



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

April 30, 2002

Mr. Ernest Carroll
Losee, Carson, Haas & Carroll, P.A.
P.O.Box 1720
Artesia, NM 88211-1720

Mr. J. Scott Hall
Miller, Stratvert & Torgeson, P.A.
P.O.Box 1986
Santa Fe, NM 87504-1986

Mr. W. Thomas Kellahin
Kellahin and Kellahin
P.O.Box 2265
Santa Fe, NM 87504-2265

Mr. William F. Carr
Holland & Hart and Cambell & Carr
P.O.Box 2208
Santa Fe, NM 87504-2208

**Re: Applications for Compulsory Pooling affections Section 25-16S-35E, Lea
County, New Mexico:
Cases No. 12816, 12851, 12859 and 12860**

Gentlemen:

The captioned cases are continued to the May 16, 2002 examiner docket

Unless I am advised that any of you cannot be available, there will be a pre-hearing conference concerning these cases on Tuesday, May 14, 2002 at 9:00 A.M. in the Division offices. You may attend in person or by telephone. Those wishing to attend by telephone should notify me in advance so we will know to call you.

Should you have any questions, please call me at (505)-476-3450.

Very truly yours,

David K. Brooks
Assistant General Counsel

cc: Hon. Michael E. Stogner

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

April 30, 2002

Via Facsimile

David K. Brooks, Esq.
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: NMOCD Case 12816
Application of TMBR/Sharp Drilling, Inc.
for compulsory pooling N/2 (Well in Unit E) Section 25, T16S, R35E
Lea County, New Mexico.

NMOCD Case 12859
Application of David H. Arrington Oil & Gas, Inc.
for compulsory pooling
E/2 (Well in Unit A) Section 25, T16S, R35E, Lea County, New Mexico.

NMOCD Case 12860
Application of Ocean Energy, Inc for compulsory pooling
W/2 (Well in Unit E) Section 25, T16S, R35E Lea County, New Mexico.

NMOCD Case 12861
Application of Ocean Energy, Inc for compulsory pooling
W/2 (Well in Unit E) Section 25, T16S, R35E Lea County, New Mexico.

Dear Mr. Brooks:

This morning you asked me to inform all counsel that you were continuing the referenced cases currently set for hearing on May 2, 2002 to the May 16, 2002 docket in order to provide time to schedule a prehearing conference on May 14, 2002.

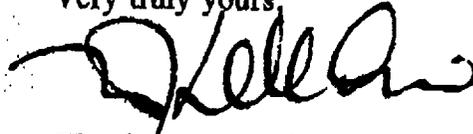
By copy of this letter, I am requesting all counsel to confirm that they can be present in the Division conference room at 10:00 AM, Tuesday, May 14, 2002 for the purpose of:

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(1) having the Division decide TMBR/Sharp's Motion to Dismiss Cases 12841, 12859, 12860 and Continue Case 12816;

(2) discuss a Special Examiner's hearing date in the event any of these cases is to proceed to a hearing.

Very truly yours,



W. Thomas Kellahin

cfx: Michael E. Stogner, Examiner

James Bruce, Esq. (505) 982-2151
Attorney for Ocean Energy, Inc.

William F. Carr, Esq. (505) 983-6043
Attorney for Yates Petroleum Corporation

Ernest Carroll, Esq. (505) 746-6316
Attorney for David H. Arrington Oil & Gas, Inc.

Scott Hall, Esq. (505) 989-9857
Attorney for David H. Arrington Oil & Gas, Inc

TMBR/Sharp (915) 683-672
Rick Montgomery, Esq.
Susan Richardson, Esq.

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RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

April 29, 2002

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

*Re: Motion of TMBR/Sharp Drilling, Inc.
to Continue Case 12816
Application of TMBR/Sharp Drilling, Inc.
for compulsory pooling N/2 (Well in Unit E) Section 25, T16S, R35E
Lea County, New Mexico.*

Re: Motion of TMBR/Sharp Drilling, Inc. to Dismiss the following cases

*NMOCD Case 12859
Application of David H. Arrington Oil & Gas, Inc.
for compulsory pooling
E/2 (Well in Unit A) Section 25, T16S, R35E, Lea County, New Mexico.*

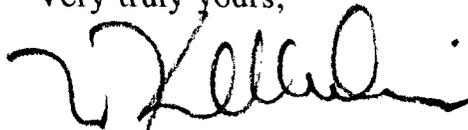
*NMOCD Case 12860
Application of Ocean Energy, Inc for compulsory pooling
W/2 (Well in Unit K) Section 25, T16S, R35E Lea County, New Mexico.*

*NMOCD Case 12841
Application of Ocean Energy, Inc for compulsory pooling
W/2 (Well in Unit E) Section 25, T16S, R35E Lea County, New Mexico.*

Dear Ms. Wrotenbery:

On behalf of TMBR/Sharp Drilling, Inc., please find enclosed our Motion to Continue Case 12816 and Dismiss Cases 12859, 12860 and 12841. These cases are currently set for hearing on May 2, 2002.

Very truly yours,



W. Thomas Kellahin

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2-00-1111001

Oil Conservation Division

April 29, 2002

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cc: David H. Brooks, Esq.
Attorney the Division

Michael E. Stogner, Examiner

James Bruce, Esq.
Attorney for Ocean Energy. Inc.

William F. Carr. Esq.
Attorney for Yates Petroleum Corporation

Ernest Carroll, Esq.
Attorney for David H. Arrington Oil & Gas, Inc.

Scott Hall, Esq.
Attorney for David H. Arrington Oil & Gas, Inc

TMBR/Sharp
Rick Montgomery, Esq.
Susan Richardson, Esq.

INTRODUCTION

(1) On August 6, 2001, TMBR/Sharp filed two application for permit to drill ("APD") with the Hobbs Office of the Division requesting approval to drill:

(a) its Blue Fin "25" Well No. 1 in Unit E and to dedicated it to the N/2 of Section 25, T16S, R35E.

(b) its Leavelle "23" Well No. 1 in Unit G and to dedicated it to the E/2 of Section 23, T16S, R35E.

(2) The Division, in Order R-11700, refused to approve TMBR/Sharp's APD because on July 19, 2001, the Division's District Supervisor (Hobbs) approved APDs for David H. Arrington Oil & Gas Inc. ("Arrington") for:

(a) its Triple Hackle Dragon "25" Well No. 1 for a spacing unit consisting of the W/2 of Section 25

(b) its Blue Drake "23" Well No. 1 for a spacing unit consisting of the E/2 of Section 23

(3) On March 26, 2002, the Commission held a De Novo hearing concerning Order R-117000.

(4) On April 26, 2002, the Commission entered Order R-11700-B which rescinded the Division's approved of the Arrington's APD and ordered that the Division's district supervisor approve TMBR/Sharp's two APD filed in August 6, 2002.

(5) The following four (4) compulsory pooling applications which involved Section 25, T16S, R35E, are current set for hearing before the Division's Examiner on May 2, 2002:

(a) TMBR/Sharp's application for compulsory pooling of the N/2 of Section 25 for a well in Unit E of that section. Cases 12816 filed January 25, 2002

(b) Ocean Energy, Inc. ("Ocean") application for compulsory pooling of the W/2 of Section 25 for a well in Unit E of that section. Case 12841 filed February 2, 2002

(c) Ocean Energy, Inc. ("Ocean") application for compulsory pooling of the W/2 of Section 25 for a well in Unit K of that section. Case 12860 filed April 9, 2002

(d) Arrington's application for compulsory pooling of the E/2 of Section 25 for a well in Unit E of that section. Cases 12859 filed April 9, 2002

(6) TMBR/Sharp has voluntarily consolidated 82% of the working interest owner in the N/2 of Section 25 and intends to commence drilling its Blue Fin "25" Well No. 1 in Unit E to be dedicated to the N/2 of Section 25, T16S, R35E.

(7) In accordance with NMSA (1979) Section 70-2-17, TMBR/Sharp intend to drill the Blue Fin 25 Well No. 2 prior to the compulsory pooling of the remaining working interest owners in the N/2 of Section 25.

ARGUMENT

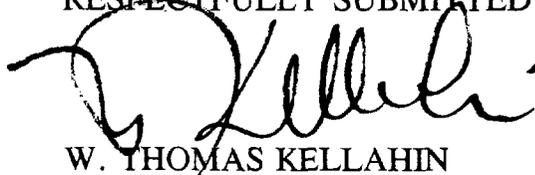
Cases 12859, 12860 and 12841 have been made moot by the Commission's decision approving TMBR/Sharp's APDs for the N/2 of Section 25 and the E/2 of Section 23. The Commission decision in favor of TMBR/Sharp eliminates the need for the Division to decide the Ocean and Arrington compulsory pooling case all of which attempts to pool spacing units in conflict with TMBR/Sharp's spacing unit.

Ocean and Arrington's application are inconsistent with and contrary to the Commission determination that TMBR/Sharp has the prior right to drill the wells which it sought to drill in August 2001 until Arrington interfered with that right. But for Arrington's blocking of TMBR/Sharp's permit, TMBR/Sharp would have received its permits to drill and would have already drilled its well in the N/2 of Section 25 and the E/2 of Section 23. The Commission has agreed with TMBR/Sharp who is now entitled to proceed with the drilling of its wells without further interference by Ocean and Arrington.

A failure by the Division to now dismiss the Arrington application and the two Ocean application amounts to a violation of TMBR/Sharp's constitutional protected rights.

The "New Mexico Oil and Gas Act" allows for to the pooling of interest in a spacing unit after the well has been drill. TMBR/Sharp, has obtained the voluntary agreement 82% of the interest owners, intend to drill this well first and then pool the remaining interest owners who either have refused to participate on a voluntary basis or who have not yet been contracted.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
Phone 505-982-4285
FAX 505-982-2047

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing pleading was sent by facsimile this 29th day of April, 2002 to:

David K. Brooks, Esq.
Division Attorney

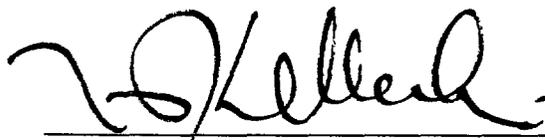
Steve Ross, Esq.
Commission Attorney

James Bruce, Esq.,
Attorney for Ocean Energy, Inc.

Ernest Carroll, Esq.
Attorney for David H. Arrington Oil & Gas Inc.

J. Scott Hall, Esq.
Attorney for David H. Arrington Oil & Gas Inc.

William F. Carr, Esq.
Attorney for Yates Petroleum Corporation.



W. Thomas Kellahin