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October 24, 2000

12535

**Hand Delivered**

Florene Davidson  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of Ocean Energy Resources, Inc., are an original and one copy of an application for compulsory pooling, and a proposed advertisement. The parties being pooled are identified on Exhibit A. Please set this matter for the November 16, 2000 Examiner hearing. Thank you.

The application and proposed advertisement are also on the enclosed disk under "OEI."

Very truly yours,



James Bruce

Attorney for Ocean Energy  
Resources, Inc.

EXHIBIT A

Yates Petroleum Corporation  
Yates Drilling Company  
Abo Petroleum Corporation  
Myco Industries, Inc.

David H. Arrington Oil & Gas, Inc.

Tom R. Cone

Kenneth G. Cone

Kenneth G. Cone, Trustee of the  
Kenneth G. Cone Children's Trust  
U/W/O Kathleen Cone

Sonic Oil & Gas, L.P.

The Blanco Company

Keith Pratt Daniels

Lynda Pratt Rast

The Long Trusts

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

No. 12535

APPLICATION

Ocean Energy Resources, Inc. applies for an order pooling all mineral interests from the surface to the base of the Morrow 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, at an orthodox location 800 feet from the north line and 660 feet from the west line of the section, to a depth sufficient to test the Morrow formation, and seeks to dedicate the following acreage to the well:

(a) Lot 4 to form a non-standard 48.43-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 N½ 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 N½ 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 N½ of Section 3, pursuant to NMSA 1978 §70-2-17.

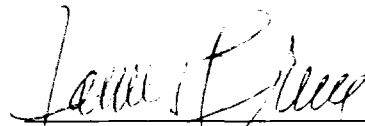
5. The pooling of all mineral interests underlying the N½ of Section 3, as described above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

**WHEREFORE**, Applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the N½ of Section 3, from the surface to the base of the Morrow 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 those 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,

A handwritten signature in dark ink, appearing to read "James Bruce", written over a horizontal line.

James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Ocean Energy Resources,  
Inc.

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PROPOSED ADVERTISEMENT

Case 8-55 : Application of Ocean Energy Resources, Inc. for compulsory pooling and four non-standard oil and gas spacing and proration units, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 1-8 of irregular Section 3, Township 16 South, Range 35 East, NMPM, and in the following manner: 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 within that vertical extent, including the Undesignated North Shoe Bar-Atoka Gas Pool and Undesignated North Shoe Bar-Morrow Gas Pool; 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 within that vertical extent; 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 within that vertical extent, including the Undesignated South Big Dog-Strawn Pool; and Lot 4 to form a non-standard 48.43-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within that vertical extent, including the Undesignated Townsend-Permo Upper Pennsylvanian Pool. The units are to be dedicated to applicant's Townsend State Com. Well No. 10, to be located at an orthodox location 800 feet from the north line and 660 feet from the west line of Section 3. Also to be considered will be the cost of drilling and completing the 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 and completing the well. The units are located approximately 6 miles west-northwest of Lovington, New Mexico.