

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF OCEAN ENERGY
RESOURCES, INC. FOR COMPULSORY
POOLING AND FOUR NON-STANDARD
SPACING AND PRORATION UNITS,
LEA COUNTY, NEW MEXICO.

No. 12535

AMENDED APPLICATION

Ocean Energy Resources, Inc. applies for an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying Lots 1-8 (the N $\frac{1}{2}$) of irregular Section 3, Township 16 South, Range 35 East, N.M.P.M., Lea County, New Mexico, and approving four non-standard spacing and proration units, and in support thereof, states:

1. Applicant is a working interest owner in the N $\frac{1}{2}$ of Section 3, and has the right to drill a well thereon.

2. Applicant proposes to drill its Townsend State Com. Well No. 10, at an orthodox location 800 feet from the north line and 660 feet from the west line of the section, to a depth sufficient to test the Mississippian formation, and seeks to dedicate the following acreage to the well:

(a) Lot 4 to form a non-standard 48.43-acre oil spacing and proration unit for all pools or formations developed on 40 acre spacing within that vertical extent, including the Townsend-Permo Upper Pennsylvanian Pool;

(b) Lots 3 and 4 to form a non-standard 97.21-acre oil spacing and proration unit for all pools or formations developed on 80 acre spacing within that vertical extent, including the Undesignated South Big Dog-Strawn Pool;

(c) Lots 3-6 to form a non-standard 177.21-acre gas spacing and proration unit for all pools or formations developed on 160 acre spacing within that vertical extent; and

(d) the N½ of Section 3 to form a non-standard 355.80-acre gas spacing and proration unit for all pools or formations developed on 320 acre spacing within that vertical extent, including the Undesignated North Shoe Bar-Atoka Gas Pool and Undesignated North Shoe Bar-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N½ of Section 3 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 N½ of Section 3, pursuant to NMSA 1978 §70-2-17.

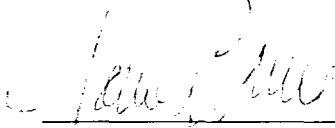
5. The pooling of all mineral interests underlying the N½ of Section 3, as described above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

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

- A. Pooling all mineral interests in the N½ of Section 3, from the surface to the base 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 those 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,

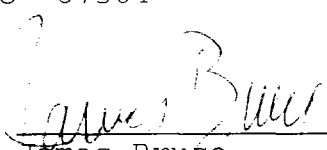

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Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was mailed this 17th day of January, 2001 to:

William F. Carr
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James Bruce