

**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:**

**CASE NO. 12323
ORDER NO. R-11314**

**APPLICATION OF OCEAN ENERGY RESOURCES, INC. FOR AN
UNORTHODOX GAS WELL LOCATION, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on January 20, 2000, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 27th day of January, 2000, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Ocean Energy Resources, Inc. ("Ocean"), seeks authority to re-enter the plugged and abandoned Bridge Oil Company, L.P., Chevron State Well No. 1 (API No. 30-025-31102), to be renamed the Panther Martin State Com Well No. 1, located on the surface at a standard gas well location 2310 feet from the South line and 1650 feet from the West line (Unit S) of irregular Section 3, Township 16 South, Range 35 East, NMPM, and directionally drill to an approximate depth of 12,657 feet at a targeted unorthodox subsurface gas well location 2040 feet from the South line and 2280 feet from the West line (Unit S) of irregular Section 3, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico, to test the Atoka and Morrow formations in the Undesignated North Shoe Bar-Atoka Gas Pool, Undesignated North Shoe Bar-Morrow Gas Pool and Undesignated Townsend-Morrow Gas Pool. Lots 11, 12, 13, 14 and the SW/4 of irregular Section 3 are to be dedicated to the subject well forming a standard 320-acre gas spacing and proration unit.

(3) Ocean originally sought administrative approval of this location; however, following discussions with the Division, the application was set for hearing to require Ocean to present additional evidence concerning the proposed well location.

(4) The subject pools are governed by Division Rule 104.C. (2), which requires 320-acre gas spacing and proration units with wells to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. One infill well on a 320-acre unit is allowed provided that the well is located in the quarter section of the 320-acre unit not containing the initial well and is no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. The Division-designated operator for the infill well must be the same operator currently designated by the Division for the initial well.

(5) David H. Arrington Oil & Gas, Inc., the Division-designated operator of the adjoining spacing unit in irregular Section 3, appeared at the hearing through legal counsel in support of Ocean's application.

(6) All working interests, royalty interests and overriding interests are common throughout this lease and the adjoining lease; therefore, no owners will be adversely affected by the proposed unorthodox well location. Accordingly, no correlative rights will be impaired by a well at the proposed unorthodox gas well location.

(7) The primary target within the Panther Martin State Com Well No. 1 is the Mesa sand member of the Morrow formation;

(8) The David H. Arrington Oil & Gas, Inc. Parachute Adams Well No.1, which is located in the SE/4 of irregular Section 3 and which has produced from the Mesa sand member, and the Yates Petroleum Corporation Field APK Well No. 3, which is located in the SW/4 of irregular Section 2 and which currently produces from the Mesa sand member, are both completed in structural lows within the Morrow formation.

(9) Ocean testified that the proposed bottom hole location of the Panther Martin State Com Well No. 1 will place it in a similar structural low thereby increasing the chances of encountering commercial quantities of hydrocarbons. Additionally, Ocean testified that the proposed location should encounter a thicker section of the Mesa sand member. The location was selected based a combination of seismic information and well control.

(10) There is no other location in the 320-acre unit with comparable structural and isopach characteristics; therefore, moving the well to another location would increase the risk of missing the reservoir and increase the chances of drilling an unsuccessful well.

(11) Approval of the proposed unorthodox gas well location will afford the applicant the opportunity to produce its just and equitable share of the gas within the Mesa sand member of the Morrow formation and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

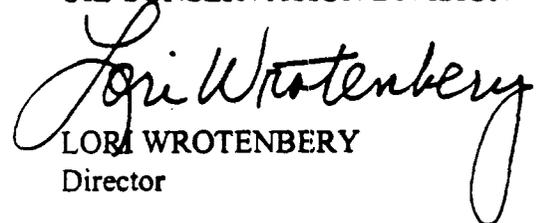
(1) The applicant, Ocean Energy Resources, Inc., is hereby authorized to re-enter the plugged and abandoned Bridge Oil Company, L.P., Chevron State Well No. 1 (API No. 30-025-31102), to be renamed the Panther Martin State Com Well No. 1, located on the surface at a standard gas well location 2310 feet from the South line and 1650 feet from the West line (Unit S) of irregular Section 3, Township 16 South, Range 35 East, NMPM, and directionally drill to an approximate depth of 12,657 feet at a targeted unorthodox subsurface gas well location 2040 feet from the South line and 2280 feet from the West line (Unit S) of irregular Section 3, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico, to test the Atoka and Morrow formations in the Undesignated North Shoe Bar-Atoka Gas Pool, Undesignated North Shoe Bar-Morrow Gas Pool and Undesignated Townsend-Morrow Gas Pool.

(2) Lots 11, 12, 13, 14 and the SW/4 of irregular Section 3 are to be dedicated to the subject well forming a standard 320-acre gas spacing and proration unit for the subject pools.

(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

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