

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1930 - 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

September 16, 2002

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

Attention: Mr. Derold Maney

Re: Unorthodox Proration Unit
SE/4 of Section 28, T20S-R28E, NMPM
Eddy County, New Mexico

Gentlemen:

Enclosed is page 2 of your August 16, 2002 letter that has been executed on behalf of Yates Petroleum Corporation, Yates Drilling Company, Ato Petroleum Corporation and Myco Industries, Inc. whereby they waive any objection to the unorthodox proration unit proposed by Ocean Energy, Inc. for its Burton Flat Deep Unit #13 Well. The waiver is specifically subject to Ocean's agreeing to grant a like waiver should Yates want to drill our lease in the same section.

Very truly yours,

YATES PETROLEUM CORPORATION

Randy G. Patterson
Land Manager

AGREED AND ACCEPTED THIS 17th DAY OF SEPTEMBER, 2002

OCEAN ENERGY, INC.

By Derold Maney
Title Senior Land Advisor

RGP/mw

Enclosure

OIL CONSERVATION DIVISION

CASE NUMBER 12932

Ocean EXHIBIT 11

Signed fax of letter



August 16, 2002

Yates Petroleum Corporation
Yates Drilling Company
Abo Petroleum Corporation
MYCO Industries
105 S. Fourth Street
Artesia, NM 88210-2118
Attn: Mr. Robert Bullock

Re: Unorthodox Proration Unit
SE/4 of Section 28, T20S-R28E NMPM
Eddy County, New Mexico

Dear Robert:

Ocean Energy, Inc. has filed for administrative approval of an unorthodox proration unit for its Burton Flat Deep Unit #13 Well. The well was originally drilled as an Atoka Morrow test and produced from both the Morrow and Atoka formation for a number of years. Ocean has recently re-completed the well as a Strawn producer and has requested that the well be allowed to produce on lease basis being the SE/4 of Section 28. Yates Petroleum Corporation is the offset leasehold owner, owning a State of New Mexico Oil and Gas lease located in the SW/4 of Section 28.

A copy of Ocean's application for administrative approval is enclosed for your information.

If you have no objections to Ocean's requested unorthodox proration unit, please signify your approval by signing in the space on page 2.

If you have any questions, please call me at (713) 265-6897.

Yours very truly,

OCEAN ENERGY, INC.

Derold Maney
Senior Land Advisor

Yates Petroleum Corporation
Yates Drilling Company
Abo Petroleum Corporation
MYCO Industries
8/16/2002
Page 2 of 2

The undersigned hereby waives any objection to the unorthodox proration unit proposed by Ocean Energy, Inc. for its Burton Flat Deep Unit #13 Well.

Yates Petroleum Corporation

By: 
Name Printed: Randy G. Patterson
Its: Attorney-in-Fact

Yates Drilling Company

By: 
Name Printed: Randy G. Patterson
Its: Attorney-in-Fact

Abo Petroleum Corporation

By: 
Name Printed: Randy G. Patterson
Its: Attorney-in-Fact

MYCO Industries

By: 
Name Printed: Randy G. Patterson
Its: Attorney-in-Fact

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Fax Cover Sheet

To: Gerald Maney
Company: Ocean Energy, Inc.
Phone: _____
Fax: 713-265-8865

From: Randy G. Patterson
Company: Yates Petroleum Corporation
Phone: 505-748-4355
Fax: 505-748-4572

Date: Sept. 16, 2002
Pages including this cover page: 3

Comments:

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)

SEP 23

September 21, 2002

Michael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Case No. 12932/Ocean Energy, Inc.

Dear Mr. Stogner:

Enclosed are: (1) a copy of the approved C-104 for the Burton Flat Deep Unit Well No. 13; (2) a summary of the unit agreement and unit operating agreement for the Burton Flat Deep Unit; and (3) a copy of Exhibit 12 introduced at hearing, summarizing ownership of the N $\frac{1}{2}$ and SW $\frac{1}{4}$ of Section 28.

Very truly yours,



James Bruce

Attorney for Ocean Energy, Inc.

cc: Steven T. Brenner w/encl.

Ex 12

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

DP

Form C-104
Revised July 28, 2000

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Submit to Appropriate District Office
5 Copies

AMENDED REPORT

I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT

Operator name and Address Ocean Energy, Inc. 1001 Fannin, Suite 1600, Houston, TX 77002		OGRID Number 169355
Reason for Filing Code/ Effective Date RC 5/2001		Pool Code 84412
API Number 30 - 015-21125	Pool Name Undes. Saladar: Strawn	Well Number 13
Property Code 23433	Property Name Burton Flat Deep Unit	

II. Surface Location

Ul or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West line	County
O	28	20S	28E		660	S	1980	E	Eddy

Bottom Hole Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Lsc Code	Producing Method	Gas Connection Date	C-129 Permit Number	C-129 Effective Date	C-129 Expiration Date

III. Oil and Gas Transporters

Transporter OGRID	Transporter Name and Address	POD	O/G	POD ULSTR Location and Description
15694	Navajo Refining Co. 500 East Main Artesia, NM 88210	991410	O	Tank Battery, Sec. 28, T20S, R28E
36785	Duke Energy Field Services P. O. Box 50020 Midland, TX 79710	2814882	G	Tank Battery, Sec. 28, T20S, R28E

AUG 2001
RECEIVED
OCD - ARTESIA

IV. Produced Water

POD	POD ULSTR Location and Description
991450	Tank Battery - Sec. 28, T20S, R28E

V. Well Completion Data

Spud Date	Ready Date	TD	PBTD	Perforations	DHC, MC
10-9-74	RC: 5/24/01	11,560'	11,118'	10,578-588'	
Hole Size	Casing & Tubing Size	Depth Set	Sacks Cement		
SEE ORIGINAL COMPLETION					

VI. Well Test Data

Date New Oil	Gas Delivery	Test Date	Test Length	Tbg. Pressure	Csg. Pressure
	5/25/01	7/8/01	24 hr	40	
Choke Size	Oil	Water	Gas	AOF	Test Method
48/64"	0	6	576		Flowing

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Jeanie McMillan*
Printed name: Jeanie McMillan
Title: Regulatory Specialist
Date: 8/20/01
Phone: (713) 265-6834 or 265-6000
Fax: (713) 265-8086

OIL CONSERVATION DIVISION
Approved by: *BW* ORIGINAL SIGNED BY TIM W. GUM
DISTRICT II SUPERVISOR
Title:
Approval Date: AUG 26 2001

Unit Summary

The Burton Flat Deep Unit Area covers the following lands in Eddy County, New Mexico:

<u>Township 20 South, Range 28 East, N.M.P.M.</u>)
Section 26:	W $\frac{1}{2}$)
Section 27:	All)
Section 28:	SE $\frac{1}{4}$)
Section 33:	E $\frac{1}{2}$)
Section 34:	All)
Section 35:	W $\frac{1}{2}$)
<u>Township 21 South, Range 27 East, N.M.P.M.</u>)
Section 2:	Lots 1-16, N $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$, and SE $\frac{1}{4}$)
Section 3:	All)
Limited to depths below the top of the Delaware Sandstone, containing 4,191.12 acres, more or less.)

1. Unit Agreement: The Unit Agreement for the Development and Operation of the Burton Flat Deep Unit Area (the "Unit Agreement"), dated July 1, 1972, originally covered the above lands and other lands totalling 5,807.72 acres. The Unit Area was contracted according to the terms of the Unit Agreement, and now covers the above-described lands only.¹ The agreement covers all depths below the top of the Delaware Sandstone, identified as a depth of 2970 feet subsurface on the Welex Acoustic Velocity Survey from the Cedar Hills Unit Well No. 1, located 1980 feet from the south line and 660 feet from the east line of Section 15, Township 21 South, Range 27 East, N.M.P.M. The agreement was approved by the BLM on August 29, 1972 (as BLM No. 14-08-0001-12391), by the Commissioner on August 24, 1972, and by the Oil Conservation Commission by Order No. R-4371 dated August 9, 1972.

The Unit Agreement provides for the drilling of an initial test well to a depth sufficient to test the Mississippian formation. That well, and a number of others, have been drilled in the Unit Area. Production is allocated according to a participating area ("P.A.") established for each formation where production in paying quantities is obtained. Each unit tract within a P.A. is allocated production on an acreage basis. The following P.A.'s have been established:

(a) Delaware P.A.: The Initial Delaware P.A. covers the following lands:

¹Unit Tract 18, covering Lots 1-8 of Section 3, Township 21 South, Range 27 East, N.M.P.M., was never committed to the Unit Agreement, and is currently unleased. However, unit documents often refer to this acreage as being within the Unit Area, so we have included it herein for completeness' sake.

Township 21 South, Range 27 East, N.M.P.M.
Section 2: Lots 15, 16, and SE $\frac{1}{4}$

(b) Bone Spring P.A.: The First Revision of the Bone Spring P.A. covers the following lands:

Township 20 South, Range 28 East, N.M.P.M.
Section 34: SE $\frac{1}{4}$

Township 20 South, Range 28 East, N.M.P.M.
Section 35: SW $\frac{1}{4}$

Township 21 South, Range 27 East, N.M.P.M.
Section 2: Lots 1-12, 15, and 16

(c) Strawn P.A.: The Initial Strawn P.A. covers the following lands:

Township 21 South, Range 27 East, N.M.P.M.
Section 3: S $\frac{1}{2}$

(d) Strawn "A" P.A.: The Initial Strawn "A" P.A. covers the following lands:

Township 20 South, Range 28 East, N.M.P.M.
Section 34: S $\frac{1}{2}$

Township 20 South, Range 28 East, N.M.P.M.
Section 35: W $\frac{1}{2}$

(e) Atoka P.A.: The Initial Atoka P.A. covers the following lands:

Township 20 South, Range 28 East, N.M.P.M.
Section 27: W $\frac{1}{2}$
Section 34: All

(f) Morrow P.A.: The Seventh Revision of the Morrow P.A. covers all lands now within the unit area. (No production is allocated to Unit Tract 18.)

2. Unit Operating Agreement: The leasehold operating rights in the lands in the Unit Area (except for Unit Tract 18) are subject to the Unit Operating Agreement - Burton Flat Deep Unit (the "Operating Agreement"), dated July 1, 1972, among Monsanto Company, as operator, and Gulf Oil Corporation, Cities Service Oil Company, The Superior Oil Company, Mobil Oil Corporation, Humble Oil & Refining Company, Edward R. Hudson, Jr., Flag-Redfern Oil Company, Great Western Drilling Company, and Ervin J. Levers, as non-operators. **Notwithstanding the provisions of the Unit Agreement regarding P.A.'s, the operating rights owners agreed among themselves that, except for the initial unit well, all expenses would be borne, and production allocated, as follows:**

<u>Operating Rights Owner</u>	<u>Share of Expenses</u>	<u>Share of Production</u>
Monsanto Co.	21.209404%	21.559878%
Gulf Oil Corp.	29.563589%	29.397096%
Cities Service Oil Co.	25.061806%	25.070171%
The Superior Oil Co.	8.784106%	8.657205%
Mobil Oil Corp.	7.127825%	6.977846%
Humble Oil & Refining Co.	3.001189%	2.938040%
Edward R. Hudson, Jr.	3.001190%	3.116104%
Flag-Redfern Oil Co.	0.750297%	0.752317%
Great Western Drilling Co.	0.750297%	0.752317%
Ervin J. Levers	0.750297%	0.779026%

See the Operating Agreement, Exhibit D, page 4, Columns 3 and 4. Ocean Energy, Inc. is now operator under the Operating Agreement.

The "share of expenses" was based on each party's percentage interest (on an acreage basis) of operating rights in the original Unit Area. The "share of production" alters the share of expenses to reflect the burdens on each party's tracts within the Unit Area. To derive an operating rights owner's net revenue interest in a P.A., its share of production is multiplied by the net working interest share of each tract included within a P.A. Based on assignments of record since the unit was formed, **the current operating rights owners in the Unit Area, and their interests, are as follows:**

<u>Operating Rights Owner</u>	<u>Share of Expenses</u>	<u>Share of Production</u>
Ocean Energy, Inc.	56.564191%	56.488419%
Ocean Permian, LLC	25.061806%	25.070171%
Fidelity Oil Holdings, Inc.	8.422998%	8.402140%
Energen Resources Corp.	5.449221%	5.418532%
Richmond Resources, Inc.	0.361660%	0.362634%
Redfern Enterprises, Inc.	0.351122%	0.352067%
Claremont Corporation	0.037515%	0.037616%
Edward R. Hudson, Jr.	1.000396%	1.038701%
William A. Hudson, II	1.000397%	1.038701%
Mary Hudson Ard	1.000397%	1.038702%
Great Western Drilling Co.	0.483761%	0.485064%
Davoil, Inc.	0.266536%	0.267253%

The SE¼ of Section 28, Township 20 South, Range 28 East, N.M.P.M., upon which the Burton Flat Deep Unit Well No. 13 is located, comprises Unit Tract 25. Ownership of that tract is as follows:

- (a) Title to Mineral Estate, subject to State of New Mexico Lease L-6322-4.
State of New Mexico 100%
- (b) Record Title to State of New Mexico Lease L-6322-4.
OXY USA WTP Limited Partnership 100%

- (c) Title to Operating Rights in State of New Mexico Lease L-6322-4.
 - (i) Surface to top of Delaware Sandstone.
-Not reported herein-
 - (ii) Below top of Delaware Sandstone.
Ocean Permian, LLC 100%
- (d) Overriding Royalties Burdening State of New Mexico Lease L-6322-4.
-None-

Since there is no Strawn P.A. for the Burton Flat Deep Unit Well No. 13, the Commissioner of Public Lands will receive 100% of the royalty from the well. The operating rights owners in the Unit Area will all share in the working interest share of production.