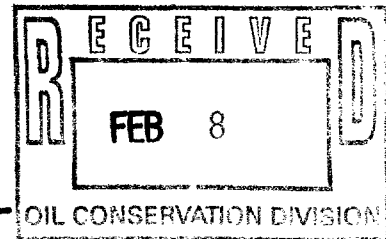


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 10,748

APPLICATION OF YATES ENERGY)
CORPORATION)
_____)



ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

February 2nd, 1995

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, February 2nd, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

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

I N D E X

February 2nd, 1995
Examiner Hearing
CASE NO. 10,748

PAGE

REPORTER'S CERTIFICATE

8

* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Legal Counsel to the Division
State Land Office Building
Santa Fe, New Mexico 87504

FOR YATES PETROLEUM CORPORATION:

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.
Suite 1 - 110 N. Guadalupe
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

FOR MARATHON OIL COMPANY AND
NEARBURG PRODUCING COMPANY:

KELLAHIN & KELLAHIN
117 N. Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

FOR SANTA FE ENERGY OPERATING PARTNERS, L.P.:

HINKLE, COX, EATON, COFFIELD & HENSLEY
218 Montezuma
P.O. Box 2068
Santa Fe, New Mexico 87504-2068
By: JAMES G. BRUCE

* * *

1 WHEREUPON, the following proceedings were had at
2 9:18 a.m.:

3 EXAMINER CATANACH: Okay, at this particular time
4 let's call Case 10,748, which I understand is sort of
5 misrepresented there. It's not really -- This is actually
6 supposed to be a re-opened case. Go ahead and call it
7 anyway.

8 MR. CARROLL: Application of Yates Energy
9 Corporation -- I've been told that it should be Yates
10 Petroleum Corporation -- for pool creation, classification
11 of the new pool as an associated pool and for special pool
12 rules, Eddy County, New Mexico.

13 EXAMINER CATANACH: It's my understanding that
14 this was originally supposed to be the re-opened case for
15 pool rules for the Indian Basin Upper Penn Associated Pool,
16 which was created sometime back.

17 So are there appearances in this case at this
18 time?

19 MR. CARR: May it please the Examiner, my name is
20 William F. Carr with the Santa Fe law firm Campbell, Carr,
21 Berge and Sheridan.

22 I'm entering my appearance on behalf of Yates
23 Petroleum Corporation, the original Applicant in this
24 matter, and I have a brief statement.

25 EXAMINER CATANACH: Are there any additional

1 appearances?

2 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
3 the Santa Fe law firm of Kellahin and Kellahin, appearing
4 on behalf of Marathon Oil Company and Nearburg Producing
5 Company.

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

9 EXAMINER CATANACH: Okay. Mr. Carr, you may
10 proceed.

11 MR. CARR: May it please the Examiner, on July
12 6th, 1993, the Division entered Order Number R-9922,
13 granting the application of Yates Petroleum Corporation for
14 pool creation, classification of a new pool as an
15 associated pool, and for special pool rules in Eddy County,
16 New Mexico.

17 The special pool rules include provisions for
18 320-acre spacing and proration units, designated well-
19 location requirements, a limit of no more than one well per
20 quarter section, a special depth-bracket allowable of 1400
21 barrels of oil per day for wells on 320-acre units and
22 administrative procedures for approval of unorthodox
23 locations and nonstandard spacing or proration units.

24 These rules were promulgated on a temporary basis
25 for an 18-month period of time. Operators were given this

1 18 months to accumulate additional data to present to you
2 at this time so you could determine whether or not these
3 pool rules should be continued on a permanent basis.

4 An environmental audit, however, consumed
5 approximately one year of the 18 months, and although
6 operators are now going forward developing data, there
7 simply is no information to be reported to you at this time
8 upon which you could make a determination as to whether or
9 not the rules should be continued on a permanent basis.

10 Accordingly, Yates Petroleum Corporation requests
11 that these temporary rules be extended for an additional
12 one-year period of time.

13 In essence, what we're doing is asking that we be
14 allowed the 18 months that were authorized under the
15 original order so that we can go forward with our data
16 gathering and come back to you as soon as we have
17 information upon which a final determination can be made.

18 We've contacted the other operators in the pool,
19 Nearburg, Santa Fe and Marathon. They're represented by
20 counsel here today, and it is our understanding that we all
21 agree that the rules should be extended for a one-year
22 period of time.

23 EXAMINER CATANACH: Mr. Carr, do you know if this
24 environmental audit affected just Yates or the other
25 operators as well?

1 MR. CARR: I think it affected everyone in the
2 pool. We've all been delayed by a year, is my
3 understanding.

4 MR. BRUCE: Mr. Examiner, it did cover a large
5 chunk of Eddy County, is what my understanding is.

6 EXAMINER CATANACH: Is that an accurate statement
7 by Mr. Carr that Nearburg and Santa Fe and Marathon are in
8 agreement with this?

9 MR. KELLAHIN: Mr. Catanach, that is my belief
10 and understanding.

11 MR. BRUCE: Yes.

12 EXAMINER CATANACH: Okay. Is there anything
13 further?

14 MR. CARR: I have nothing further.

15 EXAMINER CATANACH: There being nothing further,
16 Case 10,748 (re-opened) will be -- the request will be
17 taken under advisement.

18 Thank you.

19 (Thereupon, these proceedings were concluded at
20 9:22 a.m.)

21 * * *

22

23

24

25

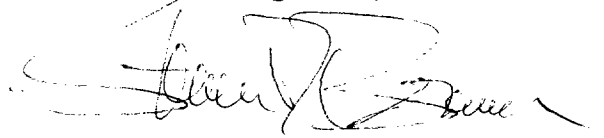
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.


WITNESS MY HAND AND SEAL February 7th, 1995.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 10748, heard by me on February 2, 1995.


 _____, Examiner
 Oil Conservation Division