



May 31, 2000

VIA FAX (915) 682-4139 & US MAIL

David H. Arrington Oil & Gas, Inc.
P.O. Box 2071
Midland, Texas 79702

Attn: Mr. David H. Arrington

Re: Proposed 12,950' Morrow Test Well
Townsend St. COM #10 Well
660' FWL and 800' FNL
Section 3, T16S, R35E
Lea County, New Mexico

OIL CONSERVATION DIVISION

CASE NUMBER 12567/12535
Ocean EXHIBIT 3A ¹

Dear Mr. Arrington:

Ocean Energy Resources, Inc. hereby proposes to drill at 12,950' Morrow Test at a location 660' FWL and 800' FNL of Section 3, T16S, R35E, Lea County, New Mexico. If the well is successfully completed in the Morrow formation, a 320-acre proration unit consisting of the N/3 of said Section 3 would be established. Based upon our most current title information, David H. Arrington Oil & Gas, Inc. (DHA) appears to own leasehold interest in the NW/4 of said Section 3. Please advise if this is incorrect.

Ocean respectfully requests that DHA either participate for its proportionate interest in the proposed well, or in the alternative, grant Ocean a term assignment covering all of DHA interest in the NW/4 of Section 3, T16S, R35E, Lea County, New Mexico, based upon the following general terms:

1. \$100.00 per mineral acre
2. One year primary term
3. Your reservation of a proportionally reduced overriding royalty interest equal to the difference between 20% and existing lease burdens

Enclosed for your review and execution are two (2) copies of the AFE for the above captioned well. You will be provided an operating agreement covering the N/3 of said Section 3 within the next few days. Should DHA elect to participate in the proposed well, please execute and return one (1) copy of this letter, one (1) AFE well cost estimate, and one (1) copy of the Operating Agreement. Also, please provide your well information requirements and the names of personnel to receive reports. Should DHA elect to grant

Ocean a term assignment, please make the appropriate election in the space provided below, and return one (1) fully executed copy of this letter to the undersigned. Upon receipt of your election a term assignment will be prepared and forwarded for your execution, along with a draft for the appropriate bonus amount.

Thanks for your consideration of this proposal, and if you have any questions please call me at (713) 265-6897.

Yours very truly,

OCEAN ENERGY RESOURCES, INC.,
a subsidiary of OCEAN ENERGY, INC.



Derold Maney
Senior Staff Landman

☐ DAVID H. ARRINGTON OIL & GAS, INC.
ELECTS TO PARTICIPATE in the Townsend St. COM #10 Well

☐ DAVID H. ARRINGTON OIL & GAS, INC.
ELECTS NOT TO PARTICIPATE in the Townsend St. COM #10 Well

By: _____
Title: _____
Date: _____

☐ DAVID H. ARRINGTON OIL & GAS, INC., hereby **elects to grant** Ocean Energy Resources, Inc. a term assignment covering Yates interest in the NE/4 of Section 3, T16S R35E, Lea County, New Mexico based upon the above mentioned terms.

By: _____
Title: _____
Date: _____

May 31, 2000

Ocean Energy
VIA FAX (505) 742-4572 & US MAIL

Yates Petroleum Corporation
Yates Drilling Company
Abo Petroleum Corporation
Myco Industries, Inc.
105 S. Fourth Street
Artesia, New Mexico 88210—2118

Attn: Mr. Robert Bullock

Re: Proposed 12,950' Morrow Test Well
Townsend St. COM #10 Well
660' FWL and 800' FNL
Section 3, T16S, R35E
Lea County, New Mexico

Dear Mr. Arrington:

Ocean Energy Resources, Inc. hereby proposes to drill at 12,950' Morrow Test at a location 660' FWL and 800' FNL of Section 3, T16S, R35E, Lea County, New Mexico. If the well is successfully completed in the Morrow formation, a 320-acre proration unit consisting of the N/3 of said Section 3 would be established. Based upon our most current title information, Yates Petroleum Corporation et al (Yates) appears to own leasehold interest in the NE/4 of said Section 3. Please advise if this is incorrect.

Ocean respectfully requests that Yates either participate for its proportionate interest in the proposed well, or in the alternative grant Ocean a term assignment covering all of Yates's interest in the NE/4 of Section 3, T16S, R35E, Lea County, New Mexico, based upon the following general terms:

1. \$100.00 per mineral acre
2. One year primary term
3. Your reservation of a proportionally reduced overriding royalty interest equal to the difference between 20% and existing lease burdens


Enclosed for your review and execution are two (2) copies of the AFE for the above captioned well. You will be provided an operating agreement covering the N/3 of said Section 3 within the next few days. Should Yates elect to participate in the proposed well, please execute and return one (1) copy of this letter, one (1) AFE well cost estimate, and one (1) copy of the Operating Agreement. Also, please provide your well information requirements and the names of personnel to receive reports. Should Yates elect to grant Ocean a term assignment, please make the appropriate election in the space provided

below, and return one (1) fully executed copy of this letter to the undersigned. Upon receipt of your election a term assignment will be prepared and forwarded for your execution, along with a draft for the appropriate bonus amount.

Thanks for your consideration of this proposal, and if you have any questions please call me at (713) 265-6897.

Yours very truly,

OCEAN ENERGY RESOURCES, INC.,
a subsidiary of OCEAN ENERGY, INC.



Derold Maney
Senior Staff Landman

☐ YATES PETROLEUM CORPORATION
ELECTS TO PARTICIPATE in the Townsend St. COM #10 Well

☐ YATES PETROLEUM CORPORATION
ELECTS NOT TO PARTICIPATE in the Townsend St. COM #10 Well

By: _____
Title: _____
Date: _____

☐ YATES PETROLEUM CORPORATION, hereby **elects to grant** Ocean Energy Resources, Inc. a term assignment covering Yates interest in the NE/4 of Section 3, T16S R35E, Lea County, New Mexico based upon the above mentioned terms.

By: _____
Title: _____
Date: _____



June 26, 2000

Yates Petroleum Corporation
Yates Drilling Company
Abo Petroleum Corporation
Myco Industries, Inc.
105 S. Fourth Street
Artesia, New Mexico 88210-2118

David H. Arrington Oil & Gas, Inc.
P.O. Box 2071
Midland, TX 79702

Attn: David H. Arrington

Attn: Mr. Robert Bullock

Re: Townsend State Com #10 Well
Section 3, T16S, R35E
Lea County, New Mexico

Gentlemen:

Enclosed for your review is a copy of the proposed Operating Agreement covering the above referenced well. Please review the Agreement and advise whether or not it is acceptable.

Ocean is interested in drilling this well as soon as possible. Therefore, your prompt attention in this matter is greatly appreciated.

If you have any questions or comments, please give me a call at (713) 265-6897,

Yours very truly,

OCEAN ENERGY RESOURCES, INC.,
a subsidiary of OCEAN ENERGY, INC.

A handwritten signature in black ink, appearing to read "Derold Maney".

Derold Maney
Senior Staff Landman

Enclosure

214 West Texas
Suite 400 (Zip 79701)
P.O. Box 2071
Midland, Texas 79702

DAVID H. ARRINGTON OIL & GAS, INC.

Area Code: 915
Phone : 682-6685
Fax: 682-4139

September 29, 2000

CERTIFIED MAIL RETURN RECEIPT REQUESTED: 70003 2540 0005 11836002

Ocean Energy Resources, Inc.
Attn: Mr. Derold Maney
1001 Fannin, Suite 1600
Houston, TX 77002

Re: B.B. Skunk State Com #1 Well
660' FNL and 1980' FWL
Section 3, T16S, R35E
Lea County, NM
Our North , North Airport

Ladies and Gentlemen:

David H. Arrington Oil & Gas, Inc., PO Box 2071, Midland, Texas 79702 hereby proposes the drilling of the captioned well at the location referenced above to test the Mississippian formations. This well will be drilled to an approximate depth of 13,100'. You will find enclosed an AFE for the drilling and completion of this well which sets forth the anticipated costs. We intend to commit Lots 1,2,3,4,5,6,7,and 8 (being the N/2) of said Section 3 to the spacing unit for this well.

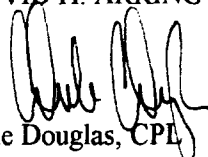
In the event you should desire to participate in the drilling of this test well, please so indicate by signing and returning one copy of the AFE to my attention as soon as possible. In the event you should elect to participate, we will forward for your review and execution a Joint Operating Agreement.

In the alternative, in the event you should wish to not participate in this test well, we would request that you grant a term assignment of your interest in your leasehold position in the in this proposed spacing unit, pursuant to the following terms and conditions: (i) \$100.00 per acre bonus, (ii) deliver an 80% NRI, retaining as an ORRI the difference if any between 20% and current leasehold burdens, and (iii) one (1) year primary term.

Should there be any questions or comments regarding this matter, please advise.

Yours very truly,

DAVID H. ARRINGTON OIL & GAS, INC.

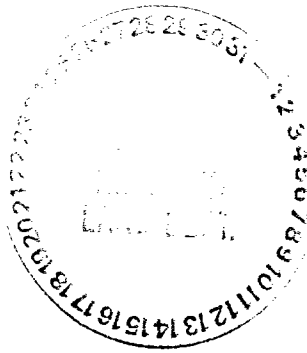

Dale Douglas, CPL

Enclosure

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

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
TANYA M. TRUJILLO
ROBERT J. SUTPHIN, JR.

JACK M. CAMPBELL
1916-1999



JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 983-6043
E-MAIL: law@westofpecos.com

December 21, 2000

12-28-00

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: AFFECTED INTEREST OWNERS

Re: Application of Yates Petroleum Corporation for compulsory pooling and three non-standard oil and gas spacing and proration units, Lea County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Yates Petroleum Corporation has filed the enclosed application with the New Mexico Oil Conservation Division seeking the compulsory pooling of certain spacing and proration units in Lots 1 through 8 of Irregular Section 3, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico. Said units will be dedicated to a well which Yates Petroleum Corporation proposes to drill at a standard location 660 feet from the North and East lines of said Section 3 to test all formations from the surface to the base of the Morrow formation.

This application has been set for hearing before a Division Examiner on January 11, 2001. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

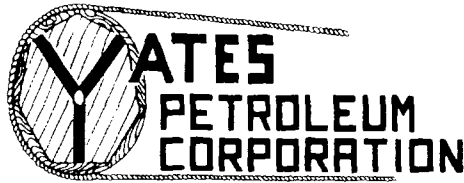
Parties appearing in cases are required by Division Rule 1208.B to file a Prehearing Statement three days in advance of a scheduled hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

William F. Carr
ATTORNEY FOR YATES
PETROLEUM CORPORATION

Enc.

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986

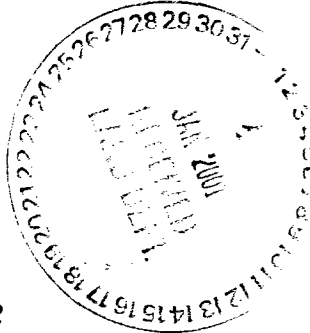


105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

December 27, 2000

Working Interest Owners
Addressee List Attached



Via Certified Mail

Re: **AFE**
Daisy AFS St #2
Township 16 South, Range 35 East
Section 3: 660' FNL & 660' FEL
Lea County, New Mexico

Ladies and Gentlemen:

Please find enclosed our AFE proposing the drilling of the captioned well to test the Morrow/Mississippian formation at approximately 13,100'.

The proposed proration unit located in irregular Section 3 is Lots 1 through 8 which forms a non-standard 355.80 acre spacing unit.

We will forward our Joint Operating Agreement for your review as soon as you have indicated your desire to participate in this proposed test.

Please call me at (505) 748-4351 if you have any questions regarding this proposal.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock
Landman

RB:bn

DAISY AFS ST #2
ADDRESSEE LIST

Tom R. Cone
PO Box 778
Jay, OK 74346

Kenneth G. Cone
PO Box 11310
Midland, TX 79702

Kenneth G. Cone, Trustee
Kenneth G. Cone Children's Trust
PO Box 11310
Midland TX 79702

Marilyn Cone, Trustee
of the D.C. Trust
PO Drawer 1629
Lovington, NM 88260

Clifford Cone
PO Drawer 1629
Lovington, NM 88260

Clifford Cone, Trustee of the
Clifford Cone Family Trust U/W/O
Kathleen Cone
PO Drawer 1629
Lovington, NM 88260

Keith Pratt Daniels
PO Box 190766
Dallas, TX 75219

Lynda Pratt Rast
1202 Marlee Lane
Arlington, TX 76014

Phillip L. White
The Blanco Company
PO Box 2168
Santa FE, NM 87504-2168

The Long Trusts
PO Box 3096
Kilgore, TX 75663

LWJ Partnership
PO Box 64244
Lubbock, TX 79424

Ocean Energy Resources, Inc.
1001 Fannin, Suite 1600
Houston, TX 77002-6794

David H. Arrington Oil & Gas, Inc.
214 West Texas, Suite 400
Midland, TX 79701

Yates Petroleum Corporation
Yates Drilling Company
Abo Petroleum Corporation
Myco Industries, Inc.
105 South Fourth Street
Artesia, NM 88210