



**JAMES BRUCE**  
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June 20, 2000

**Hand Delivered**

Michael E. Stogner  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Ocean Energy Resources, Inc. applies for a non-standard oil spacing and proration unit in the Strawn formation for the following well:

Townsend "2" State Well No. 11  
NW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 2, Township 16 South, Range 35 East, NMPM,  
Lea County, New Mexico  
South Big Dog-Strawn Pool.

A Form C-102 for the well is being prepared, and will be submitted shortly. The well will be located 1800 feet from the south line and 1650 feet from the east line of Section 2.

The subject pool is spaced on 80 acres, and the south two-thirds of irregular Section 2 contains the following Strawn oil well units:

<u>Well</u>	<u>Unit</u>
Field APK State Com. No. 1	Lots 10 and 15
Field APK State Com. No. 2	Lots 8 and 9
Townsend State No. 1	Lot 16 and NE $\frac{1}{4}$ SE $\frac{1}{4}$
Townsend "2" State No. 5	S $\frac{1}{2}$ SE $\frac{1}{4}$

See Exhibit A. The non-standard units for the Field APK State Well No. 2 and the Townsend State Well No. 1 were approved by Division Order No. R-10803, a portion of which is attached as Exhibit B.

Due to the well units described above, only the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 2 must be available for a well unit, and a non-standard oil spacing and proration unit in the Strawn formation must be formed.

The only offset operator is Yates Petroleum Corporation, which operates the Field APK State Well No. 1. Applicant is the lessee

of (a) State Oil and Gas Lease E-7720-4 covering Lots 14, 15, 16, and the SE $\frac{1}{4}$  of irregular Section 2, and (b) State Oil and Gas Lease E-8266-4 covering the E $\frac{1}{2}$ SW $\frac{1}{4}$  of Section 2, and thus owns the remaining offset acreage. A copy of the notice letter mailed to Yates Petroleum Corporation is marked as Exhibit C.

The granting of this application is in the interests of conservation, the prevention of waste, and the protection of correlative rights.

Respectfully submitted,



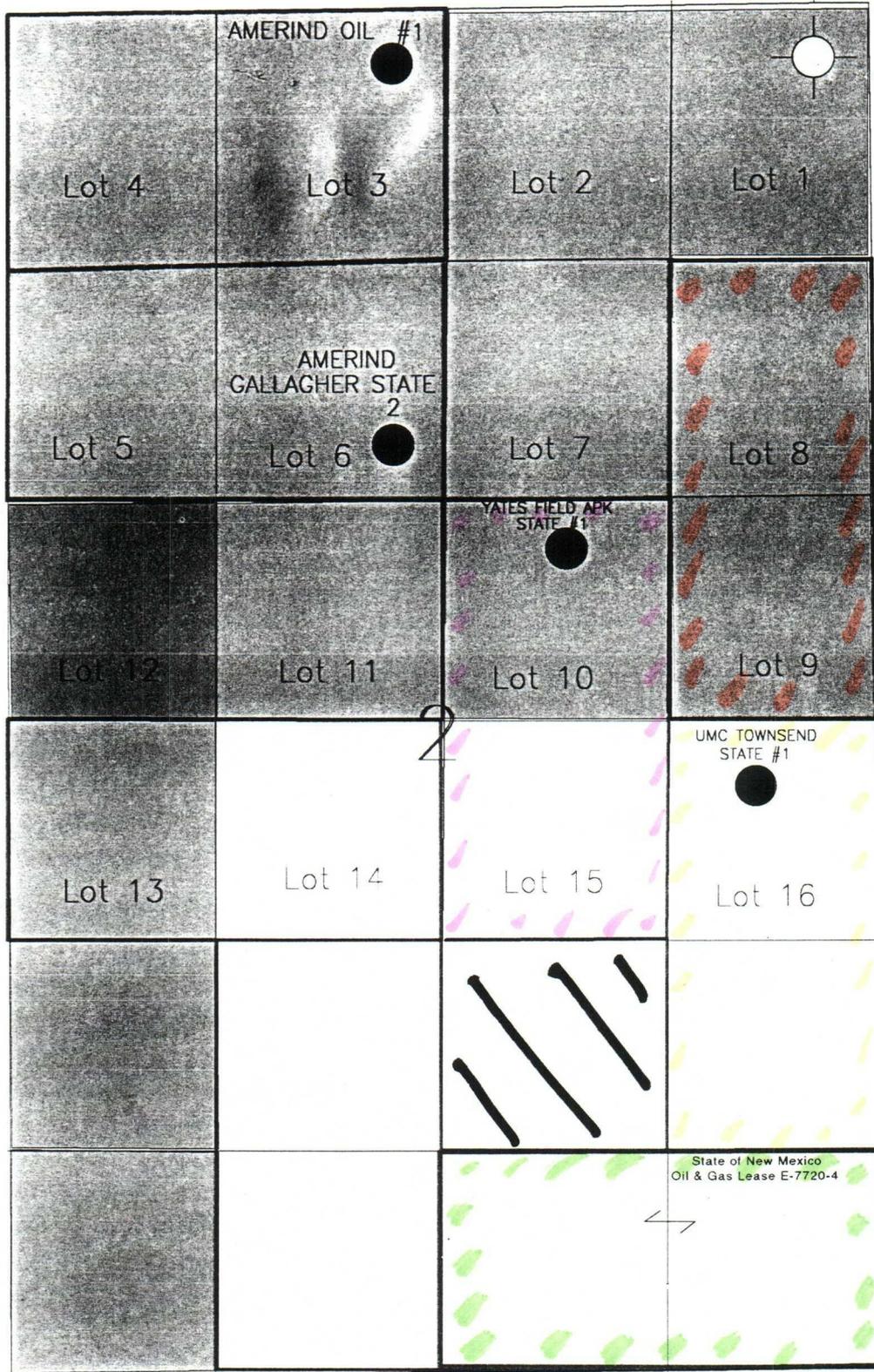
James Bruce

Attorney for Ocean  
Energy Resources, Inc.

# R 35 E

AMERIND OIL

# T 16 S



### LEGEND

- UMC ACREAGE — UNIT OUTLINES
- YATES ACREAGE
- AMERIND ACREAGE
- MOBIL ACREAGE



UMC PETROLEUM CORPORATION

NEW MEXICO OIL CONSERVATION DIVISION  
UNORTHODOX WELL LOCATION  
TOWNSEND STATE #4 - LEA CO., NM

LANDMAN SMITH	8/1/97	LAND TECH: SCHERT
Scale: 1"=2000'		TWNSHCA.DWG

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

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:**

**APPLICATION OF AMERIND OIL COMPANY  
FOR COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.**

**Case No. 11716**

**APPLICATION OF AMERIND OIL COMPANY  
FOR COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.**

**Case No. 11717**

**APPLICATION OF YATES PETROLEUM  
CORPORATION FOR COMPULSORY POOLING  
AND A NON-STANDARD OIL PRORATION UNIT,  
LEA COUNTY, NEW MEXICO.**

**Case No. 11739**

**APPLICATION OF AMERIND OIL COMPANY,  
LTD. AND MICHAEL SHEARN FOR COMPULSORY  
POOLING, LEA COUNTY, NEW MEXICO.**

**Case No. 11740**

**APPLICATION OF UMC PETROLEUM  
CORPORATION FOR A NON-STANDARD OIL  
PRORATION UNIT, LEA COUNTY, NEW MEXICO.**

**Case No. 11741**

**APPLICATION OF AMERIND OIL COMPANY,  
LTD. FOR COMPULSORY POOLING, LEA COUNTY  
NEW MEXICO.**

**Case No. 11753**

**Order No. R-10803**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

The subject cases came on for hearing at 8:15 a.m. on February 6, March 6, and/or April 3, 1997, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.



(b) prior to the commencement of this well, UMC submitted a Form C-101 (Application for Permit to Drill) to the Division's Hobbs District Office with Form C-102 (Well Location and Acreage Dedication Plat) attached thereto outlined a well unit comprised of Lots 16 and 17 of said Section 2; the Form C-101 was approved December 9, 1996; UMC filed the Forms C-101 and C-102 upon the belief that its proposed spacing and proration unit was standard in accordance with the applicable rules;

(c) referencing the Division's decision on the Yates motion to dismiss Case 11717, the proposed UMC spacing and proration unit is non-standard; standard spacing and proration units for the UMC well drilled in Unit "P" or Lot "16" would either comprise Lots 9 and 16 or Lots 15 and 16;

(d) Lot 15 is unavailable to form a standard 80-acre unit for the applicant's well because Lots 10 and 15 of said Section 2 are committed to a Joint Operating Agreement between Yates and UMC, signed in December 1996, under which Yates' Field "APK" State Well No. 1 is currently being drilled [see Finding No. (7) above];

(e) Lots 8 and 9 of said Section 2 are the subject of competing compulsory pooling applications filed by Yates (Case No. 11739) and Amerind (Case No. 11753);

(f) neither Yates nor Amerind, nor any other interested offset operator or lessee, oppose UMC's request; and,

(g) UMC is the lessee of Lots 14 through 16 and the SE/4 of said Section 2, which are subject to State of New Mexico oil and gas lease No. E07720; UMC is willing to form a 40-acre non-standard Strawn oil spacing and proration unit within the remaining 120 acre area comprising the W/2 SE/4 and SE/4 SE/4 of said Section 2 in the future in order to remedy the Strawn well development patterns with said State of New Mexico lease;

(h) because UMC assumed the sole risk of drilling the Townsend State Well No. 1, and the well was commenced in the good faith belief that the proposed well unit was standard, and because of the willingness of applicant to use its remaining leasehold acreage in Section 2 to remedy any disruption of standard spacing and proration units in Section 2, the applicant's request for a non-standard spacing and proration unit should be granted; further, the granting of the application in Case 11741 is in the best

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June 20, 2000

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210

Ladies and Gentlemen:

Enclosed is a copy of an application for a non-standard spacing and proration unit regarding the Strawn formation underlying the NW~~SE~~ of Section 2, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico, filed with the New Mexico Oil Conservation Division by Ocean Energy Resources, Inc. If you object to the application, you must notify the Division in writing no later than Monday, July 10, 2000 (2040 South Pacheco Street, Santa Fe, New Mexico 87505; Attention: Michael E. Stogner). Failure to object will preclude you from contesting this matter at a later date.

Very truly yours,

  
James Bruce  
Attorney for Ocean Energy  
Resources, Inc.

