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TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043

William F. Carr

wcarr@hollandhart.com

September 3, 2002

VIA HAND DELIVERY

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

02 SEP - 3 AM 10:10

OIL CONSERVATION DIV

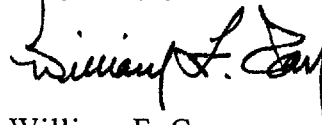
Re: Oil Conservation Division Case Nos. 12535, 12567, 12569, and
12590 de novo and Case 12738 and 12794 (Ocean Energy
Resources, Inc. / Yates Petroleum Corporation).

Dear Ms. Wrotenbery:

The above referenced cases are scheduled for hearing before the Oil Conservation Commission this month. The cases were scheduled for six months in February 2002, and the purpose of this letter is to request an additional six month continuance. Both Yates and Ocean plan to drill wells on the acreage which is the subject of this hearing. However, neither would drill this well at this time due to the current status of gas prices and both support this request for an additional six month continuance of this hearing.

James Bruce, Attorney for Ocean Energy Resources, Inc. concurs in this request and both parties agree that the underlying order should remain stayed pending the de novo hearing and Commission order in these cases.

Very truly yours,



William F. Carr
Attorney for Yates Petroleum
Corporation

cc: James Bruce, Esq.
Mr. Randy Patterson

HOLLAND & HART ^{LLP}
AND
CAMPBELL & CARR
ATTORNEYS AT LAW

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January 16, 2002

HAND DELIVERED

Ms. Lori Wrotenbery
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

OIL CONSERVATION DIV.
02 JAN 16 PM 3:37

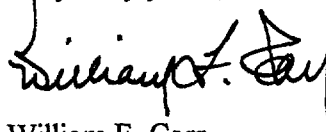
Re: Case Nos. 12535, 12567, 12569, 12590, 12738, and 12794 -- Order No. R11566:
Applications of Yates Petroleum Corporation and Ocean Energy Resources,
Inc. for compulsory pooling and four non-standard oil and gas spacing and
proration units, Lea County, New Mexico.

Dear Ms. Wrotenbery:

Yates Petroleum Corporation respectfully request that the Oil Conservation Commission hearing on the above-referenced applications be set for February 15, 2002. Mr. James Bruce, attorney for Ocean Energy Resources, Inc. does not oppose this request.

Your attention to this matter is appreciated.

Very truly yours,



William F. Carr

WFC/keh

cc: James Bruce, Esq.

JAMES BRUCE
Attorney at Law
Post Office Box 1056
Santa Fe, New Mexico 87504
Telephone: (505) 982-2043
Fax: (505) 982-2151

/ 2738

FAX COVER SHEET

DELIVER TO: Stephen C. Ross

COMPANY: Oil Conservation Division

CITY: Santa Fe, New Mexico

FAX NUMBER: (505) 476-3462

NUMBER OF PAGES: 2 (Including Cover Sheet)

DATE SENT: 10/11/01

MEMO:

JAMES BRUCE
ATTORNEY AT LAWPOST OFFICE BOX 1056
SANTA FE, NEW MEXICO 875043304 CAMINO LISA
HYDE PARK ESTATES
SANTA FE, NEW MEXICO 87501(505) 982-2043
(505) 982-2151 (FAX)

October 11, 2001

Via Fax and U.S. MailLori Wrotenbery
Oil Conservation Commission
1220 South St. Francis Drive
Santa Fe, New Mexico 87505Re: Case Nos. 12535, 12567, 12569, and 12590 *de novo*, and
Case No. 12738 (Ocean Energy Resources, Inc. ("Ocean")/
Yates Petroleum Corporation ("Yates"))

Dear Ms. Wrotenbery:

This letter is in response to Mr. Carr's letter of October 11,
2001. Ocean does not object to a continuance of the above cases.Having said that, Ocean states that Yates knew of Ocean's agreement
to move the well location to Lot 3 two months ago. In addition,
the exhibits Ocean submitted to the Commission, and traded with
Yates, are the exhibits it intended to use at the hearing tomorrow
to support the Lot 3 location. However, if Yates needs more time,
so be it.

Very truly yours,


James Bruce

Attorney for Ocean Energy Resources, Inc.

cc: Stephen C. Ross (via fax)
William F. Carr (via fax)

HOLLAND & HART LLP
AND
CAMPBELL & CARR
ATTORNEYS AT LAW

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October 10, 2001

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1200 South Saint Francis Drive
Santa Fe, New Mexico 87505

OIL CONSERVATION DIV.
01 OCT 10 PM 3:37

Re: Case No. 12535, Application of Ocean Energy Resources, Inc., *de novo*
Case No. 12567, Application of Ocean Energy Resources, Inc., *de novo*
Case No. 12569, Application of Yates Petroleum Corporation, *de novo*
Case No. 12590, Application of Yates Petroleum Corporation, *de novo*
Case No. 12738, Application of Yates Petroleum Corporation.

Dear Ms. Wrotenbery;

Yates Petroleum Corporation requests that the Commission hearing in the above-referenced cases currently scheduled for October 12, 2001 be continued until the January 2002 Commission hearing docket.

As you are aware, with less than 48 hours remaining until these cases are scheduled for hearing, it is uncertain what well location Ocean is proposing to drill. If it is in the location identified in the Pre-hearing Statement filed on October 5th, Yates objects on the grounds that Ocean has not previously proposed this location. Furthermore, the exhibits filed by Yates and Arrington on October 5th were based on the assumption that Ocean was planning to drill at the location it had proposed in 2000 and the location which was the subject of the January 2001 examiner hearing. We simply cannot now proceed to hearing without knowing which location Ocean desires to drill.

If Ocean decides to proceed with the location it originally proposed in Lot 4, the exhibits it has filed are for a location in Lot 3. Having provided copies of our exhibits to Ocean, we are placed at a disadvantage if we have to go to hearing without having the exhibits which Ocean would present at hearing.

The location which Yates and Arrington propose is based upon the geological and geophysical information we have used to successfully drill other similar wells in this

Letter to Lori Wrotenbery
October 10, 2001
Page 2

area. It will not be moved. During the time of this continuance, we are hopeful that Ocean will identify in writing the exact location it is proposing to drill in the N/3 of Section 3 so that we will be able to fully present our case in January.

We have advised James Bruce of this request for continuance. It is our understanding that he will quickly respond for Ocean Energy Resources, Inc.

Your consideration of this request is appreciated.

Very truly yours,



William F. Carr

Cc: Stephen C. Ross, Esq.
Assistant General Counsel
Oil Conservation Commission
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Randy Patterson
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

James Bruce, Esq.
Ocean Energy Resources, Inc.
Post Office Box 1056
Santa Fe, New Mexico 87504
FAX No. (505) 982-2151

HOLLAND & HART LLP
AND
CAMPBELL & CARR
ATTORNEYS AT LAW

Stephen Ross

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October 5, 2001

HAND DELIVERED

Ms. Florene Davidson
Commission Secretary
Oil Conservation Commission
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Case No. 12535, Application of Ocean Energy Resources, Inc., *de novo*
Case No. 12567, Application of Ocean Energy Resources, Inc., *de novo*
Case No. 12569, Application of Yates Petroleum Corporation, *de novo*
Case No. 12590, Application of Yates Petroleum Corporation, *de novo*
Case No. 12738, Application of Yates Petroleum Corporation

Dear Ms. Davidson;

Pursuant to the September 4, 2001 letter from Stephen C. Ross, enclosed for transmittal to the members of the Oil Conservation Commission are three copies of each of the following documents in the above referenced cases:

- A. Pre-hearing statement of Yates Petroleum Corporation, and
- B. Exhibits Yates Petroleum Corporation will present at the October 12 Oil Conservation Commission.

By copy of this letter, I am providing copies of these documents to James Bruce, Esq., attorney for Ocean Energy Resources, Inc.

Very truly yours,

William F. Carr
William F. Carr

Attorney for Yates Petroleum Corporation and
David H. Arrington Oil & Gas, Inc.

01 OCT -5 PM 3:51
- OFFICE OF THE CLERK

Letter to Florene Davidson
October 5, 2001
Page 2

Cc: ✓ Stephen C. Ross, Esq.
Assistant Attorney General
Oil Conservation Commission
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

James Bruce, Esq. w/ enc.
3304 Camino Lisa
Hyde Park Estates
Santa Fe, New Mexico 87504-2208

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

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

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

CASE NO. 12535

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

CASE NO. 12567

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR COMPULSORY POOLING,
AND THREE NON-STANDARD OIL AND GAS
SPACING AND PRORATION UNITS,
LEA COUNTY, NEW MEXICO.**

CASE NO. 12569

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR COMPULSORY POOLING
AND A NON-STANDARD SPACING AND PRORATION
UNIT, LEA COUNTY, NEW MEXICO.**

CASE NO. 12590

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR TWO NON-STANDARD
GAS SPACING AND PRORATION UNITS,
LEA COUNTY, NEW MEXICO.**

CASE NO. 12538

PRE-HEARING STATEMENT

This Pre-hearing Statement is submitted on behalf of Yates Petroleum Corporation and David H. Arrington Oil & Gas, Inc. by Holland & Hart LLP and Campbell & Carr as required by the Oil Conservation Division.

Pre-hearing Statement

NMOCD Case Nos. 12535, 12567, 12569, 12590 and 12738 Consolidated

Page 2

APPEARANCES OF PARTIES

APPLICANT

Yates Petroleum Corporation
Attention: Robert Bullock
Artesia, New Mexico 88210
(505) 748-1471

ATTORNEYS

William F. Carr, Esq.
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421

OTHER PARTY

David H. Arrington Oil & Gas, Inc.
Post Office Box 2071
Midland, Texas 79702
(915) 682-6685

ATTORNEY

William F. Carr, Esq.
Holland & Hart LLP
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421

OPPOSITION

Ocean Energy Resources, Inc.
4305 North Garfield, Suite 200A
Midland, Texas 79705
(915) 683-3303

ATTORNEY

James Bruce, Esq.
3304 Camino Lisa
Hyde Park Estates
Santa Fe, New Mexico 87505
(505) 982-2151

STATEMENT OF CASE

Each of the applicants in Cases 12535, 12567, 12569 and 12590 seeks orders pooling all mineral interests from the surface to the base of the Mississippian formation in certain spacing and proration units located in the North one-third equivalent of Irregular Section 3, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico. Said units are to be dedicated to wells to be drilled to a depth sufficient to test all formations from the surface to the base of the Mississippian formation. The parties do not agree on the locations for the wells to be drilled on this pooled unit nor do they agree as to the number of wells which will be needed to effectively and efficiently drain this acreage. Although each of the cases as filed requests consideration by the Division of the cost of drilling and completing the initial well and the allocation of the cost thereof as well as the actual operating costs and charges for supervision, and a charge for the risk of drilling the initial well, there was no issue at the examiner hearing on these issues. Yates does not anticipate there will be issues between the parties as to the costs of the wells which are the subject of these applications nor to the appropriateness of a 200% charge for risk to be assessed against any owner who does not voluntarily participate in the well which is drilled on this pooled unit.

In Case 12538, Yates seeks the creation of two non-standard gas spacing units in the North half of Section 3. Approval of this application would permit Yates to drill the well it believes should be drilled in the NE/4 of Section 3 where Yates and its partners own 100% of the working interest. Approval of this application would also permit Ocean to develop the NW/4 of Section 3 by drilling a well where it believes a well should be drilled in the NW/4 of Section 3 where it owns 41.072056% of the working interest and none is owned by Yates.

PROPOSED EVIDENCE

LAND EVIDENCE:

Robert Bullock 5 Exhibits Approximately 15 Minutes

Yates Petroleum Corporation's land evidence will address the following issues:

OWNERSHIP:

The evidence will show that Yates owns or represents 56.0960% of the working interest in the spacing unit which is the subject of these competing pooling applications and Ocean owns 41.0700% of the working interest. Yates' evidence will also show that it and its partners own 100% of the working interest in the NE/4 of Irregular Section 3 and no working interest in the NW/4 of Section 3.

NEGOTIATIONS:

In May 2000, Ocean proposed a well to Yates and Arrington at a location 800 feet from the North line and 660 feet from the West line of Section 3. When Ocean proposed the well, Yates requested the well be moved to a structurally low position in the NW/4 of Section 3 but Ocean declined to move the well. There were several discussions during the succeeding months concerning the drilling of a well on this acreage and numerous telephone conversations between the parties, and discussions between the geologists for the parties, concerning an appropriate location for the well. Yates also traveled to Houston in August 2000 to meet with Ocean to attempt to reach agreement on a well location. The primary issue between the parties has been the location of the well(s) on the subject acreage. Each applicant has met all statutory requirement for a pooling order for each has proposed a well on the acreage which is the subject of this hearing and each has filed a proper application seeking an order compulsory pooling these lands for a well to test the Morrow and Mississippian formations.

Pre-hearing Statement

NMOCD Case Nos. 12535, 12567, 12569, 12590 and 12738 Consolidated

Page 4

Yates has suggested several alternative ways to develop this acreage, including the creation of two non-standard units for two wells on the acreage with one well to be drilled by each of the applicants, but Ocean has not agreed.

LAND EXHIBITS:

Copies of Yates' land exhibits have been filed with the Division with this Pre-hearing Statement pursuant to the September 4, 2001 letter from the Division:

1. Land Map
2. Joint Operating Agreement
3. Correspondence related to the efforts of the parties to reach a voluntary agreement for the development of the subject acreage
4. Authority for Expenditure
5. Letter from David H. Arrington Oil & Gas, Inc.

GEOLOGICAL EVIDENCE:

Eric Cummins 5 Exhibits Approximately 30 minutes

Yates Petroleum Corporation's geological evidence will address the following issues:

PRIOR EXPERIENCE:

The evidence will show that Ocean has drilled 5 wells in the area surrounding the subject spacing unit, with only marginal success. Yates has been working in this area since the Ocean Carlisle Well was drilled and blew out in 1999. In the more than three years that Yates has been developing this area, it has been drilling in structural lows picked from 3D seismic information. With the exception of a re-entry, Yates has a 100% success ratio drilling in these lows selected from 3D seismic information. Ocean has a 25% to 30% success record.

DEVELOPMENT PLANS:

Yates has a major drilling program planned for this area and has identified 50 possible well locations. Yates plans to have three rigs running in this play for the next 3 years .

WELL LOCATIONS:

Yates will present a Development Map and review the recent efforts of the parties to develop this area. A Production Map will be reviewed which shows that the successful wells in this area have been drilled and completed in structural lows. Yates will also present two Structural Cross Sections which confirm that the production in the area is

Pre-hearing Statement

NMOCD Case Nos. 12535, 12567, 12569, 12590 and 12738 Consolidated

Page 5

found in fault bounded lows. To explain the reason for its concern with Ocean's proposed well location, Yates will present a Well Log from the Baer Well No. 3 located in Section 32, Township 15 South, Range 35 East, NMPM. This well was re-entered by Yates and deepened by approximately 1000 feet to test the Morrow and Mississippian formations. No sand was encountered in this well. It is on a structural high adjacent to a low which is a position very similar to the structural position for the well now proposed by Ocean in Section 3.

GEOLOGICAL EXHIBITS:

Mr. Cummins will present the following exhibits. Copies of these exhibits are filed with this pre-hearing statement pursuant to the September 4, 2001 letter from the Division:

6. Development Map
7. Production Map/Time Structure Map
8. Structural Cross Section A-A'
9. Structural Cross Section B-B'
10. Well Log (Baer Well No. 3)

GEOPHYSICAL EVIDENCE:

Frank Scheubel 4 Exhibits Approximately 20 minutes

Yates Petroleum Corporation's geophysical evidence will address the following issues:

NATURE OF THE MORROW AND MISSISSIPPIAN FORMATIONS IN THE SUBJECT AREA:

Mr. Scheubel will review the geophysical information on the Production Map/Time Structure Map which was presented in the geological portion of this case. This seismic information shows linear features or ditches from which the successful wells in the subject area produce. Yates will present two Arbitrary Seismic Lines which confirm that fault bounded structural lows are productive and structural highs are non-productive in Morrow and Mississippian formations in the area surrounding the proposed wells. Yates will also present two frequency spectrum to confirm the accuracy of the seismic interpretations.

Pre-hearing Statement

NMOCD Case Nos. 12535, 12567, 12569, 12590 and 12738 Consolidated

Page 6

GEOPHYSICAL EXHIBITS:

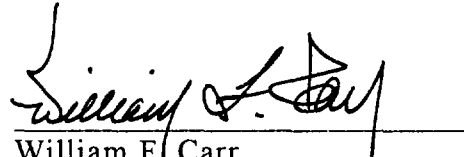
Copies of Yates' geophysical exhibits have been filed with this pre-hearing statement pursuant to the September 4, 2001 letter from the Division.

11. Production Map / Time Structure Map
12. Arbitrary Seismic Line A-A'
13. Arbitrary Seismic Line B-B'

PROCEDURAL MATTERS

Yates requests that the Commission schedule a pre-hearing conference for the purpose of considering stipulations concerning evidence on matters which are not at issue between the parties and to discuss the possibility of settling this dispute without the necessity of an additional hearing.

Yates will request that Cases 12535, 12567, 12569, 12590 and 12738 be consolidated for hearing.

A handwritten signature in black ink, appearing to read "William F. Carr", written over a horizontal line.

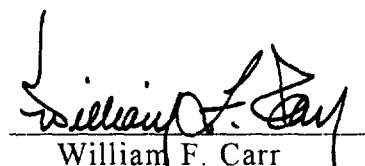
William F. Carr
Attorney for Yates Petroleum
Corporation and David H. Arrington
Oil & Gas, Inc.

CERTIFICATE OF MAILING

I hereby certify that on this 5th day of October 2001, I have caused to be delivered by facsimile or hand delivery a copy of the Pre-Hearing Statement of Yates Petroleum Corporation in the above-captioned cases to the following counsel of record.

James Bruce, Esq.
3304 Camino Lisa
Hyde Park Estates
Santa Fe, New Mexico 87505
Fax No. (505) 982-2151

Stephen C. Ross, Esq.
Assistant Attorney General
Oil Conservation Division
New Mexico Energy, Minerals
and Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505


William F. Carr

HOLLAND & HART LLP
AND
CAMPBELL & CARR
ATTORNEYS AT LAW

Case 12238

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September 18, 2001

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87504

Re: Application of Yates Petroleum Corporation for two non-standard gas spacing and proration units, Lea County, New Mexico.

Dear Ms. Wrotenbery:

Enclosed is the Application of Yates Petroleum Corporation in the above-referenced case as well as a copy of the legal advertisement. Yates Petroleum Corporation requests that this case be placed on the docket for the October 12, 2001 Oil Conservation Commission hearing docket. On this date, Yates has provided notice of this application to all affected parties.

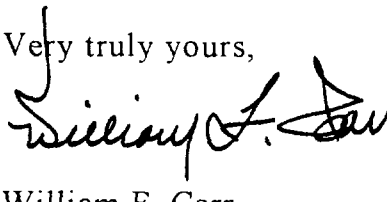
This case is a companion case to the four applications of Yates Petroleum Corporation and Ocean Energy Resources, Inc. (Cases 12535, 12567, 12569 and 12590) which are currently on de novo appeal to the Commission. At the time these cases come on for hearing, Yates will request that all cases be consolidated for the purposes of hearing.

Pursuant to the provisions of Oil Conservation Division Rule 1211.B, Yates Petroleum Corporation requests that a prehearing conference be held prior to the hearing on the merits in this case. A prehearing conference will encourage settlement of this dispute or, if no settlement is reached, will narrow the issues to be presented to the Commission. Yates Petroleum Corporation requests that the parties be directed to representatives of each of their companies present at the prehearing conference with authority to approve a settlement if one can be reached.

RECEIVED
SEP 19 PM 2:44

Ms. Lori Wrotenbery
September 18, 2001
Page Two

Your attention to this matter is appreciated.

Very truly yours,

William F. Carr

Enclosures

cc: Mr. Randy Patterson (w/enclosures)
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

James Bruce, Esq.
Attorney for Ocean Energy Resources, Inc.
3304 Camino Lisa
Hyde Park Estates
Santa Fe, New Mexico 87505