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7-10-00

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

**APPLICATION OF OCEAN ENERGY
RESOURCES, INC. FOR A NON-STANDARD
OIL SPACING AND PRORATION UNIT,
LEA COUNTY, NEW MEXICO.**

CASE NO. 12450

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OIL CONSERVATION DIV.

**YATES PETROLEUM CORPORATION'S
MOTION FOR CONTINUANCE**

COMES NOW, YATES PETROLEUM CORPORATION ("Yates"), through its undersigned attorneys and hereby moves the Examiner for an order continuing the hearing on Ocean Energy Resources, Inc.'s ("Ocean Energy") application for approval of a non-standard oil spacing and proration unit in the South Big Dog-Strawn Pool to the next available Examiner hearing scheduled before Hearing Examiner Catanach. In support of this motion Yates states:

1. Ocean Energy seeks approval of a non-standard oil spacing and proration unit in the South Big-Dog Strawn Pool comprised of the NW/4 SE/4 of Section 2, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico to be dedicated to its proposed Townsend "2" State Well No. 11 ("Townsend No. 11") to be drilled thereon at a standard oil well location.

2. The proposed Townsend No. 11 is a direct north offset to the Ocean Energy Townsend State Well No. 5 ("Townsend No. 5") located at a standard oil well location in the SW/4 SE/4 of Section 2. *See Exhibit A.* Yates has drawn into Exhibit A what it understands to be the approximate location of Ocean's proposed Townsend No. 11 well.

3. The Townsend No. 5 first produced in late 1998 and had been knowingly overproduced by Ocean Energy. In early 1999 the Division directed Ocean Energy to curtail production from the well to bring it back into balance. Once the well was in balance, Ocean Energy again knowingly produced the well in excess of the allowable until the well was approximately 54,000 barrels of oil over produced. In March 2000 the Division directed Ocean Energy to shut in the well to make up the overproduction. *See* Exhibit B (letter form Chris Williams to Ocean Energy dated March 13, 2000).

4. In Consolidated Cases 12374 and 12401 Ocean Energy sought cancellation of the overproduction from its Townsend No. 5 or, in the alternative, authorization to make up the overproduction from this well at a reduced producing rate of 300 barrels of oil per day (the well had previously produced at approximately 400 barrels per day). Yates appeared at the hearing in opposition to Ocean Energy's request and presented evidence that the Townsend No. 5 was in communication with other wells in the pool and that there were insufficient remaining reserves in this Strawn reservoir to makeup the overproduction.

5. These consolidated cases were heard by Examiner Catanach on May 4, 2000. No order has been entered in these cases due to delays by the parties in supplying data and proposed orders to the Division.

6. According to maps presented by Ocean Energy at the hearing before Examiner Catanach, the proposed Townsend No. 11 is projected to the same pod in the Strawn formation in which Ocean's Townsend No. 5 is completed and overproduced. *See* Exhibit A.


7. Ocean Energy's present application is nothing short of an effort to circumvent the allowable penalty Hearing Officer Catanach determines is appropriate for the Townsend No. 5. Ocean Energy's proposed well will drain oil from the same pool in which Hearing Officer Catanach has determined Ocean Energy has already overproduced and will further reduce the reserves available to makeup the overproduction in the Townsend No. 5.

8. Because Ocean Energy's current application will affect the remaining reserves available to the Townsend No. 5 to make up its overproduction in this Strawn reservoir, the subject of Consolidated Cases 12374 and 12401 are interrelated with Ocean Energy's application in this case. Moreover, Examiner Catanach is familiar with the geology, production characteristics, and Ocean Energy's production practices in this reservoir, thereby making it administratively more efficient for Examiner Catanach address this application and its affect on the issues before him.

WHEREFORE, Yates Petroleum Corporation respectfully requests that this matter be continued to the next available hearing docket assigned to Examiner Catanach.

Respectfully submitted,

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

By: 
William F. Carr
Michael H. Feldewert
Post Office Box 2208
Santa Fe, New Mexico 87501
(505) 988-4421

Attorneys for Yates Petroleum Corporation

CERTIFICATE OF SERVICE

THIS WILL CERTIFY that a true and correct copy of the foregoing Motion for Continuance was hand-delivered this 10 day of July, 2000 to the following:

James Bruce, Esq.
Post Office Box 1056
Santa Fe, New Mexico 87504

Marilyn Hebert, Esq.
Legal Counsel
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505


Michael H. Feldewert

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ARRINGTON D O&G INC
PARACHUTE ADAMS
11880
10/21/1999

AMERIND OIL COMPANY
GALLAGER STATE COM

YATES PETROLEUM CORP
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YATES PETROLEUM CORP
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YATES PETROLEUM CORP
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OCEAN ENERGY INC
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YATES PETROLEUM CORP
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YATES PETROLEUM CORP
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YATES PETROLEUM CORP
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CHESAPEAKE

JANICE



EXHIBIT A

Location of
Ocean's proposed
Townsend No. 11



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

Jennifer A. Salisbury
CABINET SECRETARY

Hobbs - District I
1625 North French Drive
Hobbs, NM 88240
OFF: (505) 393-6161
FAX: (505) 393-0720

OIL CONSERVATION DIVISION

March 13, 2000

RECEIVED

MAR 15 2000

Ocean Energy, Inc.
ATT: Scott M. Webb
1670 Broadway
Suite 2800
Denver, CO 80202

CAMPBELL, CARR, et. al.

RE: Townsend State, 5-W
Sec. 2-T16S-R35E
Overproduction

It has come to our attention that the above referenced well has been overproduced since the onset of the initial allowable for this well 11-10-98. The amount of overproduction has come to over 54,000 barrels of oil. The allowable limit for the Big Dog Strawn, South Pool is 445 barrels of oil per day. As for the initial test on this well it exceeded the limit in the amount of 90 barrels.

Effective immediately this well will be shut-in until it can be brought back on to be in compliance with the regulations for the Big Dog Strawn, South Pool. Please contact District I Supervisor, Chris Williams, if you have any questions in reference to this matter at (505) 393-6161 Ext. 102.

Yours very truly,

OIL CONSERVATION DIVISION

Chris Williams
District I, Supervisor

CW:nm

CC: Campbell, Carr, Berge & Sheridan, P.A.
Representing David Petroleum

EXHIBIT B

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12374 Exhibit No. 2
Submitted by:
Yates Petroleum Corporation
Hearing Date: May 4, 2000