



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 3 A

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: \_\_\_\_\_



VIA FAX (505) 748-4572 & US MAIL

May 31, 2000

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

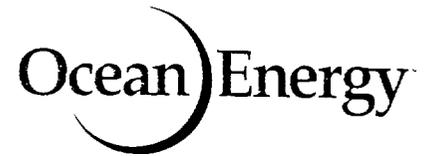
YATES PETROLEUM CORPORATION  
**ELECTS TO PARTICIPATE** in the Townsend St. COM #10 Well

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:** 70943220 000511836002

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.

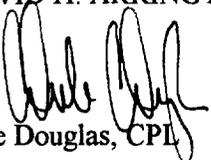
In the event you should desire to participate in the drilling of this test well, please so indicate by signing and returning one copy of the AFE to my attention as soon as possible. In the event you should elect to participate, we will forward for your review and execution a Joint Operating Agreement.

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, CPI

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

**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,

A handwritten signature in black ink, appearing to read 'William F. Carr'.

William F. Carr  
ATTORNEY FOR YATES  
PETROLEUM CORPORATION

Enc.

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

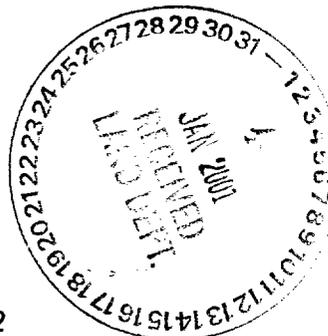


105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210-2118  
TELEPHONE (505) 748-1471

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**

A handwritten signature in black ink that reads 'Robert Bullock'.

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