



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

**OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131**

April 13, 1998

**James Bruce
Legal Counsel for Ocean Energy, Inc.
P. O. Box 1056
Santa Fe, New Mexico 87504-1056**

Telefax No. (505) 982-2151

**Campbell, Carr, Berge & Sheridan, P. A.
Attn: William F. Carr, Legal Counsel for Yates Petroleum Corporation
P. O. Box 2208
Santa Fe, New Mexico 87504-2208**

Telefax No. (505) 983-6043

**Re: Case Nos. 11958 and 11959, Applications of Ocean Energy, Inc.,
and Case No. 11934, Application of Yates Petroleum Company, all
concerning the forced pooling of certain mineral interests and the
dedication of acreage in the southern one-third of irregular Section
2, Township 16 South, Range 35 East, NMPM, Lea County, New
Mexico.**

Dear Messrs. Bruce and Carr:

Reference is made to Mr. Bruce's letter dated April 8, 1998, requesting the continuation of the three aforementioned cases to the April 30, 1998 Division Examiner's docket, and to my meeting with Mr. William F. Carr on Thursday, April 9, 1998. Due to scheduling irregularities and workloads within the Division, the three subject cases will be continued to the **May 14, 1998** Examiner's hearing. Thank you for your understanding and cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", written over a horizontal line.

**Michael E. Stogner
Chief Hearing Officer/Engineer**

cc: **New Mexico Oil Conservation Division - Hobbs
File: Case No. 11958
Case No. 11959
Case No. 11934
Rand Carroll, Legal Counsel - OCD, Santa Fe
Florene Davidson - OCD, Santa Fe**

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

April 8, 1998

Via Fax and U.S. Mail

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

Re: Cases 11,958 and 11,959 (UMC Petroleum Corporation)
Case 11934 (Yates Petroleum Corporation)

Dear Mr. Stogner:


Ocean Energy, Inc. ("OEI," formerly UMC Petroleum Corporation ("UMC")) requests that the above cases¹ be continued for two weeks. The reasons for the request are as follows:

1. Due to recently acquired title information, additional parties have had to be notified of the application in Case 11,959. As a result, the additional parties have not been given the requisite 20 day notice of the hearing date;
2. Due to the merger of UMC into OEI, the applications in Cases 11,958 and 11,959 have had to be amended, and the cases re-advertised; and
3. Two of OEI's witnesses, including the geologist for this prospect, have scheduling conflicts with the April 16th hearing date.

OEI notes that, because of other contested cases scheduled for the April 30th docket, that date may not be convenient for the Division. Please call if you have any questions.

¹The three cases involve the same property.

Very truly yours,


James Bruce

Attorney for Ocean Energy, Inc.

cc: William F. Carr (via fax)

DOCKET: EXAMINER HEARING - THURSDAY - APRIL 30, 1998

8:15 AM - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos 13-98 and 14-98 are tentatively set for May 14, 1998 and May 28, 1998. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 11968: Application of Petroleum Development Corporation for a unit agreement, Lea County, New Mexico. Applicant seeks approval of its Huber State Unit Agreement for an area encompassing 145.82 acres, more or less, of State lands consisting of the SW/4 SW/4 of Section 36, Township 15 South, Range 37 East and Lot 4 of Section 4 and Lot 1 of Section 5, Township 16 South, Range 38 East. Said unit area is located approximately 11 miles east of Lovington, New Mexico.

CASE 11969: Application of Santa Fe Energy Resources, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 24, Township 18 South, Range 30 East, and in the following manner: The W/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including but not limited to the Undesignated North Shugart-Morrow Gas Pool; the SW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and the NE/4 SW/4, below 4100 feet subsurface, to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said units are to be dedicated to the Benson "24" Fed. Com. Well No. 1, located at an orthodox well location 1980 feet from the South and West lines (Unit K) of said Section 24. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling said well. Said unit are located approximately 7 miles southeast of Loco Hills, New Mexico.

CASE 11958: (Readvertised)

Application of Ocean Energy, Inc. for compulsory pooling and an unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the following described acreage in irregular Section 2, Township 16 South, Range 35 East, and in the following manner: Lots 9-16 of Section 2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated Townsend-Morrow Gas Pool and the Undesignated North Townsend-Mississippian Gas Pool; and Lots 13 and 14 of Section 2 to form a standard 80-acre oil spacing and proration unit for any formations and/or pools spaced on 80 acres within said vertical extent, including the South Big Dog-Strawn Pool. Said units are to be dedicated to its Townsend State Com. Well No. 2, located at an unorthodox location 3250 feet from the South line and 1400 feet from the West line of said Section 2. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling said well. Said unit is located approximately 5 miles west-northwest of Lovington, New Mexico.

CASE 11959: (Readvertised)

Application of Ocean Energy, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the S/2 of irregular Section 2, Township 16 South, Range 35 East, to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, including the Undesignated Townsend-Morrow Gas Pool and the Undesignated North Townsend-Mississippian Gas Pool. Said unit is to be dedicated to its Townsend State Com. Well No. 6, located at an orthodox location 990 feet from the South line and 1650 feet from the West line of said Section 2. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling said well. Said unit is located approximately 5 miles west of Lovington, New Mexico.

CASE 11970: Application of Enron Oil and Gas Company for compulsory pooling and unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all formations from the surface to the base of the Ellenburger formation developed on 320-acre spacing underlying the S/2, in all formations developed on 160-acre spacing in the SW/4, and in all formations developed on 80-acre spacing in the S/2 SW/4 and in all formations developed on 40-acre spacing in the SE/4 SW/4 of Section 23, Township 23 South, Range 37 East. Applicant proposes to dedicate this acreage to its Hunt "23" Well No. 1 to be drilled at an unorthodox location 330 feet from the South line and 1950 feet from the West line (Unit N) of said Section 23. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 11 miles south of Eunice, New Mexico.

Examiner Hearing - April 30, 1998

Docket No. 11-98

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CASE 11971: Application of Yates Petroleum Corporation for an unorthodox well location, non-standard proration unit, and simultaneous dedication, Eddy County, New Mexico. Applicant seeks an exception to Division Rule 104.C(2) to permit it to drill its proposed Little Box Canyon AOX Federal Well No. 2 at an unorthodox location 1980 feet from the North line and 1190 feet from the West line as a second well in the W/2 of Section 7, Township 21 South, Range 22 East, and simultaneously dedicate the W/2 of said Section 7 to the Little Box Canyon AOX Federal Wells Nos. 1 and 2 in the Little Box Canyon-Morrow Gas Pool. Said wells are located approximately 30 miles west-northwest of Carlsbad, New Mexico.

CASE 11972: Application of Nearburg Exploration Company, L.L.C. for an unorthodox well location, Lea County, New Mexico. Applicant seeks authorization to drill a well to the Morrow formation, Undesignated East Gem-Morrow Gas Pool, at an unorthodox well location 1650 feet from the South line and 1150 feet from the East line of Section 34, Township 19 South, Range 33 East. The S/2 of said Section 34 is to be dedicated to said well forming a standard 320-acre spacing and proration unit. Said unit is located approximately 5 miles northeast of Halfway, New Mexico.

CASE 11973: Application of Shahara Oil, L.L.C. for a waterflood project and qualification for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" for said project, Eddy County, New Mexico. Applicant seeks approval to institute a waterflood project in the Loco Hills-Queen-Grayburg-San Andres Pool on its Beeson "F" Federal lease (U. S. Government lease No. LC-060529), comprising portions of Sections 29 and 31, Township 17 South, Range 30 East, by the injection of water through 12 certain existing wells. Applicant further seeks to qualify this project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Law 1992, Chapter 38, Sections 1 through 5). The proposed project area is located approximately two miles southwest of Loco Hills, New Mexico.

CASE 11955: (Continued from April 2, 1998, Examiner Hearing.)

Application of Devon Energy Corporation (Nevada) for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the W/2 of Section 22, Township 21 South, Range 26 East, to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the Avalon-Morrow Gas Pool, and forming a standard 160-acre gas spacing and proration unit underlying the NW/4 of said Section 22 for any and all formations/pools developed on 160-acre gas spacing. Said units are to be dedicated to its Carlsbad 22 "E" State Well No. 1 to be drilled and completed at a standard gas well location in Unit E of said Section 22. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for the risk involved in drilling said well. Said unit is located approximately 5 miles northwest of Carlsbad, New Mexico.

CASE 11967: (Continued from April 16, 1998, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 22, Township 21 South, Range 26 East, and in the following manner: the N/2 thereby forming a standard 320-acre gas spacing and proration unit for any and all pools developed on 320-acre spacing within said vertical extent which presently includes but is not necessarily limited to the Undesignated Avalon-Wolfcamp Gas Pool, Undesignated Avalon-Upper Pennsylvanian Gas Pool, Undesignated Avalon-Strawn Gas Pool, Undesignated Northeast Happy Valley-Strawn Gas Pool, Undesignated Avalon-Atoka Gas Pool, Undesignated Crozier Bluff-Atoka Gas Pool, Undesignated Avalon-Morrow Gas Pool, and Undesignated Burton Flat-Morrow Gas Pool; the NW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent which presently includes but is not necessarily limited to the Undesignated East Catclaw Draw-Delaware Pool; and the E/2 NW/4 to form a standard 80-acre oil spacing and proration unit for any pools developed on 80-acre spacing within said vertical extent (which currently there is none and should therefore be dismissed unless there is good cause shown to include an 80-acre proration unit). Said units are to be dedicated to a single well to be drilled at a standard location for all three sized units in the NE/4 NW/4 (Unit C) of said Section 22. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Unit "C" of said Section 22 is located approximately 4 miles northwest of Carlsbad, New Mexico.