

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

RECEIVED

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

MAR 17 2003

APPLICATION OF TMBR/SHARP
DRILLING, INC. FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

Oil Conservation Division

No. 12816

APPLICATION OF OCEAN ENERGY,
INC. FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

No. 12841

APPLICATION OF DAVID H. ARRINGTON
OIL & GAS, INC. FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

No. 12859

APPLICATION OF OCEAN ENERGY,
INC. FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

No. 12860

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Ocean Energy, Inc.
as required by the Oil Conservation Commission.

APPEARANCES

APPLICANT

Ocean Energy, Inc.
Suite 1600
1001 Fannin
Houston, Texas 77002
Attention: Derold Maney
(713) 265-6897

APPLICANT'S ATTORNEY

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

OPPONENT

TMBR/Sharp Drilling, Inc.

OPPONENT'S ATTORNEY

W. Thomas Kellahin
Susan Richardson

STATEMENT OF THE CASE

APPLICANT

Ocean Energy, Inc. ("Ocean") seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the W½ of Section 25, Township 16 South, Range 35 East, NMPM, to form a standard 320-acre gas spacing and

proration unit for any and all formations and/or pools developed on 320-acre spacing. The unit is to be dedicated to a well in the SW¼NW¼ of Section 25. 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, and designation of Ocean as operator of the well.

TMBR/Sharp Drilling, Inc. ("TMBR/Sharp") requests approval of a N½ well unit in Section 25. At the hearing, Ocean will show that a W½ unit must be approved, because:

1. The Mississippian reservoir in Section 25 (a) is limited in extent and will not support the drilling of a second well in Section 25, (b) is north-south in orientation and is essentially confined to the W½ of Section 25, and (c) is being drained by a well in the SW¼SW¼ of Section 24.
2. As a result, a second Mississippian well in the W½ of Section 25 is not warranted, and in order to protect the correlative rights of all interest owners in the W½ of Section 25, a W½ well unit must be approved.

TMBR/Sharp has asserted that it was the first company to propose a well in Section 25. That is wrong: TMBR/Sharp filed its pooling application on the day it received a well proposal from Ocean, and TMBR/Sharp did not propose its well until after it had filed its pooling application, in violation of Division policy.

OPPONENT

See the Pre-Hearing Statement filed by TMBR/Sharp Drilling, Inc.

PROPOSED EVIDENCE

APPLICANT

| <u>WITNESSES</u> | <u>EST. TIME</u> | <u>EXHIBITS</u> |
|----------------------------|------------------|-----------------|
| Derold Maney (landman) | 20 min. | four |
| Frank Messa (geologist) | 20 min. | four |
| Ray Payne (engineer) | 20 Min. | three |

OPPONENT

| <u>WITNESSES</u> | <u>EST. TIME</u> | <u>EXHIBITS</u> |
|------------------|------------------|-----------------|
|------------------|------------------|-----------------|

PROCEDURAL MATTERS

TMBR/Sharp has filed a motion to dismiss. Although the motion has no merit, Ocean will file a response on March 17, 2003. Granting TMBR/Sharp's motion would gut the effect of New Mexico's pooling statutes.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", is written over a horizontal line.

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 via facsimile transmission and U.S. Mail this 14th day of March, 2003:

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