

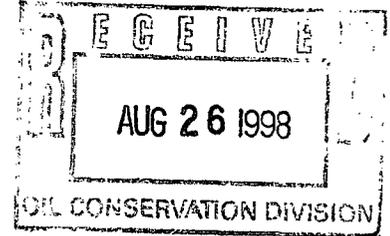
**NEW MEXICO OIL CONSERVATION DIVISION**  
 - Engineering Bureau -

**ADMINISTRATIVE APPLICATION COVERSHEET**

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

**Application Acronyms:**

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]



**[1] TYPE OF APPLICATION - Check Those Which Apply for [A]**

[A]  Location - Spacing Unit - Directional Drilling

- NSL     NSP     DD     SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

- DHC     CTB     PLC     PC     OLS     OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

- WFX     PMX     SWD     IPI     EOR     PPR

**[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or  Does Not Apply**

[A]  Working, Royalty or Overriding Royalty Interest Owners

[B]  Offset Operators, Leaseholders or Surface Owner

[C]  Application is One Which Requires Published Legal Notice

[D]  Notification and/or Concurrent Approval by BLM or SLO

U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E]  For all of the above, Proof of Notification or Publication is Attached, and/or,

[F]  Waivers are Attached

**[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding**

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

JAMES BRUCE  
 P.O. BOX 1056  
 SANTA FE, NM 87504

Note: Statement must be completed by an individual with supervisory capacity.

*James Bruce*  
 \_\_\_\_\_  
 Signature

*Attorney for Applicant*  
 \_\_\_\_\_  
 Title

*8/26/98*  
 \_\_\_\_\_  
 Date

Print or Type Name

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

SUITE B  
612 OLD SANTA FE TRAIL  
SANTA FE, NEW MEXICO 87501

(505) 982-2043  
(505) 982-2151 (FAX)

August 26, 1997

AUG 26 1998  
OIL CONSERVATION DIVISION

Hand Delivered

Michael E. Stogner  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rule 104.F.(2), Ocean Energy Resources, Inc. ("Ocean") applies for administrative approval of an unorthodox oil well location for the following well:

2130 Mazama St. Well No. 1  
2310 feet FNL & 1650 feet FEL  
S $\frac{1}{2}$ NE $\frac{1}{4}$  §21, Township 10 South, Range 37 East, NMPM  
Lea County, New Mexico

The well will be drilled to a depth sufficient to test the Devonian formation (Undesignated North Echol-Devonian Pool). Well spacing is 80 acres, with wells to be located within 150 feet of the center of a quarter-quarter section.<sup>1</sup> A Form C-102 for the well is being prepared, and will be submitted to you shortly.

The proposed location is based upon geological and geophysical reasons. Attached as Exhibit A is a structure map on top of the Devonian formation, which is based on 3D seismic and some well control. The map shows that the proposed location is in the highest part of the structure, yet east of the fault. An orthodox location in the SW $\frac{1}{4}$ NE $\frac{1}{4}$  places the well in the fault zone. An orthodox location in the SE $\frac{1}{4}$ NE $\frac{1}{4}$  would be at or below the oil/water contact.<sup>2</sup>

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<sup>1</sup>Special pool rules were instituted by Order No. R-11033, dated August 19, 1998.

<sup>2</sup>The show well in the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 21 watered out and was plugged in 1957.

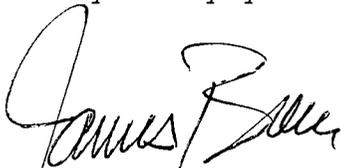
The proposed well is in the same pool as, but in a separate fault block than, the reservoir producing from Ocean's successful Rainier St. Well No. 1, located in the N $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 28.

The proposed location is at the optimum spot to test this structure, will reduce the risk involved in drilling the well, and provide the greatest chance for economical oil and gas production.

Submitted as Exhibit B is a land plat of Section 21, with the well location of the proposed well marked thereon, and identifying the lessees in the section. The NE $\frac{1}{4}$  of Section 21 is comprised entirely of state land, and is covered by one lease (V-4490). Ocean is the only working interest owner in the lease, and overriding royalty ownership is common throughout the lease. Because the well is only moving toward an interior boundary of the well unit, notice is not required to be given to any offset lessee or any other interest owner. As a result, Ocean requests that the 20 day waiting period be waived.

This application is submitted in duplicate. Please call me if you need anything further on this matter.

Very truly yours,

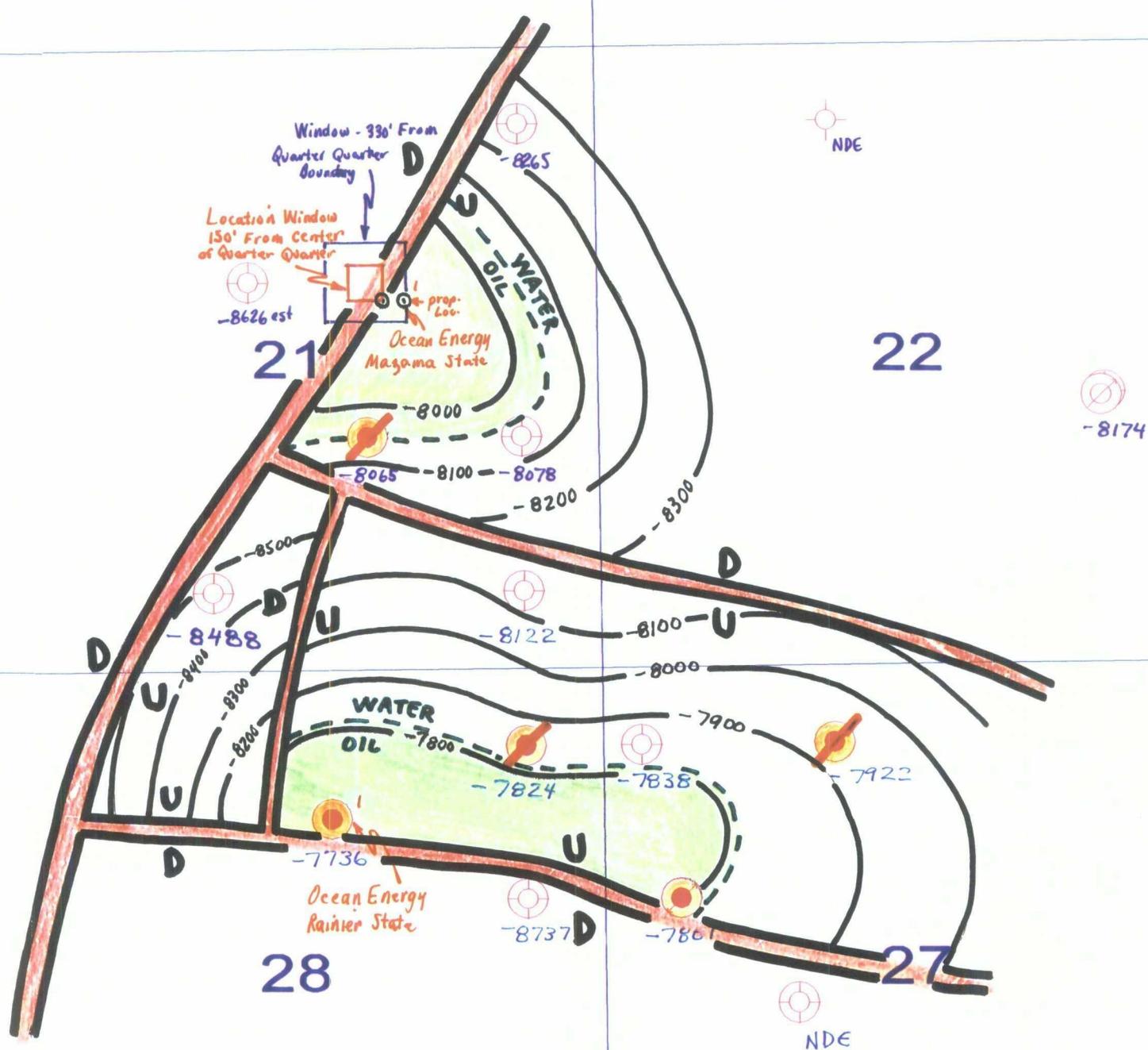


James Bruce

Attorney for Ocean  
Energy Resources, Inc.

cc: L. Smith

T  
10  
S



R 37 E

EXHIBIT

A

-  Devonian Producer
-  Plugged Devonian Producer

Ocean Energy

NM: NORTH LEA COUNTY  
JRM - MAZAMA PROSPECT

Structure - Top of Devonian

john mcrae

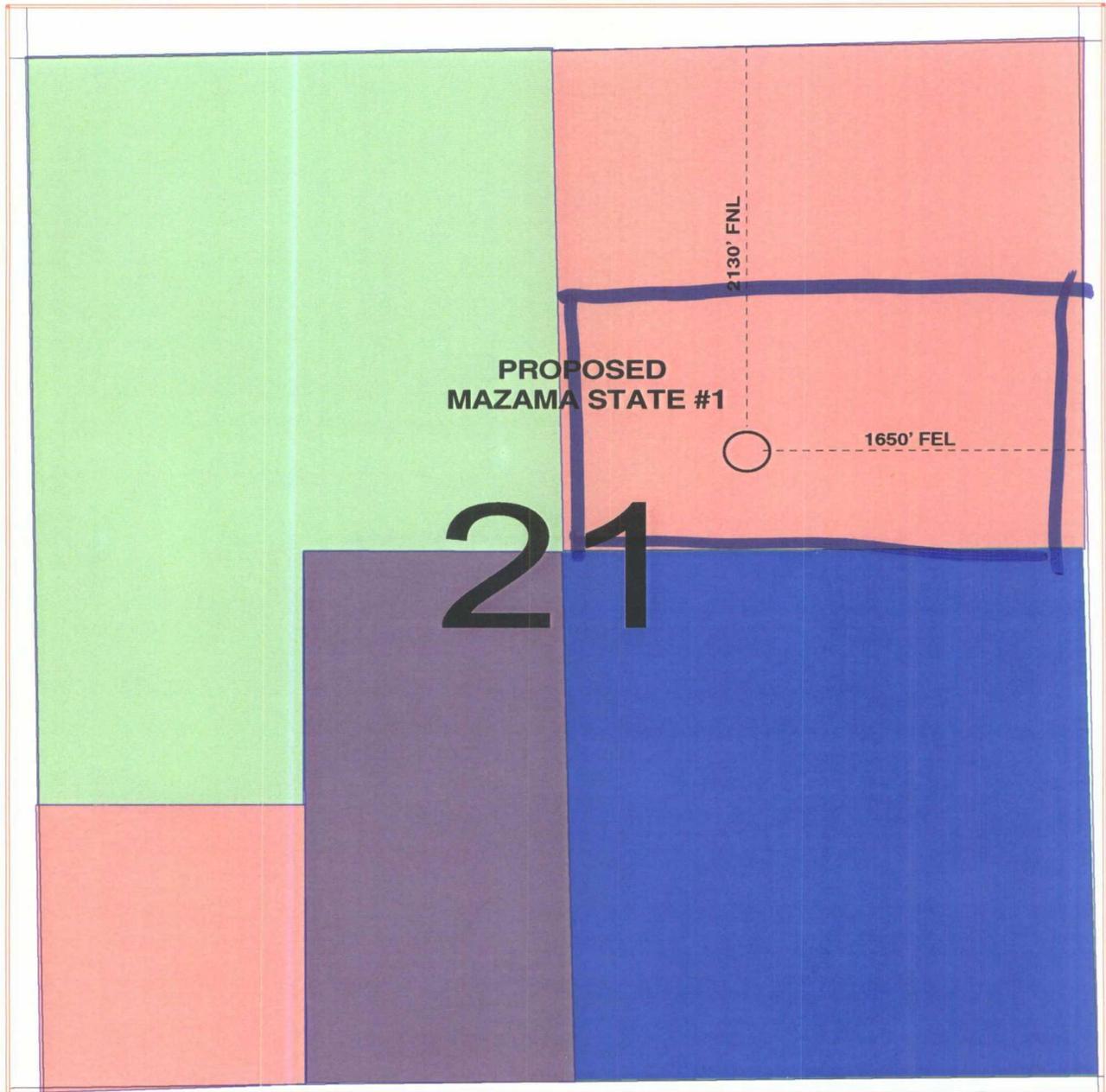
Lea Co.

8/13/98



# T10S-R37E

## Lea County, New Mexico



### LEGEND

- Ocean Energy Resources, Inc.
- Marbob Energy Corporation
- Maralo, Inc.
- Cobra Exploration & Kelley Oil Corp.

OCEAN ENERGY RESOURCES, INC.

UNORTHODOX WELL LOCATION  
STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

LANDMAN:	8/25/1998	LAND TECH: SCHERFF
SMITH	Scale 1:10000.	SEC21.GPF

**JAMES BRUCE**  
ATTORNEY AT LAW

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SANTA FE, NEW MEXICO 87504

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(505) 982-2043  
(505) 982-2151 (FAX)

August 27, 1998

Via Fax

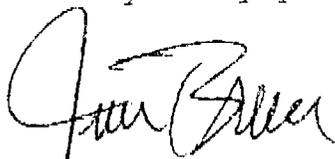
Michael E. Stogner  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: Unorthodox oil well location; Ocean Energy Resources,  
Inc.; S $\frac{1}{2}$ NE $\frac{1}{4}$  Section 21, Township 10 South, Range 37 East,  
NMPM, Lea County.

Dear Mike:

Regarding the application above application, please note that the correct well location is 2130 feet FNL, and not 2310 feet FNL. As a result, I do not think it is moving toward any offset (Maralo, Inc. Sorry for the mixup.

Very truly yours,



James Bruce

Attorney for Ocean  
Energy Resources, Inc.

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

FAX COVER SHEET

DELIVER TO: Michael E. Stogner  
COMPANY: Oil Conservation Division  
CITY: Santa Fe, New Mexico  
FAX NUMBER: 827-8177  
NUMBER OF PAGES: 2 (Including Cover Sheet)  
DATE SENT: 8/27/98  
MEMO:

CONFIDENTIALITY NOTICE

This transmission contains information which may be confidential and/or legally privileged. The information is intended only for the above-named recipient. If you are not the intended recipient, any copying or distribution of the information is prohibited. If you have received this transmission in error, please call us at the above number and return the document by United States mail. Thank you.

1980  
150  
2130


SECTION \_\_\_\_\_ TOWNSHIP \_\_\_\_\_ RANGE \_\_\_\_\_

CMD :  
OG5SECT

ONGARD  
INQUIRE LAND BY SECTION

08/28/98 11:53:45  
OGOIV -EMD2  
PAGE NO: 1

Sec : 21 Twp : 10S Rng : 37E Section Type : NORMAL

D 40.00  Fee owned	C 40.00  Fee owned	B 40.00 SDSV V04490 0000 10/99 FEATHERSTONE DEVE	A 40.00 SDSV V04490 0000 10/99 FEATHERSTONE DEVE
E 40.00  Fee owned	F 40.00  Fee owned	G 40.00 SDSV V04490 0000 10/99 FEATHERSTONE DEVE	H 40.00 SDSV V04490 0000 10/99 FEATHERSTONE DEVE

PF01 HELP      PF02              PF03 EXIT      PF04 GoTo      PF05              PF06  
PF07 BKWD      PF08 FWD          PF09 PRINT      PF10 SDIV      PF11              PF12

Sec : 21 Twp : 10S Rng : 37E Section Type : NORMAL

L	K	J	I
40.00	40.00	40.00	40.00
	SDSV	SDSV	SDSV
Fee owned	VB0485 0001 05/01	V04207 0001 10/98	V04207 0001 10/98
	COBRA EXPLORATION	MARALO INC	MARALO INC

M	N	O	P
40.00	40.00	40.00	40.00
SDSV	SDSV	SDSV	SDSV
V04490 0000 10/99	VB0485 0001 05/01	V04207 0001 10/98	V04207 0001 10/98
FEATHERSTONE DEVE	COBRA EXPLORATION	MARALO INC	MARALO INC

PF01 HELP      PF02              PF03 EXIT      PF04 GoTo      PF05              PF06  
PF07 BKWD      PF08 FWD          PF09 PRINT      PF10 SDIV      PF11              PF12

**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. 12012  
Order No. R-11033**

**APPLICATION OF OCEAN ENERGY,  
INC. FOR SPECIAL POOL RULES, LEA  
COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on July 23, 1998, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 19<sup>th</sup> day of August, 1998, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

**FINDS THAT:**

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

(2) The applicant, Ocean Energy, Inc., seeks the promulgation of special rules and regulations for the existing North Echol-Devonian Pool, located in portions of Sections 21, 22, 27 and 28, Township 10 South, Range 37 East, NMPM, Lea County, New Mexico, including provisions for 80-acre spacing and proration units and designated well location requirements.

(3) The North Echol-Devonian Pool was created by Division Order No. R-175 dated July 24, 1952. The pool currently comprises the following described area in Lea County, New Mexico:

**TOWNSHIP 10 SOUTH, RANGE 37 EAST, NMPM**

Section 21: All  
Section 22: SW/4  
Section 27: NW/4  
Section 28: NE/4

(4) Division records and evidence and testimony presented by the applicant indicate that the North Echol-Devonian Pool is currently governed by Rule No. 104.C. of the Division General Rules which requires standard 40-acre spacing and proration units with wells to be located no closer than 330 feet from the outer boundary of the spacing unit.

(5) During the fourth quarter of 1997, UMC Petroleum Corporation (predecessor to Ocean Energy, Inc.) drilled its Rainier State Well No. 1 located at a previously approved unorthodox Devonian location (approved by Division Order No. NSL-3816 dated July 1, 1997) 1300 feet from the North line and 2310 feet from the East line (Unit B) of Section 28. The well was completed in the Devonian formation in January, 1998, at an initial producing rate of 136 barrels of oil per day and 235 barrels of water per day.

(6) There is currently only one additional well producing from the North Echol-Devonian Pool, being the TOCO, L.L.C. Morse Well No. 1 located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 27, Township 10 South, Range 37 East, NMPM.

(7) The applicant's geologic and engineering evidence and testimony indicate that:

- a) the North Echol-Devonian Pool is generally depleted with the exception of that portion of the structure located above the oil-water contact at -7,820 feet;
- b) the productive portion of the Devonian structure is encompassed within an area of approximately 80 acres comprising portions of the N/2 NE/4 of Section 28 and the SW/4 NW/4 of Section 27;
- c) the Morse Well No. 1 is currently producing at low rates of approximately 19 barrels of oil per day and 176 barrels of water per day;
- d) the Devonian reservoir in the vicinity of the Rainier State Well No. 1 exhibits high permeabilities as well as a strong active water drive;
- e) the remaining oil reserves within the Devonian structure are estimated to be approximately 288,000 barrels of oil;

- f) the Rainier State Well No. 1 should effectively and efficiently drain the remaining reserves within this Devonian structure and it is anticipated that no additional wells will be drilled in this pool.
- (8) The applicant currently operates the affected acreage in the NE/4 of Section 28.
- (9) TOCO, L.L.C., the only other operator in the pool, submitted a waiver of objection and statement of support for Ocean Energy, Inc's. application in this case.
- (10) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.
- (11) In order to prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and to otherwise prevent waste and protect correlative rights, special rules providing for 80-acre spacing units should be adopted for the North Echol-Devonian Pool.
- (12) At the time of the hearing, the applicant further requested that:
  - a) the proposed special rules be adopted on a permanent basis; and,
  - b) the special rules provide for designated well locations such that wells may be located no closer than 330 feet from the outer boundary of a quarter-quarter section or lot in order to provide for flexibility in drilling wells within the pool.
- (13) Adoption of the proposed special rules on a permanent basis is justified in this case.
- (14) On the basis of evidence and testimony, the proposed well location requirements appear to be unnecessary in view of the fact that no additional wells will likely be drilled in the North Echol-Devonian Pool.
- (15) The special rules should provide for designated well locations such that a well should be located within 150 feet of the center of a governmental quarter-quarter section or lot in order to protect correlative rights.

(16) Pursuant to Division General Rule Nos. 505 and 506, the subject pool should be assigned a depth bracket allowable of 445 barrels of oil per day at a limiting gas-oil ratio of 2,000 cubic feet of gas per barrel of oil.

**IT IS THEREFORE ORDERED THAT:**

(1) Pursuant to the application of Ocean Energy, Inc., Special Rules for the North Echol-Devonian Pool, located in portions of Sections 21, 22, 27 and 28, Township 10 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby adopted as follows:

SPECIAL RULES  
FOR THE  
NORTH ECHOL-DEVONIAN POOL

RULE 1. Each well completed in or recompleted in the North Echol-Devonian Pool or in the Devonian formation within one mile thereof, and not nearer to or within the limits of another designated Devonian pool shall be spaced, drilled, operated, and produced in accordance with the following Special Rules.

RULE 2. Each well completed or recompleted in the North Echol-Devonian Pool shall be located on a unit containing 80 acres, more or less, which consists of the N/2, S/2, E/2 or W/2 of a single governmental quarter section.

RULE 3. The Director may grant an exception to the requirements of Rule 2 without hearing when an application has been filed for a non-standard unit consisting of less than 80 acres or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Lands Survey. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.

RULE 4. Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

**RULE 5.** The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to a deeper horizon. All operators offsetting the proposed location shall be notified of the application by certified mail (return receipt requested), and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

**RULE 6.** The allowable for a standard proration unit (79 through 81 acres) shall be based on a depth bracket allowable of 445 barrels of oil per day, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

**IT IS FURTHER ORDERED THAT:**

(2) The location of all wells presently drilling to or completed in the North Echol-Devonian Pool or in the Devonian formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well within 30 days from the date of this order.

(3) Pursuant to Paragraph A of Section 70-2-18, N.M.S.A. 1978 Comp., existing oil wells in the North Echol-Devonian Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable until a non-standard spacing unit has been approved.

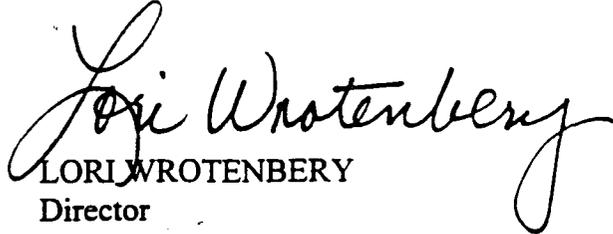
(4) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

CASE NO. 12012  
Order No. R-11033  
Page -6-

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
LORI WROTENBERY  
Director

S E A L

