

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

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

APPLICATION OF TMBR/SHARP DRILLING
INC. FOR AN ORDER STAYING DAVID H.
ARRINGTON OIL & GAS, INC. FROM
COMMENCING OPERATIONS, LEA COUNTY,
NEW MEXICO.

Case No. 12,731 (*de novo*)

APPLICATION OF TMBR/SHARP DRILLING
INC. APPEALING THE HOBBS DISTRICT
SUPERVISOR'S DECISION DENYING APPROVAL
OF TWO APPLICATIONS FOR PERMIT TO
DRILL FILED BY TMBR/SHARP DRILLING,
INC., LEA COUNTY, NEW MEXICO.

Case No. 12,744 (*de novo*)

Order No. R-11700-B

OCEAN ENERGY, INC.'S APPLICATION FOR REHEARING
AND MOTION TO STAY ORDER

Pursuant to NMSA 1978 §70-2-25 and Division Rules 1220 and 1222, Ocean Energy, Inc. ("Ocean") requests that the Commission (a) rehear the above matter, and (b) stay the effectiveness of TMBR/Sharp Drilling, Inc.'s ("TMBR/Sharp") application for permit to drill ("APD") for a well in §25-16S-35E pending resolution of the pooling cases being heard by the Division on May 16, 2002, and in support thereof, states:

1. Ocean is a party of record adversely affected by the above order. The order is erroneous as noted below.

2. Ocean is protecting its rights:

Finding paragraph 37 of the order states that "Ocean isn't planning on preserving its rights by drilling a well itself, and hasn't applied for a permit to drill a well." That is incorrect.

When the rights of David H. Arrington Oil & Gas, Inc. ("Arrington") became an issue in January 2002, Ocean proposed a well in the NW¼ of Section 25. **Affidavit of Derold Maney, attached as Exhibit A, at paragraph 6.** It then followed up on its well proposal by filing a compulsory pooling application on February 26, 2002. **Id., at paragraph 10; Division Case No. 12841.**¹ Ocean's pooling case has been continued for 8 weeks, against Ocean's wishes, at the request of TMBR/Sharp.

Ocean also filed an APD for its well in the NW¼ of Section 25, which was not approved by the Hobbs District Office due the pending APD's issued to Arrington and TMBR/Sharp. **See Affidavit of Derold Maney at paragraphs 7, 9.** Under the requirements set forth by the Commission in its order, Ocean's APD should have been approved because Ocean owns an interest in the well unit, spacing is proper, etc. **Order No. R-11700-B, at Paragraphs 29, 33.**

Due to the foregoing, basing the Commission's decision on the erroneous claim that Ocean is not protecting its rights is improper.

3. Under the Commission's findings, Arrington had the right to drill, and its APD is valid:

The Commission stated that "any suggestion that the acreage dedication plat "pools" acreage is expressly disavowed." **Order No. R-11700-B at paragraph 34.** The summary judgment granted by the Lea County District Court is based upon the premise that an acreage

¹Ocean has also filed a pooling application, in Case No. 12860, for a well located in the SW¼ of Section 25, solely due to concerns raised by the Commission about Ocean's right to drill on another party's lease.

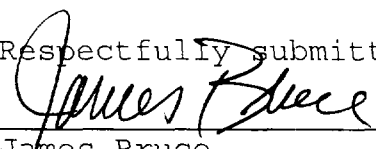
dedication plat pools acreage. The Form C-102 is a form promulgated by the Division and Commission under Rule 1102. A court should defer to an agency's expertise. See Santa Fe Exploration Co. v. Oil Conservation Comm'n, 114 N.M. 103, 835 P.2d 819 (1992). Therefore, TMBR/Sharp's claim to the NW¼ of Section 25 must fail, and Arrington's permit to drill must be approved.

4. Finally, the effectiveness of TMBR/Sharp's Section 25 APD should be stayed pending resolution of matters now before the Division. On May 16, 2002, the Division will hear pooling cases affecting all of Section 25. See Case Nos. 12816 (N½ unit), 12840 (W½ unit), 12859 (E½ unit), and 12860 (W½ unit). Until the pooling process has run its course, the effectiveness of TMBR/Sharp's permit to drill must be stayed. At the May 16th hearing, substantial geologic, geophysical, and other evidence will be presented to determine the proper unit orientation and how to develop Section 25. Such a decision will supersede any APD.

Moreover, as the Commission noted, an appeal of the Lea County District Court's decision could alter the Commission's own conclusion. **Order No. R-11700-B at paragraph 30.** If Arrington is successful on appeal, 100% of the working interest owners in the W½ of Section 25 desire a standup unit. To allow TMBR/Sharp's APD to remain effective during the appeal process could impair the rights of Ocean and Arrington.

WHEREFORE, Ocean requests that a rehearing be granted, and that the effectiveness of the TMBR/Sharp's APD be stayed until all matters are resolved by the Division and the Commission.

Respectfully submitted,


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

Attorney for Ocean Energy, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record in the manner noted below this 15th day of May, 2002:

Hand Delivered

Stephen C. Ross
Oil Conservation Commission
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Fax and U.S. Mail

W. Thomas Kellahin
Kellahin & Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
Fax No. (505) 982-2047

Fax and U.S. Mail

Susan Richardson
Cotton, Bledsoe, Tighe & Dawson
P.O. Box 2776
Midland, Texas 79702
Fax No. (915) 682-3672

Fax and U.S. Mail

William F. Carr
Holland & Hart LLP
Post Office Box 2208
Santa Fe, New Mexico 87504
Fax No. (505) 983-6043

Fax and U.S. Mail

J. Scott Hall
Miller, Torgerson & Stratvert, P.A.
P.O. Box 1986
Santa Fe, New Mexico 87504
Fax No. (505) 989-9857


James Bruce

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

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INC., LEA COUNTY, NEW MEXICO.

Case No. 12,744 (de novo)

Order No. R-11700-B

AFFIDAVIT OF DEROLD MANEY

STATE OF TEXAS)
) ss.
COUNTY OF HARRIS)

Derold Maney, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters stated herein.

2. I am a landman for Ocean Energy, Inc. ("Ocean").

3. Ocean obtained a farmout agreement in July 2001 covering 100% of the working interest in the SW $\frac{1}{4}$ of Section 25, Township 16 South, Range 35 East, N.M.P.M., Lea County, New Mexico.

4. The farmout agreement requires a well to be commenced on the SW $\frac{1}{4}$ of Section 25, or on lands pooled therewith, by July 1, 2002.

5. Since July 2001 Ocean has planned to drill a well, or cause a well to be drilled, in the W $\frac{1}{4}$ of Section 25, Township 16 South, Range 35 East, N.M.P.M. Ocean had an agreement with David H. Arrington Oil & Gas, Inc. ("Arrington") for Arrington to drill the well.



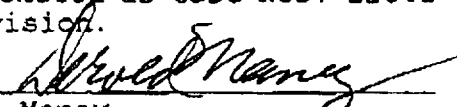
6. When Arrington's right to operate was placed in dispute in January 2002, Ocean sent proposal letters to all interest owners in the W¼ of Section 25, for a well in the NW¼ of Section 25. Copies of the proposal letters are attached hereto as Exhibit 1.

7. Ocean also filed an Application for Permit to Drill for a well unit comprised of the W¼ of Section 25, a copy of which is attached hereto as Exhibit 2. The permit was verbally denied by the Hobbs District Office in April 2002.

8. Due to questions raised by the Division and the Commission over Ocean's right to drill a well located in the NW¼ of Section 25 (in which it owns no interest), Ocean sent proposal letters to all interest owners in the W¼ of Section 25, for a well in the SW¼ of Section 25. Copies of the proposal letters are attached hereto as Exhibit 3.

9. Ocean has also filed an Application for Permit to Drill for a well unit comprised of the W¼ of Section 25, with a well in the SW¼ thereof, a copy of which is attached hereto as Exhibit 4.

10. Ocean has filed compulsory pooling applications on both of its well proposals. Those cases are docketed as Case Nos. 12841 and 12860 before the Oil Conservation Division.


Derold Maney

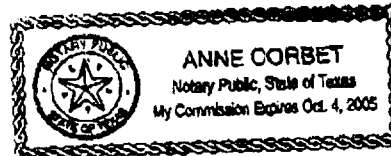
SUBSCRIBED AND SWORN TO before me this 30th day of April, 2002, by Derold Maney.


Notary Public

My Commission Expires:

10-4-05

-2-





January 25, 2002

Ameristate Oil & Gas, Inc.
P. O. Box 341449
Austin, Texas 78734

Attention: Mr. Mark Nearburg

Re: Triple Hackle Dragon "25" #1
1815' FNL and 750' FWL
W/2 Section 25, T16S, R35E
Lea County, New Mexico

Gentlemen:

Ocean Energy Inc. hereby proposes to drill a 13,200' Mississippian Test at a location 1815' FNL and 750' FWL of Section 25, T16S, R35E, Lea County, New Mexico. Based upon our most current title information, Ameristate Oil & Gas, Inc. appears to own leasehold interest in the NW/4 of said Section 25. Please advise if this is incorrect.

Ocean respectfully requests that Ameristate Oil & Gas, Inc. participate for its proportionate interest in the proposed well. Enclosed for your review and execution are two (2) copies of the AFE for the above captioned well. Should Ameristate Oil & Gas, Inc. elect to participate in the proposed well, please execute and return one (1) copy of this letter and one (1) AFE well cost estimate. An Operating Agreement will be forwarded for your review and approval if you elect to participate in the proposed well. Also, please provide your well information requirements and the names of personnel to receive reports.

If Ameristate Oil & Gas, Inc. is not interested in participating in drilling the proposed well, please call me at 713-265-6897 to discuss other alternatives.

Thank you for your consideration of this proposal.

Yours very truly,

OCEAN ENERGY, INC.

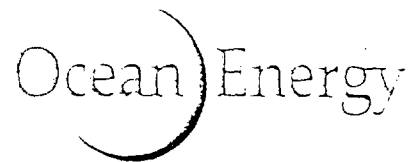
Derold Maney
Senior Land Advisor

_____ AMERISTATE OIL & GAS, INC. ELECTS TO PARTICIPATE in the Triple Hackle Dragon "25" #1 Well.

_____ AMERISTATE OIL & GAS, INC. ELECTS NOT TO PARTICIPATE in the Triple Hackle Dragon "25" #1 Well.

By: _____
Title: _____
Date: _____





January 25, 2002

TMBR/Sharp Drilling, Inc.
P. O. Drawer 10970
Midland, Texas 79702

Attention: Mr. Jeff Phillips

Re: Triple Hackle Dragon "25" #1
1815' FNL and 750' FWL
W/2 Section 25, T16S, R35E
Lea County, New Mexico

Gentlemen:

Ocean Energy Inc. hereby proposes to drill a 13,200' Mississippian Test at a location 1815' FNL and 750' FWL of Section 25, T16S, R35E, Lea County, New Mexico. Based upon our most current title information, TMBR/Sharp Drilling, Inc. appears to own leasehold interest in the NW/4 of said Section 25. Please advise if this is incorrect.

Ocean respectfully requests that TMBR/Sharp Drilling, Inc. participate for its proportionate interest in the proposed well. Enclosed for your review and execution are two (2) copies of the AFE for the above captioned well. Should TMBR/Sharp Drilling, Inc. elect to participate in the proposed well, please execute and return one (1) copy of this letter and one (1) AFE well cost estimate. An Operating Agreement will be forwarded for your review and approval if you elect to participate in the proposed well. Also, please provide your well information requirements and the names of personnel to receive reports.

If TMBR/Sharp Drilling, Inc. is not interested in participating in drilling the proposed well, please call me at 713-265-6897 to discuss other alternatives.

Thank you for your consideration of this proposal.

Yours very truly,

OCEAN ENERGY, INC.

A handwritten signature in cursive script that reads "Derold Maney".

Derold Maney
Senior Land Advisor

_____ TMBR/SHARP DRILLING, INC. ELECTS TO PARTICIPATE in the Triple Hackle Dragon "25" #1 Well.

_____ TMBR/SHARP DRILLING, INC. ELECTS NOT TO PARTICIPATE in the Triple Hackle Dragon "25" #1 Well.

By: _____
Title: _____
Date: _____



January 25, 2002

Fuel Products, Inc.
P. O. Box 3098
Midland, Texas 79702

Attention: Mr. Tom Beall

Re: Triple Hackle Dragon "25" #1
1815' FNL and 750' FWL
W/2 Section 25, T16S, R35E
Lea County, New Mexico

Gentlemen:

Ocean Energy Inc. hereby proposes to drill a 13,200' Mississippian Test at a location 1815' FNL and 750' FWL of Section 25, T16S, R35E, Lea County, New Mexico. Based upon our most current title information, Fuel Products, Inc. appears to own leasehold interest in the NW/4 of said Section 25. Please advise if this is incorrect.

Ocean respectfully requests that Fuel Products, Inc. participate for its proportionate interest in the proposed well. Enclosed for your review and execution are two (2) copies of the AFE for the above captioned well. Should Fuel Products, Inc. elect to participate in the proposed well, please execute and return one (1) copy of this letter and one (1) AFE well cost estimate. An Operating Agreement will be forwarded for your review and approval if you elect to participate in the proposed well. Also, please provide your well information requirements and the names of personnel to receive reports.

If Fuel Products, Inc. is not interested in participating in drilling the proposed well, please call me at 713-265-6897 to discuss other alternatives.

Thank you for your consideration of this proposal.

Yours very truly,

OCEAN ENERGY, INC.

A handwritten signature in cursive script, reading "Derold Maney".

Derold Maney
Senior Land Advisor

_____ FUEL PRODUCTS, INC. ELECTS TO PARTICIPATE in the Triple Hackle Dragon "25" #1 Well.

_____ FUEL PRODUCTS, INC. ELECTS NOT TO PARTICIPATE in the Triple Hackle Dragon "25" #1 Well.

By: _____
Title: _____
Date: _____



January 25, 2002

Mr. Louis Mazzullo
P. O. Box 66657
Albuquerque, New Mexico 87193

Re: Triple Hackle Dragon "25" #1
1815' FNL and 750' FWL
W/2 Section 25, T16S, R35E
Lea County, New Mexico

Dear Mr. Mazzullo,

Ocean Energy Inc. hereby proposes to drill a 13,200' Mississippian Test at a location 1815' FNL and 750' FWL of Section 25, T16S, R35E, Lea County, New Mexico. Based upon our most current title information, you appear to own leasehold interest in the NW/4 of said Section 25. Please advise if this is incorrect.

Ocean respectfully requests that you participate for your proportionate interest in the proposed well. Enclosed for your review and execution are two (2) copies of the AFE for the above captioned well. Should you elect to participate in the proposed well, please execute and return one (1) copy of this letter and one (1) AFE well cost estimate. An Operating Agreement will be forwarded for your review and approval if you elect to participate in the proposed well. Also, please provide your well information requirements and the names of personnel to receive reports.

If you are not interested in participating in drilling the proposed well, please call me at 713-265-6897 to discuss other alternatives.

Thank you for your consideration of this proposal.

Yours very truly,

OCEAN ENERGY, INC.

A handwritten signature in cursive script that reads "Derold Maney".

Derold Maney
Senior Land Advisor

_____ LOUIS MAZZULLO ELECTS TO PARTICIPATE in the Triple Hackle Dragon "25" #1 Well.

_____ LOUIS MAZZULLO ELECTS NOT TO PARTICIPATE in the Triple Hackle Dragon "25" #1 Well.

By: _____
Title: _____
Date: _____



January 25, 2002

David H. Arrington Oil & Gas, Inc.
P. O. Box 2071
Midland, Texas 79702

Attention: Mr. David H. Arrington

Re: Triple Hackle Dragon "25" #1
1815' FNL and 750' FWL
W/2 Section 25, T16S, R35E
Lea County, New Mexico

Gentlemen:

Ocean Energy Inc. hereby proposes to drill a 13,200' Mississippian Test at a location 1815' FNL and 750' FWL of Section 25, T16S, R35E, Lea County, New Mexico. Based upon our most current title information, David H. Arrington Oil & Gas, Inc. appears to own leasehold interest in the NW/4 of said Section 25. Please advise if this is incorrect.

Ocean respectfully requests that David H. Arrington Oil & Gas, Inc. participate for its proportionate interest in the proposed well. Enclosed for your review and execution are two (2) copies of the AFE for the above captioned well. Should David H. Arrington Oil & Gas, Inc. elect to participate in the proposed well, please execute and return one (1) copy of this letter and one (1) AFE well cost estimate. An Operating Agreement will be forwarded for your review and approval if you elect to participate in the proposed well. Also, please provide your well information requirements and the names of personnel to receive reports.

If David H. Arrington Oil & Gas, Inc. is not interested in participating in drilling the proposed well, please call me at 713-265-6897 to discuss other alternatives.

Thank you for your consideration of this proposal.

Yours very truly,

OCEAN ENERGY, INC.

A handwritten signature in cursive script, reading "Derold Maney".

Derold Maney
Senior Land Advisor

____ DAVID H. ARRINGTON OIL & GAS, INC. ELECTS TO PARTICIPATE in the Triple Hackle Dragon "25" #1 Well.

____ DAVID H. ARRINGTON OIL & GAS, INC. ELECTS NOT TO PARTICIPATE in the Triple Hackle Dragon "25" #1 Well.

By: _____
Title: _____
Date: _____

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Form C-101
Revised March 17, 1999

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Ocean Energy, Inc. 1001 Fannin, Suite 1600, Houston, TX 77002		² OGRID Number 169255
³ Property Code 23458		⁴ Well No. J
⁵ Property Name Triple-Rackle Dragon 25		

⁶ Surface Location									
UL or lot no.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
2	25	16S	35E		1815	North	750	West	Lea

⁷ Proposed Bottom Hole Location If Different From Surface									
UL or lot no.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
⁸ Proposed Pool 1 North Townsend Mississippian 86390						⁹ Proposed Pool 2			

¹⁰ Work Type Code N	¹¹ Well Type Code G	¹² Casing/Rotary R	¹³ Lease Type Code P	¹⁴ Ground Level Elevation 3958'
¹⁵ Multiple N	¹⁶ Proposed Depth 13,500'	¹⁷ Formation Mississippian	¹⁸ Contractor Grey Wolf	¹⁹ Spud Date WHEN APPROVED

²⁰ Proposed Casing and Cement Program					
Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
25"	20"	Conductor	40'	Redi-mix	Surface
17 1/2"	13 3/8"	54.5	430'	500 Sx	Surface
11"	8 5/8"	32	4900'	1300 Sx.	Surface
7 7/8"	5 1/2"	17	13,400'	1200 Sx	500' above upper-most pay.

²¹ Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Ocean Energy, Inc. proposes to drill this well to 13,500'. Log and run production casing as indicated above if log looks productive.

BOP Program: 11" 5000 psi type "U" ram. 11" 5000 psi annular preventor, 4" 5000 psi manifold. BOP's will be tested every two weeks. (See attached sketch of BOP's.)

Exhibit No. 5208

EXHIBIT

2

²² I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Jeanie McMillan*

Printed name: Jeanie McMillan

Title: Regulatory Specialist

Date: 3/28/02

Phone: (713) 265-6804

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

Expiration Date:

Conditions of Approval:

Attached ☐

DISTRICT I
P. O. Box 1980
Hobbs, NM 88241-1980

DISTRICT II
P. O. Drawer DD
Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd.
Aztec, NM 87410

DISTRICT IV
P. O. Box 2088
Santa Fe, NM 87507-2088

State of New Mexico
Energy, Minerals, and Natural Resources Department

OIL CONSERVATION DIVISION
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

Form C-102
Revised 02-10-94
Instructions on back

Submit to the Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 APT Number		2 Pool Code 86390		3 Pool Name NORTH TOWNSEND MISSISSIPPIAN			
4 Property Code		5 Property Name TRIPLE-HACKLE DRAGON 25				6 Well Number 1	
7 OGM No. 169355		8 Operator Name OCEAN ENERGY, INC.				9 Elevation 3958'	

" SURFACE LOCATION

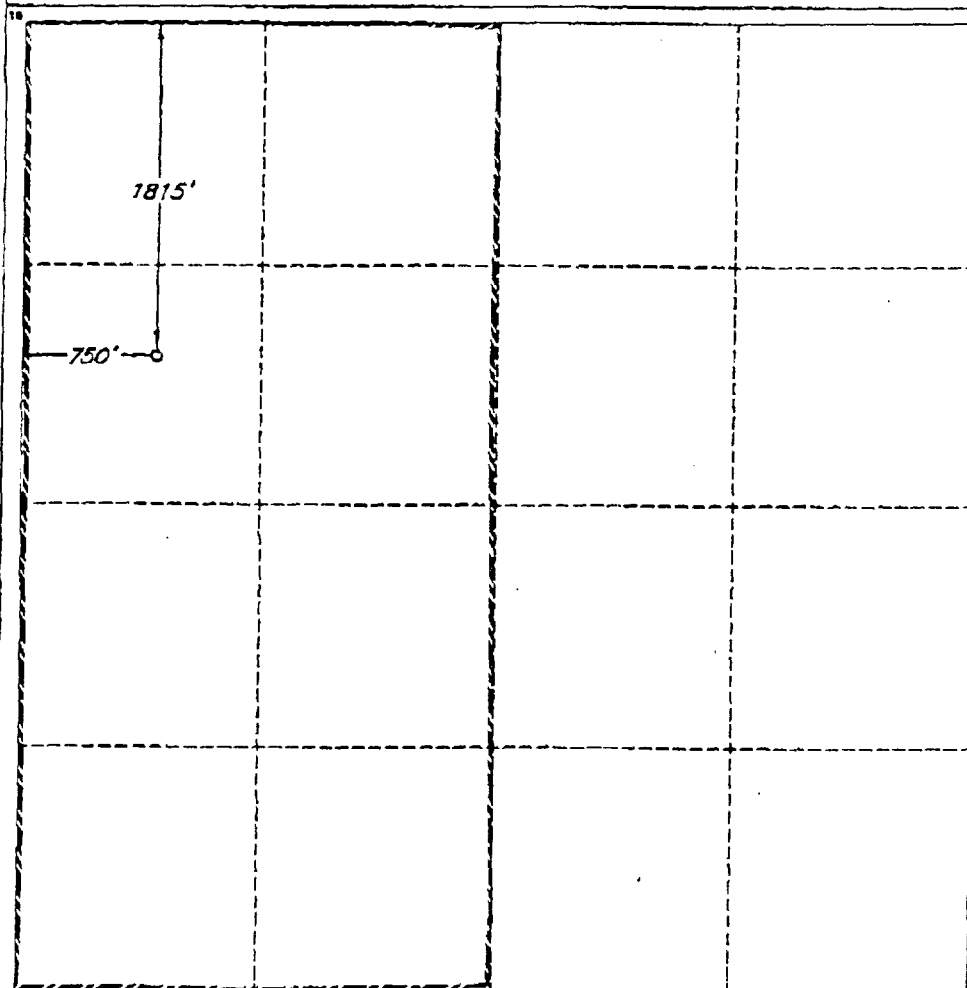
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
E	25	16 SOUTH	35 EAST, N.M.P.M.		1815'	NORTH	750'	WEST	LEA

" BOTTOM HOLE LOCATION IF DIFFERENT FROM SURFACE

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

10 Dedicated Acres 320	11 Joint or Infill	12 Consolidation Code	13 Order No.
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NO ALLOWABLE WELL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature
Joe T. Jarrica

Printed Name
Joe T. Jarrica

Title
Agent

Date
04/05/02

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey
JUN 19 2001

Signature and Seal
Professional Surveyor

V. LYNN
BEZNER
NO. 7920
V. L. BEZNER LAND S.S. #7920

April 4, 2002



Ameristate Oil & Gas, Inc.
P. O. Box 341449
Austin, Texas 78734

Attention: Mr. Mark Nearburg

Re: Triple Hackle Dragon "25" #2
1980' FWL and 1980' FSL
W/2 Section 25, T16S, R35E
Lea County, New Mexico

Gentlemen:

Ocean Energy Inc. hereby proposes to drill a 13,200' Mississippian Test at a location 1980' FWL and 1980' FSL of Section 25, T16S, R35E, Lea County, New Mexico. Based upon our most current title information, Ameristate Oil & Gas, Inc. appears to own leasehold interest in the NW/4 of said Section 25. Please advise if this is incorrect.

Ocean respectfully requests that Ameristate Oil & Gas, Inc. participate for its proportionate interest in the proposed well. Enclosed for your review and execution are two (2) copies of the AFE for the above captioned well. Should Ameristate Oil & Gas, Inc. elect to participate in the proposed well, please execute and return one (1) copy of this letter and one (1) AFE well cost estimate. An Operating Agreement will be forwarded for your review and approval if you elect to participate in the proposed well. Also, please provide your well information requirements and the names of personnel to receive reports.

If Ameristate Oil & Gas, Inc. is not interested in participating in drilling the proposed well, please call me at 713-265-6897 to discuss other alternatives.

Thank you for your consideration of this proposal.

Yours very truly,

OCEAN ENERGY, INC.

A handwritten signature in cursive script that reads "Derold Maney".

Derold Maney
Senior Land Advisor

_____ AMERISTATE OIL & GAS, INC. ELECTS TO PARTICIPATE in the Triple Hackle Dragon "25" #2 Well.

_____ AMERISTATE OIL & GAS, INC. ELECTS NOT TO PARTICIPATE in the Triple Hackle Dragon "25" #2 Well.

By: _____
Title: _____
Date: _____



April 4, 2002



TMBR/Sharp Drilling, Inc.
P. O. Drawer 10970
Midland, Texas 79702

Attention: Mr. Jeff Phillips

Re: Triple Hackle Dragon "25" #2
1980' FWL and 1980' FSL
W/2 Section 25, T16S, R35E
Lea County, New Mexico

Gentlemen:

Ocean Energy Inc. hereby proposes to drill a 13,200' Mississippian Test at a location 1980' FWL and 1980' FSL of Section 25, T16S, R35E, Lea County, New Mexico. Based upon our most current title information, TMBR/Sharp Drilling, Inc. appears to own leasehold interest in the NW/4 of said Section 25. Please advise if this is incorrect.

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If TMBR/Sharp Drilling, Inc. is not interested in participating in drilling the proposed well, please call me at 713-265-6897 to discuss other alternatives.

Thank you for your consideration of this proposal.

Yours very truly,

OCEAN ENERGY, INC.

A handwritten signature in cursive script that reads "Derold Maney".

Derold Maney
Senior Land Advisor

_____ TMBR/SHARP DRILLING, INC. ELECTS TO PARTICIPATE in the Triple Hackle Dragon "25" #2 Well.

_____ TMBR/SHARP DRILLING, INC. ELECTS NOT TO PARTICIPATE in the Triple Hackle Dragon "25" #2 Well.

By: _____
Title: _____
Date: _____



April 4, 2002

Fuel Products, Inc.
P. O. Box 3098
Midland, Texas 79702

Attention: Mr. Tom Beall

Re: Triple Hackle Dragon "25" #2
1980' FWL and 1980' FSL
W/2 Section 25, T16S, R35E
Lea County, New Mexico

Gentlemen:

Ocean Energy Inc. hereby proposes to drill a 13,200' Mississippian Test at a location 1980' FWL and 1980' FSL of Section 25, T16S, R35E, Lea County, New Mexico. Based upon our most current title information, Fuel Products, Inc. appears to own leasehold interest in the NW/4 of said Section 25. Please advise if this is incorrect.

Ocean respectfully requests that Fuel Products, Inc. participate for its proportionate interest in the proposed well. Enclosed for your review and execution are two (2) copies of the AFE for the above captioned well. Should Fuel Products, Inc. elect to participate in the proposed well, please execute and return one (1) copy of this letter and one (1) AFE well cost estimate. An Operating Agreement will be forwarded for your review and approval if you elect to participate in the proposed well. Also, please provide your well information requirements and the names of personnel to receive reports.

If Fuel Products, Inc. is not interested in participating in drilling the proposed well, please call me at 713-265-6897 to discuss other alternatives.

Thank you for your consideration of this proposal.

Yours very truly,

OCEAN ENERGY, INC.

A handwritten signature in cursive script that reads "Derold Maney".

Derold Maney
Senior Land Advisor

_____ FUEL PRODUCTS, INC. ELECTS TO PARTICIPATE in the Triple Hackle Dragon "25" #2 Well.

_____ FUEL PRODUCTS, INC. ELECTS NOT TO PARTICIPATE in the Triple Hackle Dragon "25" #2 Well.

By: _____
Title: _____
Date: _____

April 4, 2002



Mr. Louis Mazzullo
P. O. Box 66657
Albuquerque, New Mexico 87193

Re: Triple Hackle Dragon "25" #2
1980' FWL and 1980' FSL
W/2 Section 25, T16S, R35E
Lea County, New Mexico

Gentlemen:

Ocean Energy Inc. hereby proposes to drill a 13,200' Mississippian Test at a location 1980' FWL and 1980' FSL of Section 25, T16S, R35E, Lea County, New Mexico. Based upon our most current title information, you appear to own leasehold interest in the NW/4 of said Section 25. Please advise if this is incorrect.

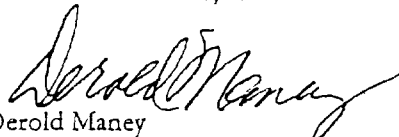
Ocean respectfully requests that you participate for your proportionate interest in the proposed well. Enclosed for your review and execution are two (2) copies of the AFE for the above captioned well. Should you elect to participate in the proposed well, please execute and return one (1) copy of this letter and one (1) AFE well cost estimate. An Operating Agreement will be forwarded for your review and approval if you elect to participate in the proposed well. Also, please provide your well information requirements and the names of personnel to receive reports.

If you are not interested in participating in drilling the proposed well, please call me at 713-265-6897 to discuss other alternatives.

Thank you for your consideration of this proposal.

Yours very truly,

OCEAN ENERGY, INC.


Derold Maney
Senior Land Advisor

_____ LOUIS MAZZULLO ELECTS TO PARTICIPATE in the Triple Hackle Dragon "25" #2 Well.

_____ LOUIS MAZZULLO ELECTS NOT TO PARTICIPATE in the Triple Hackle Dragon "25" #2 Well.

By: _____
Title: _____
Date: _____

April 4, 2002



David H. Arrington Oil & Gas, Inc.
P. O. Box 2071
Midland, Texas 79702

Attention: Mr. David H. Arrington

Re: Triple Hackle Dragon "25" #2
1980' FWL and 1980' FSL
W/2 Section 25, T16S, R35E
Lea County, New Mexico

Gentlemen:

Ocean Energy Inc. hereby proposes to drill a 13,200' Mississippian Test at a location 1980' FWL and 1980' FSL of Section 25, T16S, R35E, Lea County, New Mexico. Based upon our most current title information, David H. Arrington Oil & Gas, Inc. appears to own leasehold interest in the NW/4 of said Section 25. Please advise if this is incorrect.

Ocean respectfully requests that David H. Arrington Oil & Gas, Inc. participate for its proportionate interest in the proposed well. Enclosed for your review and execution are two (2) copies of the AFE for the above captioned well. Should David H. Arrington Oil & Gas, Inc. elect to participate in the proposed well, please execute and return one (1) copy of this letter and one (1) AFE well cost estimate. An Operating Agreement will be forwarded for your review and approval if you elect to participate in the proposed well. Also, please provide your well information requirements and the names of personnel to receive reports.

If David H. Arrington Oil & Gas, Inc. is not interested in participating in drilling the proposed well, please call me at 713-265-6897 to discuss other alternatives.

Thank you for your consideration of this proposal.

Yours very truly,

OCEAN ENERGY, INC.

A handwritten signature in black ink, appearing to read "Derold Maney".

Derold Maney
Senior Land Advisor

_____ DAVID H. ARRINGTON OIL & GAS, INC. ELECTS TO PARTICIPATE in the Triple Hackle Dragon "25" #2 Well.

_____ DAVID H. ARRINGTON OIL & GAS, INC. ELECTS NOT TO PARTICIPATE in the Triple Hackle Dragon "25" #2 Well.

By: _____
Title: _____
Date: _____

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Form C-101
Revised March 17, 1999

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Ocean Energy, Inc. 1001 Fannia, Suite 1600, Houston, TX 77002		² OGRID Number 169355
³ Property Code 28458		⁴ API Number
⁵ Property Name Triple-Hackle Dragon 25		⁶ Well No. 2

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	35	16S	15E		1980	South	1980	West	Lea

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
⁹ Proposed Pool 1 Townsend Mississippian					¹⁰ Proposed Pool 2				

¹¹ Work Type Code N	¹² Well Type Code G	¹³ Cable/Rotary R	¹⁴ Lease Type Code P	¹⁵ Ground Level Elevation 3959'
¹⁶ Multiple N	¹⁷ Proposed Depth 13500'	¹⁸ Formation Mississippian	¹⁹ Contractor Grey Wolf	²⁰ Spud Date When Approved

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
25"	20"	Conductor	40'	Radi-mix	Surface
17-1/2"	13-3/8"	54.5	450'	500 sx	Surface
11"	8-5/8"	32	4900'	1300 sx	Surface
7-7/8"	5-1/2"	17	13400'	1200 sx	500' above pay

22 Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Ocean Energy, Inc. proposes to drill this well to 13,500'. Log and run production casing as indicated above if log looks productive.

BOP Program: 11" 5000 psi type "U" ram. 11" 5000 psi annular preventor, 4" 5000 psi manifold. BOP's will be tested every two weeks. (See attached sketch of BOP's.)



²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature: <i>Jeanie McMillan</i> Printed name: Jeanie McMillan Title: Regulatory Specialist Date: 4/29/02		OIL CONSERVATION DIVISION Approved by: Title: Approval Date: Expiration Date: Conditions of Approval: Attached <input type="checkbox"/>	
Phone: (713) 265-6834			

DISTRICT I
1025 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Alamo, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87503

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 86390	Pool Name NORTH TOWNSEND MISSISSIPPIAN
Property Code	Property Name TRIPLE HACKLE DRAGON "25"	Well Number 2
OGRID No. 169355	Operator Name OCEAN ENERGY, INC.	Elevation 3959'

Surface Location

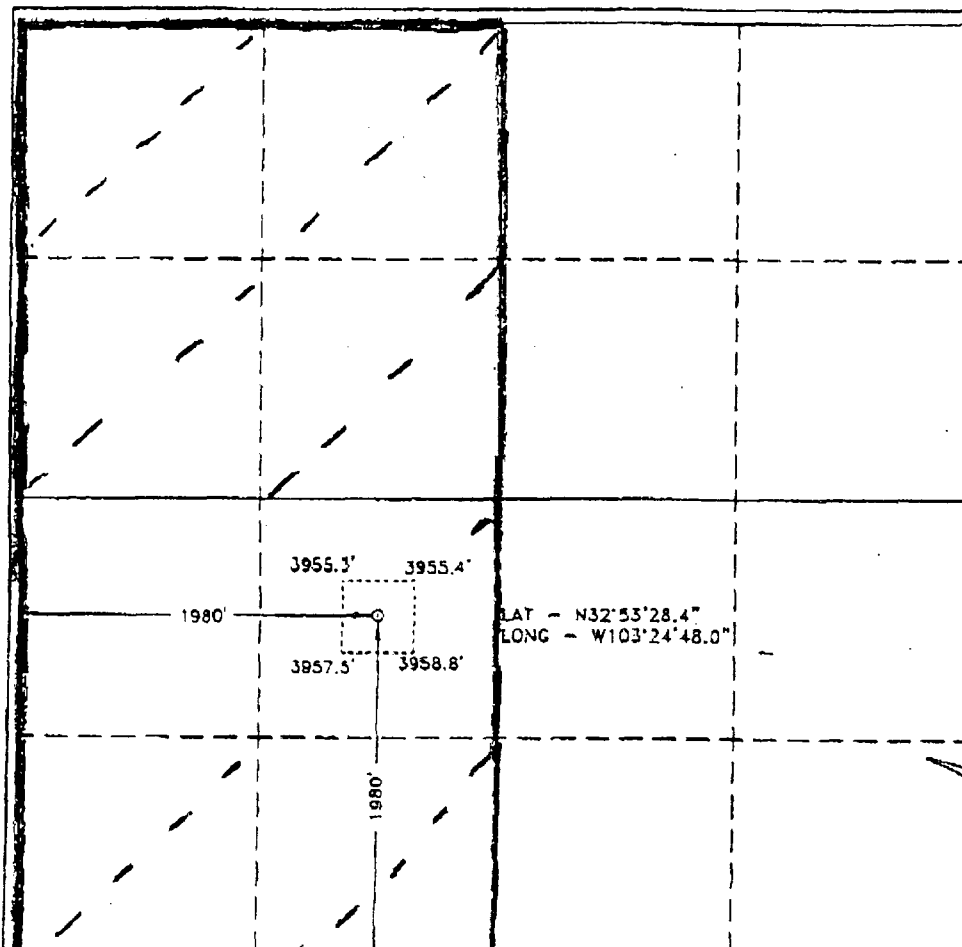
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	25	16 S	35 E		1980	SOUTH	1980	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Jeanie McMillan</i> Signature JEANIE McMillan Printed Name SR. REGULATORY SPECIALIST Title 4/29/02 Date</p>
	<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p>APRIL 8, 2002</p> <p>Date Signature Professional Engineer 7977 W.O. No. 2424 Certificate No. 7977</p>