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ATTORNEY AT LAW

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October 22, 2002

**Hand Delivered**

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

*Case 12960*

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 November 14, 2002 Examiner hearing. Thank you.

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

Very truly yours,

  
James Bruce

Attorney for Ocean Energy, Inc.

PARTIES BEING POOLED

Phillips Petroleum Company  
4001 Penbrook Street  
Odessa, Texas 79762

Attention: Linda H. Hicks

Merit Energy Co.  
Suite 1500  
12222 Merit Drive  
Dallas, Texas 75251

Attention: Anna M. McMinn

Sempra Energy Production Company  
Suite 525  
8235 Douglas Avenue  
Dallas, Texas 75225

Bank One Trust Company, NA,  
Trustee of the Benjamin F.  
Nysewander III Trust  
P.O. Box 2605  
Fort Worth, Texas 76113

Ruth N. Halls, Trustee  
U/T/A dated December 31, 1956  
Address unknown

Hitchcock & Chamberlain, Ltd.  
Address unknown

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

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

Case No. 12960

APPLICATION

Ocean Energy, Inc. applies for an order pooling all mineral interests from the surface to 200 feet below the top of the Mississippian formation underlying the W½ of Section 23, Township 14 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the W½ of Section 23, and has the right to drill a well thereon.

2. Applicant proposes to drill its Denton Canyon Well No. 1 at an orthodox location in the SE¼SW¼ of Section 23, to a depth sufficient to test the top of the Mississippian formation, and seeks to dedicate the following acreage to the well:

(a) The SE¼SW¼ of Section 23 to form a standard 40-acre oil spacing and proration unit for all pools or formations developed on 40 acre spacing within that vertical extent, except the Wolfcamp formation, including the Undesignated Denton-Pennsylvanian Pool;

(b) The SW¼ of Section 23 to form a standard 160-acre gas spacing and proration unit for all pools or formations developed on 160 acre spacing within that vertical extent; and

(c) The W½ of Section 23 to form a standard 320-acre gas spacing and proration unit for all pools or formations developed on 320 acre spacing within that vertical extent.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W½ of Section 23 for the purposes set forth herein.

4. Although applicant has 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 W½ of Section 23, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the W½ of Section 23, as described above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

**WHEREFORE**, applicant requests that, after notice and hearing, the Commission enter its order:

- A. Pooling all mineral interests in the W½ of Section 23, from the surface to 200 feet below the top of the Mississippian formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and operating the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating costs 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 such further relief as the Division deems proper.

Respectfully submitted,

A handwritten signature in cursive script, 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.

## PROPOSED ADVERTISEMENT

Case 12960: Application of Ocean Energy, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to 200 feet below the top of the Mississippian formation underlying the following described acreage in Section 23, Township 14 South, Range 37 East, NMPM, and in the following manner: The W $\frac{1}{2}$  of Section 23 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent; the SW $\frac{1}{4}$  of Section 23 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent; and the SE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 23, except the Wolfcamp formation, to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, including the Undesignated Denton-Pennsylvanian Pool. The units are to be dedicated to applicant's Denton Canyon Well No. 1, to be drilled at an orthodox location in the SE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 23. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling and completing the well. The units are located approximately 1 mile southeast of Prairieview, New Mexico.

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