for all Conoco operated wells in the South Dagger Draw-Upper Pennsylvanian Pool in Sections 34 and 35, Township 20 South Range 24 East:

1. Resistivity logs, e.g., Dual Latrolog
2. Porosity logs, e.g., Compensated Neutron-Litho-Density
3. Mudlogs

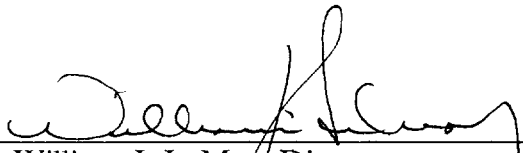
4. Bottom-hole pressure surveys
5. Drillstem tests
6. Chronological reports to include details of:
 - a. Perforating and perforation locations
 - b. Stimulation fluids, volumes, rates, and pressures for each treated interval
 - c. Swabbing, flowing and/or pumping results for each interval that was perforated and tested. Pre and post-stimulation results as applicable.

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 file, record, document, 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, agents, employees, directors or representatives, officials, departments, divisions, sub-divisions, subsidiaries, or predecessors.

NEW MEXICO OIL CONSERVATION DIVISION

By: 
William J. LeMay, Director

ISSUED this 18 day of October, 1993 at Santa Fe, New Mexico.



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



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

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

December 3, 1993

KELLAHIN AND KELLAHIN
Attorneys at Law
P. O. Drawer 2265
Santa Fe, New Mexico 87504

RE: CASE NO. 10848
ORDER NO. R-10028

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,


Sally E. Martinez
Administrative Secretary

cc: BLM - Carlsbad
William Carr
James Bruce

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:

2 5

APPLICATION OF CONOCO INC. AND
MARATHON OIL COMPANY FOR EXCEPTIONS
TO RULE 5(b) OF THE SPECIAL RULES
AND REGULATIONS OF THE SOUTH DAGGER
DRAW-UPPER PENNSYLVANIAN POOL, ETC.,
EDDY COUNTY, NEW MEXICO.

CASE NO. 10,848

APPLICATION OF YATES PETROLEUM
CORPORATION FOR AMENDMENT OF SPECIAL
RULES AND REGULATIONS OF THE SOUTH
DAGGER DRAW-UPPER PENNSYLVANIAN
ASSOCIATED POOL (DIVISION ORDER NO.
R-5353), EDDY COUNTY, NEW MEXICO.

CASE NO. 10,869

APPLICATION OF CONOCO INC. TO AMEND
RULE 6 OF THE SPECIAL RULES AND
REGULATIONS FOR THE SOUTH DAGGER DRAW-
UPPER PENNSYLVANIAN POOL (DIVISION
ORDER NO. R-5353), AND POOL EXTENSION,
EDDY COUNTY, NEW MEXICO.

CASE NO. 10,881

**ENTRY OF APPEARANCE AND
CONSOLIDATED PRE-HEARING STATEMENT**

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

APPEARANCE OF PARTIES

APPLICANT

ATTORNEY

OPPOSITION OR OTHER PARTY

Nearburg Producing Company
Suite 8100
3300 North "A" Street
Midland, Texas 78705
(915) 686-8235

Attention: Robert Shelton

ATTORNEY

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

STATEMENT OF CASE

APPLICANT

OPPOSITION

Nearburg Producing Company is an operator and working interest owner in the subject pool, and hereby enters its appearance in this case.

PROPOSED EVIDENCE

APPLICANT

WITNESSES

EST. TIME

EXHIBITS

OPPOSITION

WITNESSES

EST. TIME

EXHIBITS

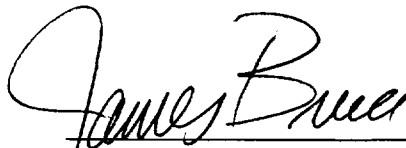
Gene Davis
(Geologist)

Possible witness

PROCEDURAL MATTERS

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD
& HENSLEY



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

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

Entry of Appearance and
Consolidated Pre-Hearing Statement
NMOCD Case Nos. 10,848, 10,869 and
10,881
Page 4

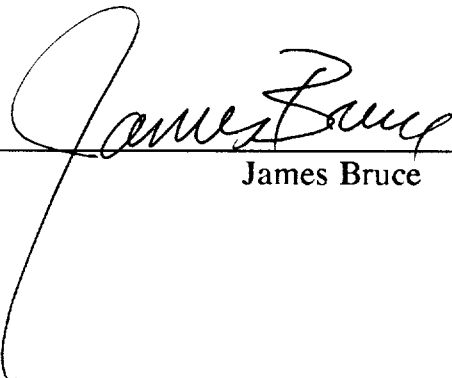
CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Entry of Appearance and Pre-Hearing Statement was mailed to the following counsel of record, this 26th day of November, 1993, by first-class mail, postage prepaid.

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

W. Thomas Kellahin, Esq.
Kellahin & Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Tom Lowery
Marathon Oil Company
125 West Missouri
Midland, Texas 79701



James Bruce

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

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

APPLICATION OF CONOCO INC. AND
MARATHON OIL COMPANY FOR EXCEPTIONS
TO RULE 5(B) OF THE SPECIAL RULES
AND REGULATIONS OF THE SOUTH DAGGER
DRAW-UPPER PENNSYLVANIAN ASSOCIATED POOL,
EDDY COUNTY, NEW MEXICO.

CASE NO. 10848

APPLICATION OF CONOCO INC.
TO AMEND RULE 6 AND RULE 5(b) OF THE
SPECIAL RULES AND REGULATIONS OF THE SOUTH
DAGGER DRAW-UPPER PENNSYLVANIAN ASSOCIATED POOL
EDDY COUNTY, NEW MEXICO.

CASE NO. 10881

APPLICATION OF YATES PETROLEUM
CORPORATION TO AMEND RULE 5(b) OF THE
SPECIAL RULES AND REGULATIONS OF THE SOUTH
DAGGER DRAW-UPPER PENNSYLVANIAN ASSOCIATED POOL,
EDDY COUNTY, NEW MEXICO.

CASE NO. 10869

CONSOLIDATED
PRE-HEARING STATEMENT

This pre-hearing statement is submitted by CONOCO INC.
as required by the Oil Conservation Division.

Pre-Hearing Statement
Case Nos. 10848, 10881 and 10869
Page 2

APPEARANCE OF PARTIES

APPLICANT CONOCO

Conoco Inc.
10 Desta Drive, Ste.100W
Midland, Texas 79762-4500
Attn: Jerry Hoover
(915) 686-6548

ATTORNEY

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

OTHER PARTIES

ATTORNEYS

Yates Petroleum Corporation

William F. Carr, esq.

Nearburg Producing Company

James Bruce, Esq.

Marathon Oil Company

Karen Aubrey, Esq.

STATEMENT OF THE CASES

APPLICANT CONOCO:

The South Dagger Draw-Upper Pennsylvanian Associated Pool ("the Pool") is an associated oil and gas pool the current rules for which provide for 320-acre proration and spacing units with the option for multiple oil wells BUT preclude the simultaneous dedication of both oil and gas wells to the same spacing unit (Rule 5(b)). In addition, the current GOR the pool is 10,000 to 1 which results in a maximum gas allowable per unit of 14,000 MCFGPD (Rule 6).

Pre-Hearing Statement
Case Nos. 10848, 10881 and 10869
Page 3

While, the current maximum GOR a spacing unit in the Pool is 10,000 to 1, the current average producing GOR of all wells that qualify to be classified as oil wells under current pool rules is approximately 4,500 to 1 GOR which amounts to 6,300 MCFGPD.

In order to prevent excessive premature drainage of the gas cap and to conserve recoverable oil reserves, Conoco proposes in Case 10881 that Rule 5(b) and Rule 6 of the Pool rules be amended to allow simultaneous dedication of gas and oil wells to the same spacing unit if the Pool's current GOR is reduced to 4,500 to 1.

Conoco is opposed to Case 10869 in which Yates Petroleum Corporaiton is seeking simply to amend Rule 5(b) without correspondingly reducing the current GOR set forth in Rule 6.

PROPOSED EVIDENCE

CONOCO

WITNESSES	EST. TIME	EXHIBITS
David Scott (landman)	5-10 min.	est. 3 exhibits
Mark Majcher (P.E.)	60 min.	est. 10 exhibits
Bill Hardy (geologist)	60 Min.	est. 10 exhibits

Pre-Hearing Statement
Case Nos. 10848, 10881 and 10869
Page 4

PROCEDURAL MATTERS

Conoco and Marathon propose that their joint application in Case 10848 be dismissed without prejudice.

Conoco proposes that Case 10881 and Case 10869 be consolidated for purposes of testimony.

KELLAHIN AND KELLAHIN

By: 

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

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
ROBERT P. TINNIN, JR.
MARSHALL G. MARTIN
OWEN M. LOPEZ
DOUGLAS L. LUNSFORD
JOHN J. KELLY
NICHOLAS J. NOEDING
T. CALDER EZZELL, JR.
WILLIAM B. BURFORD*
RICHARD E. OLSON
RICHARD R. WILFONG*
THOMAS J. MCBRIDE
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.
GREGORY J. NIBERT
DAVID T. MARKETTE*
MARK C. DOW

FRED W. SCHWENDIMANN
JAMES M. HUDSON
JEFFREY S. BAIRD*
REBECCA NICHOLS JOHNSON
WILLIAM P. JOHNSON
STANLEY K. KOTOVSKY, JR.
H. R. THOMAS
ELLEN S. CASEY
MARGARET CARTER LUDEWIG

S. BARRY PAISNER
STEPHEN M. CRAMPTON
MARTIN MEYERS
GREGORY S. WHEELER
ANDREW J. CLOUTIER
JAMES A. GILLESPIE
GARY W. LARSON
STEPHANIE LANDRY
JOHN R. KULSETH, JR.
MARGARET R. MCNETT
BRIAN T. CARTWRIGHT*
LISA K. SMITH*
ROBERT H. BETHEA*
BRADLEY W. HOWARD
CHARLES A. SUTTON
NORMAN D. EWART
DARREN T. GROCE*
MOLLY MCINTOSH
MARCIA B. LINCOLN
SCOTT A. SHUART*
DARREN L. BROOKS
CHRISTINE E. LALE
PAUL G. NASON
DARLA M. SILVA

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

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

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

WASHINGTON, D.C.
SPECIAL COUNSEL
ALAN J. STATMAN*

700 UNITED BANK PLAZA
POST OFFICE BOX 10
ROSWELL, NEW MEXICO 88202
(505) 622-6510
FAX (505) 623-9332

2800 CLAYDESTA CENTER
6 DESTA DRIVE
POST OFFICE BOX 3580
MIDLAND, TEXAS 79702
(915) 683-4691
FAX (915) 683-6518

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

500 MARQUETTE N.W., SUITE 800
POST OFFICE BOX 2043
ALBUQUERQUE, NEW MEXICO 87103
(505) 768-1500
FAX (505) 768-1529

*NOT LICENSED IN NEW MEXICO

October 20, 1993

Florene Davidson
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87503

Re: Case No. 10,848

Dear Florene:

Please find the original and two copies of a Pre-Hearing Statement on behalf of Santa Fe Energy Operating Partners, L.P. for filing in the above-referenced case.

Thank you.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY

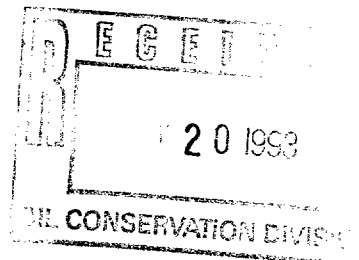


Fran Sowers, Secretary
to James Bruce

Enclosures

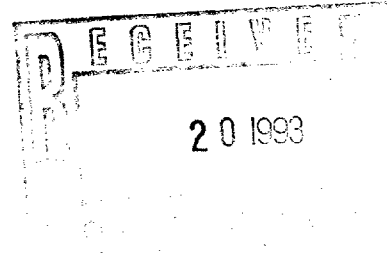
VIA HAND DELIVERY

FRS5\93K03.c



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

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



APPLICATION OF CONOCO INC. AND
MARATHON OIL COMPANY FOR EXCEPTIONS
TO RULE 5(b) OF THE SPECIAL RULES AND
REGULATIONS OF THE SOUTH DAGGER DRAW -
UPPER PENNSYLVANIAN ASSOCIATED POOL,
ETC., EDDY COUNTY, NEW MEXICO.

CASE NO. 10,848

PRE-HEARING STATEMENT

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

APPEARANCE OF PARTIES

APPLICANT

Marathon Oil Company
and Conoco Inc.

ATTORNEY

W. Thomas Kellahin
Kellahin & Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504-2265
(505) 982-4285

OTHER PARTY

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

ATTORNEY

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

STATEMENT OF CASE

APPLICANT

OTHER PARTY

Santa Fe Energy Operating Partners, L.P. is an operator and working interest owner in the Dagger Draw area.

PROPOSED EVIDENCE

APPLICANT

WITNESSES

EST. TIME

EXHIBITS

OTHER PARTY

WITNESSES

EST. TIME

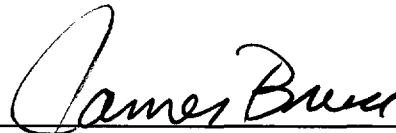
EXHIBITS

- No Witnesses -

PROCEDURAL MATTERS

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD
& HENSLEY

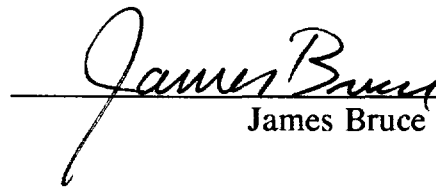


James Bruce
Post Office Box 2068
Santa Fe, New Mexico 87504-2068
(505) 982-4554

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

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Pre-Hearing Statement was transmitted via facsimile transmission to W. Thomas Kellahin, Esq., Kellahin & Kellahin, 117 N. Guadalupe, Santa Fe, New Mexico 87501, this 20th day of October, 1993.


James Bruce

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY

PATRICIA A. MATTHEWS
MICHAEL H. FELDEWERT
DAVID B. LAWRENZ
TANYA M. TRUJILLO

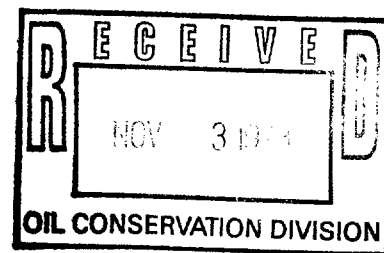
JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

Handwritten signature/initials

November 3, 1993

HAND-DELIVERED



William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

Re: Oil Conservation Division Case No. 10848:
Application of Conoco Inc. and Marathon Oil Company for exception to Rule 5(b) of the Special Rules and Regulations of the South Dagger Draw-Upper Pennsylvanian Pool as promulgated by Division Order No. R-5353, as amended, or in the alternative, for the creation of a new pool with the adoption of special rules for said pool, Eddy County, New Mexico

Dear Mr. LeMay:

Yates Petroleum Corporation hereby requests that the hearing on the above-referenced application be continued from November 4, 1993 to the Examiner hearing scheduled for December 2, 1993.

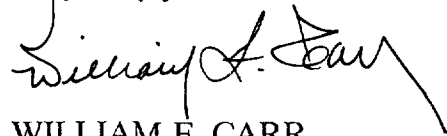
As the Division is aware, this case involves a proposed change in the rules for the South Dagger Draw-Upper Pennsylvanian Pool in which Yates is a principal operator. Accordingly, Yates will be affected by any change in these pool rules and will participate in this hearing. Although we sought a subpoena on October 15th for certain data on wells operated by Conoco, it appears Conoco and Yates will voluntarily exchange information to be utilized in evaluating the current and proposed pool rules. This data has not yet been exchanged and it is impossible for Yates to be fully prepared for a hearing on November 4, 1993.

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
November 3, 1993
Page 2

On October 26, 1993 Yates also filed an application seeking a change in the Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Pool. This case is included on the December 2, 1993 Examiner hearing docket. To permit all applications concerning these rules to be heard at one time, Yates requests that the Conoco/Marathon application in Case 10848 also be set on December 2, 1993.

Your attention to this request is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr", written over a horizontal line.

WILLIAM F. CARR
ATTORNEY FOR YATES PETROLEUM CORPORATION
WFC:mlh

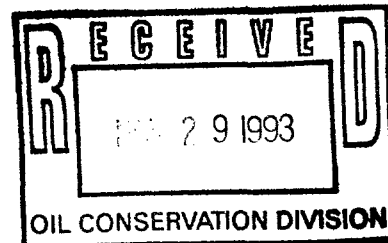
cc: Mr. Randy Patterson
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

W. Thomas Kellahin, Esq.
Jim Bruce, Esq.

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

APPLICATION OF CONOCO INC. AND
MARATHON OIL COMPANY FOR EXCEPTION
TO RULE 5(b) OF THE SPECIAL RULES AND
REGULATIONS OF THE SOUTH DAGGER DRAW-UPPER
PENNSYLVANIAN POOL AS PROMULGATED
BY DIVISION ORDER NO. R-5353,
AS AMENDED, OR IN THE ALTERNATIVE,
FOR THE CREATION OF A NEW POOL WITH
THE ADOPTION OF SPECIAL RULES FOR SAID POOL,
EDDY COUNTY, NEW MEXICO.

CASE NO. 10848



ENTRY OF APPEARANCE

COMES NOW CAMPBELL, CARR, BERGE & SHERIDAN, P.A., and hereby
enters its appearance in the above referenced case on behalf of Chevron U.S.A. Inc.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: William F. Carr
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR CHEVRON U.S.A. INC.

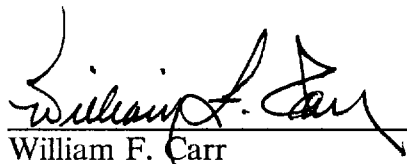
CERTIFICATE OF SERVICE

I hereby certify that on this 24th day of November, 1993, I have caused to be mailed a copy of our Entry of Appearance in the above-captioned case to:

W. Thomas Kellahin, Esq.
Kellahin & Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504

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

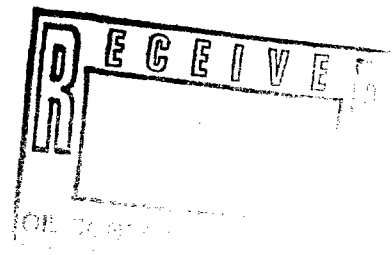
Karen Aubrey, Esq.
Law Office of Karen Aubrey
236 Montezuma Avenue
Santa Fe, New Mexico 87501-2641



William F. Carr

**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. 10848

APPLICATION OF CONOCO INC. AND
MARATHON OIL COMPANY FOR EXCEPTION
TO RULE 5(b) OF THE SPECIAL RULES AND
REGULATIONS OF THE SOUTH DAGGER DRAW-UPPER
PENNSYLVANIAN POOL AS PROMULGATED
BY DIVISION ORDER NO. R-5353,
AS AMENDED, OR IN THE ALTERNATIVE,
FOR THE CREATION OF A NEW POOL WITH
THE ADOPTION OF SPECIAL RULES FOR SAID POOL,
EDDY COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Campbell, Carr, Berge & Sheridan, P.A.,
as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Conoco Inc. _____

name, address, phone and
contact person

Marathon Oil Company _____

name, address, phone and
contact person

ATTORNEY

W. Thomas Kellahin, Esq. _____
Kellahin & Kellahin _____
Post Office Box 2265 _____
Santa Fe, New Mexico 87504-2265
(505) 982-4285 _____

Karen Aubrey, Esq. _____
Law Office of Karen Aubrey _____
236 Montezuma Avenue _____
Santa Fe, New Mexico 87501-2641 _____
(505) 982-4287 _____

OPPOSITION OR OTHER PARTY

Yates Petroleum Corporation_____
c/o David Boneau_____
105 South Fourth Street_____
Artesia, New Mexico 88210_____
(505) 748-1471_____
name, address, phone and
contact person

Santa Fe Energy Partners, L.P._____

name, address, phone and
contact person

ATTORNEY

William F. Carr, Esq._____
Campbell, Carr, Berge & Sheridan, P.A.
Post Office Box 2208_____
Santa Fe, New Mexico 87504_____
(505) 988-4421_____

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

STATEMENT OF CASE

APPLICANT

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

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

Yates Petroleum Corporation supports Conoco's request to amend the Special Rules and Regulations of the South Dagger-Draw Upper Pennsylvanian Associated Pool to delete Rule 5(b) thereby authorizing simultaneous dedication of both gas wells and oil wells to the same spacing unit. Yates will present testimony in opposition to the reduction in the limiting Gas Oil Ratio for this pool.

PROPOSED EVIDENCE

APPLICANT

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

OPPOSITION

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

D'nese Fly, Geology

10 Min.

Approximately 2

Pinson McWhorter, Engineering

20 Min.

Approximately 6

David Boneau, Engineering

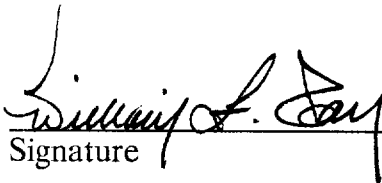
10 Min.

Approximately 2

PROCEDURAL MATTERS

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

Yates Petroleum Corporation will request that this case be consolidated for hearing with Cases 10868 and 10881.


Signature