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August 8, 2000

David R. Catanach
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Case No. 12401; application of Ocean Energy Resources,
Inc.

Case No. 12374; application of Yates Petroleum
Corporation

Dear Mr. Catanach:

My client received pressure data on the Schenck well at the hearing on July 27th, during which Mr. Pearson of Yates testified that the pressure was approximately 3800 psi in March 2000. Based thereon, I have revised the pressure timeline in paragraph 6(d) of Ocean Energy's proposed order. A new page 3 of the proposed order is enclosed. Clearly, there is a significant pressure differential between Ocean Energy's Townsend State Well No. 5 on the one hand, and Yates' Lusk and Schenck wells on the other. In fact, there is a substantial differential between the two Yates wells.

Very truly yours,



James Bruce

Attorney for Ocean Energy
Resources, Inc.

cc: Derold Maney w/encl.
William F. Carr w/encl.

SEPARATION OF RESERVOIRS

(6) Ocean presented geologic and engineering evidence showing that:

(a) Ocean is operator of the Townsend State Well No. 5, located at an unorthodox location 330 feet from the South line and 1520 feet from the East line (Unit W) of irregular Section 2, Township 16 South, Range 35 East, N.M.P.M., approved by Division Administrative Order NSL-3870-A. The Townsend State Well No. 5 is completed in and producing from the Strawn formation, with the S½SE¼ of Section 2 dedicated to the well.

(b) The porosity pod in which the Townsend Well No. 5 is located is surrounded by the following dry holes in the Strawn formation:

<u>Well Name</u>	<u>Location</u>
Field APK St. No. 3	NE¼SW¼ Section 2
Townsend St. No. 3	NE¼SW¼ Section 2
Townsend St. 2 No. 1	Lot 15 Section 2
St. D No. 9	SW¼SW¼ Section 1
Shell Lusk ANB No. 1	SE¼NW¼ Section 11

(c) The producing Strawn wells nearest to the Townsend Well No. 5, described below, are not in pressure communication with the Townsend Well No. 5:

<u>Well Name</u>	<u>Location</u>
Runnels ASP No. 3	E¼NE¼ Section 11
Townsend St. No. 1	Lot 16/NE¼SE¼ Sec. 11

(d) Pressure data from Strawn wells in this area, by date, is as follows:

	<u>Pressure (psi)</u>					
<u>Well Name</u>	<u>10/98</u>	<u>3/99</u>	<u>5/99</u>	<u>7/99</u>	<u>3/00</u>	<u>5/00</u>
Townsend St. No. 5	4100	3000			1300	
Runnels ASP No. 3		4150				1900
Lusk ANB No. 2				3800		
Schenck No. 1					3800	