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December 24, 2001

Case 12794

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Lori Wrotenbery
Oil Conservation Commission
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case Nos. 12535, 12567, 12569, and 12590 *de novo*, and Case No. 12738 (Ocean Energy Resources, Inc. ("Ocean")/ Yates Petroleum Corporation ("Yates"))

Dear Ms. Wrotenbery:

Enclosed for filing are an original and one copy of an application for compulsory pooling. Please set this matter for the January 18, 2002 Commission docket. This is a companion case to Case Nos. 12535, 12567, 12569, and 12590 *de novo*, and Case No. 12738 (Ocean Energy Resources, Inc./ Yates Petroleum Corporation). The application and proposed advertisement are also on the enclosed disk.

Very truly yours,


James Bruce

Attorney for Ocean Energy Resources, Inc.

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

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

Case No. 12794

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 $\frac{1}{4}$) 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 $\frac{1}{4}$ of Section 3, and has the right to drill a well thereon.

2. Applicant proposes to drill its Townsend State Com. Well No. 10 in Lot 3 of Section 3, at an orthodox location 660 feet from the north line and 1980 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 3 to form a non-standard 48.78-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 N $\frac{1}{4}$ 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 N $\frac{1}{4}$ 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 N $\frac{1}{4}$ of Section 3, pursuant to NMSA 1978 §70-2-17.


5. The pooling of all mineral interests underlying the N $\frac{1}{4}$ 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 Commission enter its order:

- A. Pooling all mineral interests in the N $\frac{1}{4}$ 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 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,


James Bruce
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Attorney for Ocean Energy Resources,
Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was mailed this 24th day of December, 2001 to:

William F. Carr
Holland & Hart LLP and Campbell & Carr
Post Office Box 2208
Santa Fe, New Mexico 87504


James Bruce