

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

324 MCKENZIE STREET
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

April 9, 2002

Hand Delivered

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505


Case 12860

Dear Florene:

Enclosed are an original and one copy of an application for compulsory pooling, together with a proposed advertisement, filed on behalf of Ocean Energy, Inc. Please set this matter for the May 2, 2002 Examiner hearing.

The application and advertisement are also on the enclosed disk under "OEI."

Very truly yours,


James Bruce
Attorney for Ocean Energy, Inc.

COPIED - 9 PM 1:13
COPIED - 9 PM 1:13

PARTIES BEING POOLED

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

Attention: David H. Arrington

Ameristate Oil & Gas, Inc.
P.O. Box 341449
Austin, Texas 78734

Attention: Mark Nearburg

TMBR/Sharp Drilling Inc.
P.O. Box 10970
Midland, Texas 79702

Attention: Jeff Phillips

Fuel Products, Inc.
P.O. Box 3098
Midland, Texas 79702

Attention: Tom Beall

Louis Mazzullo
P.O. Box 66657
Albuquerque, New Mexico 87193

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF OCEAN ENERGY,
INC. FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

No. 12860

APPLICATION

Ocean Energy, Inc. applies for an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the W $\frac{1}{2}$ of Section 25, Township 16 South, Range 35 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the W $\frac{1}{2}$ of Section 25, and has the right to drill a well thereon.

2. Applicant proposes to drill its Triple Hackle Dragon 25 Well No. 2, at an orthodox location in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ (Unit K) of the section, and seeks to dedicate the W $\frac{1}{2}$ of Section 25 to the well for all pools or formations developed on 320-acre spacing within that vertical extent, including the Undesignated Townsend-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W $\frac{1}{2}$ of Section 25 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the W $\frac{1}{2}$ of Section 25,

pursuant to NMSA 1978 §70-2-17.

5. There is a title dispute affecting 100% of the working interest ownership in the NW¼ of Section 25. Applicant requests that all potential interest owners in the disputed tract be pooled, and that, if they elect to join in the well, they be required to pay their proportionate share of well costs into an escrow account to be established by applicant in Lea County. Funds in the escrow account shall be used to pay for the well costs attributable to the NW¼ of Section 25, with any balance accruing interest until the title dispute is resolved. At such time, the funds in the account shall be returned to the unsuccessful parties in the title dispute. A separate escrow account shall be established by applicant to receive proceeds from production (less a proportionate share of overhead charges, etc.), which shall also accrue interest and be paid to the true owner(s) when the title dispute is resolved.

6. The pooling of all mineral interests underlying the W½ of Section 25 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the W½ of Section 25, from the surface to the base of the Mississippian formation;
- B. Naming applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;

D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates as provided in the COPAS accounting procedure;

E. Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well. and

F. Granting the relief requested in paragraph 5 hereof, and authorizing the establishment of the escrow accounts.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "James Bruce", is written over a horizontal line.

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Ocean Energy, Inc.