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NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

March 27, 2002

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

MOTION TO CONTINUE

***Re: Case 12816 N/2 Section 25, T16S, R35E
Application of TMBR/Sharp Drilling, Inc.
for compulsory pooling, Lea County, New Mexico***

***Re: Case 12841 W/2 Section 25, T16S, R35E
Application of Ocean Energy, Inc.
for compulsory pooling, Lea County, New Mexico***

Dear Ms. Wrotenbery:

On behalf of TMBR/Sharp Drilling's ("TMBR/Sharp") we request that the reference cases set for hearing of the Examiner's docket for April 4, 2002, be continue until the New Mexico Oil Conservation Commission enters an order decide Cases 12744 and 12731 heard at the De Novo hearing on March 26, 2002.

At the conclusion of the Commission hearing yesterday afternoon, Commissioner Wrotenbery announced that the Commission would attempt to reach a decision about the permit dispute between Tmbr/Sharp and Arrington by its April 26, 2002 hearing.

03/27/02 11:50 AM
Lori Wrotenbery
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87505

Oil Conservation Division

March 27, 2002

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At a Pre-Hearing Conference for the compulsory pooling cases held on March 19, 2001, Mr. David Brooks, for the Division, continued the reference compulsory pooling case then set for March 21 to April 4, 2001, so that the Commission could decide the Permit (APD) dispute has a prerequisite to the Division hearing the compulsory pooling case. Mr. Brooks further advised that the pooling cases maybe continue further until the Commissions decides the permit dispute.

A Commission decision in favor of TMBR/Sharp will eliminate the need for the Division to decide the Ocean compulsory pooling case. In the event the Commissions decides against TMBR/Sharp's position, we estimate that the pooling case with require a 1-2 day hearing.

Ocean complains that any delay in hearing its pooling case will increase it risk that its July 1, 2002 Farm-in will expire. Ocean's remedy is in District Court and is not before the Division which has no obligation to help save Ocean's farm--in. Correlative rights is the "opportunity afforded, as far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share." Ocean join forces with Arrington and as a result has waste its opportunity. Ocean also had plenty of opportunity from July 23, 2001 to propose its own well and file a pooling application prior to February 2, 2002. If is now time for Ocean to seek District Court protection like TMBR/Sharp was required to do.

Based on the foregoing, TMBR/Sharp requested that the pooling cases be continued to a Special Examiner Docket set after the Commission entered an order decide the permit dispute between Arrington and TMBR/Sharp.

Very truly yours.



W. Thomas Kellahin

cc: David K. Brooks,
Division Attorney
Steve Ross, Esq. Commission Attorney
James Bruce, Esq.,
Attorney for Ocean Energy, Inc.
Earnest Carroll, Esq.
Attorney for David H. Arrington Oil & Gas Inc.