



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

November 30, 2000

Lori Wrotenbery
Director
Oil Conservation Division

Ocean Energy Resources, Inc.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Telefax No. (505) 982-2151

Administrative Order NSL-4530

Dear Mr. Bruce:

Reference is made to the following: (i) your application on behalf of the operator, Ocean Energy, Inc. ("Ocean Energy") dated November 21, 2000; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Ocean Energy's request for an exception to the provisions of Division Rule 104.C (2) (b) for an infill gas well to be drilled at an unorthodox deep gas well location within an existing standard 320-acre stand-up gas spacing and proration unit in the Shugart-Morrow Gas Pool comprising the E/2 of Section 28, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico.

This 320-acre unit is currently dedicated to Ocean Energy's Shugart "28" Federal Well No. 1 (**API No. 30-015-30137**), located at a standard gas well location 1750 feet from the North line and 1900 feet from the East line (Unit G) of Section 28.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

The geologic interpretation submitted indicates that a well drilled north of the nearest location considered standard within the SE/4 of Section 28 will be at a more favorable geologic position within that portion of the Morrow reservoir underlying the southern half of this unit. Topographic conditions further restrict placement of a drilling pad in the SE/4 of Section 28.

By the authority granted me under the provisions of Division Rule 104.F (2), the following described well to be drilled at an unorthodox infill deep gas well location within this 320-acre unit is hereby approved:

Shugart "28" Federal Well No. 3
2180' FSL & 1330' FEL (Unit J).

Ocean Energy is hereby authorized to simultaneously dedicate production attributed to the Shugart-Morrow Gas Pool from its existing Shugart "28" Federal Well No. 1 with the proposed Shugart "28" Federal Well No. 3.

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Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori Wrotenbery". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad