

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 TMBR/SHARP DRILLING,	)	CASE NOS. 12,816
INC., FOR COMPULSORY POOLING, LEA	)	
COUNTY, NEW MEXICO	)	
	)	
APPLICATION OF OCEAN ENERGY, INC., FOR	)	12,841
COMPULSORY POOLING, LEA COUNTY,	)	
NEW MEXICO	)	
	)	
APPLICATION OF DAVID H. ARRINGTON OIL	)	12,859
AND GAS, INC., FOR COMPULSORY POOLING,	)	
LEA COUNTY, NEW MEXICO	)	
	)	
APPLICATION OF OCEAN ENERGY, INC., FOR	)	and 12,860
COMPULSORY POOLING, LEA COUNTY,	)	
NEW MEXICO	)	
	)	(Consolidated)

OFFICIAL EXHIBIT FILE  
(1 OF 3: TMBR/Sharp Exhibits)  
EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

Volume II: May 17th, 2002  
Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, May 16th, and Friday, May 17th, 2002, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

STEVEN T. BRENNER, CCR  
(505) 989-9317

***TMBR/Sharp v. Arrington***  
**TABLE OF CONTENTS**

<b>TAB</b>	<b>DESCRIPTION</b>
1	Oil and Gas Leases (Original Leases)
2	Top Leases
3	January 22, 2002 letter to Huff from TMBR/Sharp
4	May 3, 2002 letter to WIO from TMBR/Sharp
5	May 1, 2002 letter to David Arrington from TMBR/Sharp
6	Model Form Operating Agreement
7	April 26, 2002, Order of the Oil Conservation Commission
8	NM Statute
9	Comparative Analysis of Issues to Consider when Compulsory Pooling
10	David Arrington's Answer to Plaintiff's Third Amended Complaint for Declaratory Judgment, Tortious Interference, Repudiation, Slander of Title, Civil Conspiracy, Damages and Injunctive Relief and Counterclaim
11	Testimony of Jeffrey D. Phillips
12	Map of Sections 24 and 25
13	Response of David H. Arrington Oil & Gas, Inc. to Plaintiff's Motion for Partial Summary Judgment Regarding Tortious Interference.
14	Current status of ownership interests
15	Comparison of well proposals
16	Letter from Chris Williams to Arrington/Response by Arrington's attorney, Scott Hall
17	Correlative Rights Analysis
18	Geology/Science
19	Certificate of Mailing

## **TIMELINE OF EVENTS**

<b>DATE</b>	<b>AMERISTATE AND TMBR/SHARP ACTIVITY</b>	<b>OCEAN ACTIVITY</b>	<b>OTHER ACTIVITY</b>
12/07/94	Ameristate Oil & Gas enters into lease agreements with Madeline Stokes and Erma Stokes Hamilton which includes acreage in Sections 24 and 25.		
12/07/97	Ameristate extends leases with Stokes and Hamilton with new leases (the "Original Stokes Leases").		
07/01/98	TMBR/Sharp enters into an operating agreement covering oil and gas properties subject to the Original Stokes Leases.		
08/10/00	TMBR/Sharp enters agreements extending the primary term of the Original Stokes Leases.		
11/17/00	TMBR/Sharp files a written designation and application for a permit to drill (From C-101) with the OCD as well as a location and acreage dedication plat describing the pooled unit dedicated to the Blue Fin 24 No. 1 Well.		
11/22/00	TMBR/Sharp receives permit to drill the Blue Fin 24 No. 1 Well.		
Early 01/01	Nearburg sends prospect information to Maney.		
01/31/01		Nearburg/Mazzullo meet with Ocean Energy representatives for a "private" showing of Big Tuna prospect.	
03/27/01			Huff acquires top leases from Madeline Stokes and Erma Stokes Hamilton covering the same lands as the Original Stokes Leases (the "Huff Top Leases"). Executed by Madeline Stokes April 4, 2001.
03/29/01	TMBR/Sharp spuds The Blue Fin 24 No. 1 Well.		
05/15/01	TMBR/Sharp runs a drill stem test for the Blue Fin 24 No. 1 Well.		

DATE	AMERISTATE AND TMBR/SHARP ACTIVITY	OCEAN ACTIVITY	OTHER ACTIVITY
06/03/01	Casing placed in the hole of the Blue Fin 24 No. 1 Well.		
06/17/01	The primary term of the Original Stokes Leases expires.		
06/29/01	TMBR/Sharp produces hydrocarbons from the Blue 24 No. 1 Well.		
07/17/01			Arrington applies for Section 25 APD.
07/19/01			OCD office in Santa Fe approves Arrington Section 25 APD.
07/23/01		First farmins in SW/4 of Section 25 to Ocean Energy.	
07/24/01			Arrington relays to Jeff Phillips that TMBR/Sharp will not be able to timely drill on Sections 23 and 25.
08/06/01	First production from the Blue Fin 24 No. 1 Well is sold.		
08/06/01	TMBR/Sharp files application for permit to drill Leavelle 23 No. 1 Well on the E/2 of Section 23.		
08/07/01	TMBR/Sharp files application for permit to drill the Blue Fin 25 No. 1 Well on the N/2 of Section 25.		
08/8/01			OCD denies TMBR/Sharp's permit to drill the Blue Fin 25 No. 1 Well on the E/2 of Section 25, stating that the permit granted to Arrington O&G precluded the permit applied for by TMBR/Sharp.
08/08/01			OCD denies TMBR/Sharp's permit to drill the Leavelle 23 No. 1 Well on the E/2 of Section 23, stating that the permit granted to Arrington O&G precluded the permit applied for by TMBR/Sharp.

DATE	AMERISTATE AND TMBR/SHARP ACTIVITY	OCEAN ACTIVITY	OTHER ACTIVITY
08/21/01	TMBR/Sharp files its complaint against Davis H. Arrington Oil & Gas, James D. Huff, Madeline Stokes, Erma Stokes Hamilton, John David Stokes and Tom Stokes.		
09/17/01		Huff assigns his entire interest in the Huff Stokes/Hamilton Top Leases to Arrington Oil & Gas.	
10/31/01		Arrington assigns an undivided 50.0% of the Huff Top Leases to Ocean Energy, Inc.	
11/14/01			Ocean signs agreement with Arrington regarding its farmin agreement including acreage in Section 25.
11/20/01	TMBR/Sharp, on behalf of all Plaintiffs, files a Motion for Partial Summary Judgment Regarding Filing of Unit Designation.		
12/27/01			The Court grants the unit designation motion for summary judgment filed by Plaintiffs and denies Defendant's motion for summary judgment regarding pooling.
1/22/2002	TMBR/Sharp proposes well on N/2 of Section 25.		
1/24/2002			Arrington proposes the drilling of a well on the E/2 of Section 25.
1/25/2002	TMBR/Sharp makes application for pooling all interests in the formations underlying the N/2 of Section 25, T-16-S, R35E. Proposing to drill a well in the SW/4 NW/4 of Section 25.		

2/26/2002		Ocean applies for permit to drill the Triple Hackle Dragon 25 Well No. 1, SW1/4, NW1/4; also seeks to dedicate W1/2 of Section 25 to the well for all pools or formations developed on 320-acre spacing within that vertical extent, including the Undesignated Townsend-Morrow Gas Pool.	
4/26/02			OCC enters an Order withdrawing Arrington's permits and granting TMBR/Sharp's permits on 23 and 25.
4/30/02		Ocean applies for permit to drill the Triple Hackle Dragon #25 Well No. 2	
5/7/02	TMBR/Sharp spuds the Blue Fin 25 No. 1 on the NW/4 of Section 25.		