

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARINGS CALLED
BY THE OIL CONSERVATION COMMISSION
FOR THE PURPOSE OF CONSIDERING:

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

Case No. 12,535

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

Case No. 12,567

APPLICATION OF YATES PETROLEUM CORPORATION
FOR COMPULSORY POOLING AND THREE NON-
STANDARD OIL AND GAS SPACING AND
PRORATION UNITS, LEA COUNTY, NEW MEXICO.

Case No. 12,569

APPLICATION OF YATES PETROLEUM CORPORATION
FOR COMPULSORY POOLING AND THREE NON-
STANDARD OIL AND GAS SPACING AND
PRORATION UNITS, LEA COUNTY, NEW MEXICO.

Case No. 12,590

APPLICATION OF YATES PETROLEUM CORPORATION
FOR TWO NON-STANDARD OIL AND GAS SPACING
AND PRORATION UNITS, LEA COUNTY, NEW MEXICO.

Case No. 12,738

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Ocean Energy Resources, Inc. as required by the Oil Conservation Commission.

APPEARANCES

APPLICANT

Ocean Energy Resources, Inc.
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Houston, Texas 77002
Attention: Derold Maney
(713) 265-6897

APPLICANT'S ATTORNEY

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Santa Fe, New Mexico 87504
(505) 982-2043

OPPONENT

Yates Petroleum Corporation

OPPONENT'S ATTORNEY

William F. Carr

01/05/75
ASST. COM. CLERK
OIL CONSERVATION COMMISSION

STATEMENT OF THE CASE

APPLICANT

Ocean Energy Resources, Inc. ("Ocean") seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying Lots 1-8 of irregular Section 3, Township 16 South, Range 35 East, NMPM, and in the following manner:

(a) Lots 1-8 to form a non-standard 355.80-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing;

(b) Lots 3-6 to form a non-standard 177.21-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing;

(c) Lots 3 and 4 to form a non-standard 97.21-acre oil spacing and proration unit for any formations and/or pools developed on 80-acre spacing; and

(d) Lot 3 to form a non-standard 48.78-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing.

The units are to be dedicated to Ocean's Townsend State Com. Well No. 10, to be located at an orthodox well location in Lot 3 of Section 3. (Ocean's original proposal was for a well located in Lot 4 of Section 3.)

There are four primary issues in these consolidated matters:

(1) Well location: Well location depends on geology. Ocean's evidence (seismic and well control) will prove that the "NW¼" (Lots 3-6) of Section 3 is the best location for the initial well in the unit.

(2) Operatorship: Ocean's proposed well is located on a tract in which it owns over 80% of the working interest. Therefore, if Ocean's location is chosen, Ocean should be named operator.

(3) Good faith negotiations: (a) Ocean began negotiating with Yates and the other interest owners to obtain their voluntary joinder in a well in June 2000. Yates did not even send a well proposal to interest owners until after it filed its pooling application in December 2000; and (b) Ocean continued to negotiate with Yates after entry of the Division's order, including with respect to the well location. In August 2001 the parties reached agreement on a compromise well location in Lot 3 of Section 3. However, Yates then insisted that it operate the well, even though Ocean owns over 80% of the working interest in Lots 3-6 of Section 3. When

agreement was not reached on this issue, Yates filed its non-standard unit application (Case No. 12,738).

(4) Yates' request for two non-standard units: Yates has requested (a) a non-standard unit comprised of Lots 1, 2, 7, and 8, in which it owns 100% of the working interest, and (b) a non-standard unit comprised of Lots 3-6, in which Ocean owns over 80% of the working interest. Ocean opposes the non-standard unit application. Well spacing remains 320 acres, and non-standard units should be rarely approved by the Division and the Commission. If the Commission grants Yates' application in this case, based simply on ownership issues, then numerous such applications will be filed with the Division in the future. Such a policy could also adversely affect future drilling practices.

OPPONENT

PROPOSED EVIDENCE

APPLICANT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Derold Maney (landman)	20 min.	seven
Frank Messa (geologist)	15 min.	two
Robert Silver (geophysicist)	20 min.	four

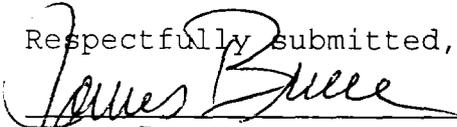
OPPONENT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
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PROCEDURAL MATTERS

Ocean requests that all cases be consolidated for hearing.

Respectfully submitted,


James Bruce
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Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Ocean Energy Resources,
Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Pre-Hearing Statement was served upon the following counsel this 5th day of October, 2001 in the manner noted below:

By U.S. Mail

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By Hand Delivery

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