

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

N.M. Oil Cons. Division
1625 N. French Dr
Hobbs, NM 88240

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reenter a different reservoir.
Use "APPLICATION FOR PERMIT -" for such proposals

5. Lease Designation and Serial No.
NM 96249

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.
Kukui "31" #1

9. API Well No.
30-025-35861

10. Field and Pool, or Exploratory Area
Morrow: Morrow

11. County or Parish, State
Lea County, NM

SUBMIT IN TRIPLICATE

Type of Well
 Oil Well Gas Well Other type other description or delete

Name of Operator
Ocean Energy, Inc.

Address and Telephone No.
1001 Fannin, Suite 1600, Houston, TX 77002 (713) 265-6834

Location of Well (Footage, Sec., T., R., M., or Survey Description)
1290' FNL & 1980' FEL of Lot B, Sec. 31, T14S, R35E

CHECK APPROPRIATE BOX(es) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input checked="" type="checkbox"/> Other <u>Spud/Casing Info.</u>
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

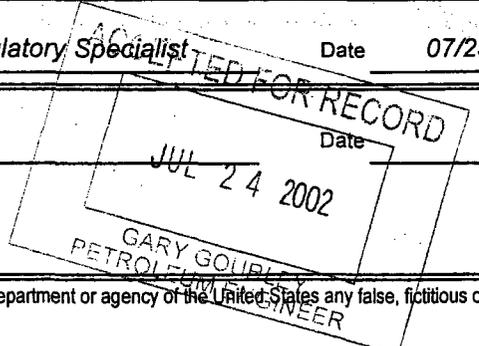
4-1-02 Spud with Greywolf Rig 33 using 17-1/2" bit.

4-2-02 Drill to 450' and run 10 jts 13-3/8" 48# H-40 csg, set @ 450'. Cmtd w/BJ using 492 sx CI C + additives. Bumped to plug to 600 psi, floats held, circ 64 sx to surface, full circ. WOC 27 hrs, test csg to 500 psi - OK. Drill from 450' to 5/25/02 6255' w/11" bit. Ran 144 jts 8-5/8" 32# HCK-55 LTC csg & set @ 6248'. Cemented w/BJ using 2575 sx 35:65:5% gel + additives, tail w/200 sx CI C neat. Displace w/375 bbls fresh water, bumped plug to 2050 psi, floats held, circ 215 sx to surface w/full circ. WOC 18 hrs, test csg to 1500 psi. Drilled and surveyed from 6248' to TD of 13560'. Ran Triple Combo log from TD to 6250'. Took SWC's & ran RFT's across Wolfcamp formation. Ran 5-1/2" casing, 138 jts 17# P-110 LTC & 172 jts 17# L-80 LTC to 13,560'. RU BJ & pumped 150 bbls of 150 SCF N2/bbl mud ahead. Cemented w/1150 sx Super C modified additives; tail w/275 sx CI H + additives. Reciprocated casing during cment job. Bumped plug w/313 bbls fresh water to 2400 psi, floats held. RIG RELEASED 5/25/02. Test wellhead to 5000 psi.

I hereby certify that the foregoing is true and correct
 Signed Jeanne McMillan Title Regulatory Specialist Date 07/23/02

(This space for Federal or State office use)
 Approved by _____ Title _____ Date _____

Conditions of approval, if any: _____



Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

INCLINATION REPORT

TE: 5/30/02

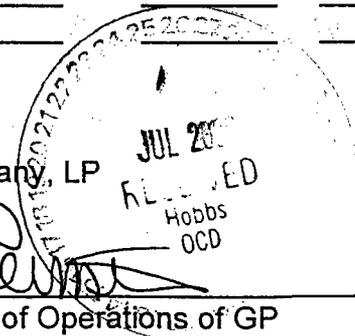
WELL NAME: Kukui 31-1 - [#] B-31-14s-35e
 LOCATION: Lea County, New Mexico 1290/N @ 1980/E
 OPERATOR: OCEAN ENERGY, INC. 3D-025-35861
 DRILLING CONTRACTOR: GREY WOLF DRILLING COMPANY, LP
 Rig #33

I, Mike Reimers, do hereby certify, that the following inclination report was prepared in the office of GREY WOLF DRILLING COMPANY, LP in Alice, Texas, under my supervision, from records of said well, and is true and correct to the best of my knowledge:

DEGREE	DEPTH	DEGREE	DEPTH	DEGREE	DEPTH	DEGREE	DEPTH
3/4 @	403	1/4 @	6730	3-1/4 @	10648		
1/4 @	974	1/4 @	7217	2-1/2	10827		
1/4 @	1468	3/4 @	7712	1/2	11355		
1/4 @	1965	1/4 @	8207	1-1/2	11777		
1/4 @	2453	3/4 @	8701	2	12171		
1/4 @	3006	1 @	8914	1-3/4	12663		
3/4 @	3189	3/4 @	9405	1-3/4	13157		
3/4 @	3685	3/4 @	9897				
3/4 @	4172	1 @	10517				
1/2 @	4662	3/4 @	10195				
1/2 @	5157	4-1/4	10406				
1/4 @	5713	3-3/4 @	10497				

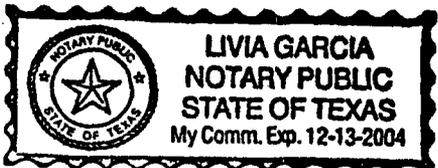
Drilling Contractor:
 Grey Wolf Drilling Company, LP

By: Mike Reimers
 Mike Reimers, VP of Operations of GP



Subscribed and sworn to before me on this 11 day of June, 2002.

Commission Expires: 12-13-04



By: Livia Garcia
 Livia Garcia
 Notary Public - State of Texas
 County of Jim Wells

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

Form C-104
Reformatted July 20, 2001

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to Appropriate District Office
5 Copies

AMENDED REPORT

I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT

¹ Operator name and Address OCEAN ENERGY, INC. 1001 Fannin, Suite 1600, Houston, TX 77002		² OGRID Number 169355
		³ Reason for Filing Code/ Effective Date NW 06/2002
⁴ API Number 30 025-35861	⁵ Pool Name Morton (Morrow)	⁶ Pool Code 81460
⁷ Property Code 29596	⁸ Property Name Kukui "31"	⁹ Well Number 1

THIS WELL HAS BEEN PLACED IN THE POOL DESIGNATED BELOW. IF YOU DO NOT CONCUR NOTIFY THIS OFFICE.

II. ¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot.Idn	Feet from the	North/South Line	Feet from the	East/West line	County
B	31	14S	35E		1290	North	1980	East	Lea

¹¹ Bottom Hole Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Lse Code F	¹³ Producing F	¹⁴ Gas 6/27/02	¹⁵ C-129 Permit Number	¹⁶ C-129 Effective Date	¹⁷ C-129 Expiration Date				

III. Oil and Gas Transporters

¹⁸ Transporter OGRID	¹⁹ Transporter Name and Address	²⁰ POD	²¹ O/G	²² POD ULSTR Location and Description
209700 138648	BP Amoco 200 Loraine, Suite 1222 Midland, TX 79701	2832373	O	B, 31-14S-35E Tank Battery
147831	AGAVE 105 S. 4 th Street Artesia, NM 88210	2832374	G	B, 31-14S-35E Tank Battery

IV. Produced Water

²³ POD 2832375	²⁴ POD ULSTR Location and Description Tank Battery - B, Sec. 31-14S-35E
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V. Well Completion Data

²⁵ Spud Date 4/1/02	²⁶ Ready Date 6/27/02	²⁷ TD 13650'	²⁸ PBD 13398'	²⁹ Perforations 13215-13253	³⁰ DHC, MC
³¹ Hole Size	³² Casing & Tubing Size	³³ Depth Set	³⁴ Sacks Cement		
	20"	40'			
17-1/2"	13-3/8"	450'	492 sx Cl C + 2% CaCl2		
11"	8-5/8"	6248'	2775 sx 35:65 & Class C		
7-7/8"	5-1/2"	13560'	1150 sx Super C & Class H		

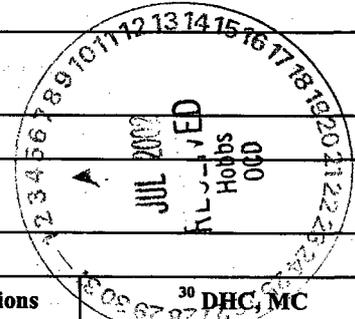
VI. Well Test Data

³⁵ Date New Oil	³⁶ Gas Delivery Date 6/27/02	³⁷ Test Date 7/1/02	³⁸ Test Length 24 hr	³⁹ Tbg. Pressure 1700 psi	⁴⁰ Csg. Pressure
⁴¹ Choke Size 12/64"	⁴² Oil 81	⁴³ Water 0	⁴⁴ Gas 1452	⁴⁵ AOF	⁴⁶ Test Method Flowing

⁴⁷ I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Jeanie McMillan*
Printed name: Jeanie McMillan
Title: Sr. Regulatory Specialist
Date: 7/2/02
Phone: (713) 265-6834; fax 713/265-8086

OIL CONSERVATION DIVISION
Approved by: *[Signature]*
Title: PETROLEUM ENGINEER
Approval Date: AUG 12 2002



APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK DRILL DEEPEN
 1b. TYPE OF WELL OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR **OCEAN ENERGY INC.**
 9. WELL NO. **I**

3. ADDRESS OF OPERATOR **1001 Fannin, Suite 1600, Houston, TX 77002 (713) 265-6000 X-6834**
 10. FIELD AND POOL OR WILDCAT **North Morton (Morton Mesa)**

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*
 At Surface **1290' FNL & 1980' FEL of Sec. 31**
 At proposed Prod. Zon **Same**
 11. SEC. T, R, M, OR BLK. AND SURVEY OR AREA **B, Sec. 31, T14S, R35E**

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* **Approximately 7 miles northwest of Lovington, NM**
 12. COUNTY OR PARISH **Lea County** 13. STATE **NM**

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any) **1290'**
 16. NO. OF ACRES IN LEASE **321.01**
 17. NO. OF ACRES ASSIGNED TO THIS WELL **321.01**

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR ON THIS LEASE, FT. **N/A**
 19. PROPOSED DEPTH **14,000'**
 20. ROTARY OR CABLE TOOLS **Rotary**

21. ELEVATIONS (Show whether DF, RT, GR, etc.) **GR 4048'**
 22. APPROX. DATE WORK WILL START* **March 10, 2002**

23. PROPOSED CASING AND CEMENTING PROGRAM Lea County Controlled Water Basin				
SIZE OF HOLE	SIZE OF CASING	WEIGHT/FOOT	SETTING DEPTH	QUANTITY OF CEMENT
36"	20"	60#	50'	ready-mix to surface
17-1/2"	13-3/8"	48#	450'	400 sx Class C + 2% Cacl2
11"	8-5/8"	32#	6200'	1100 sx POZ Cl C + additives
7-7/8"	5-1/2"	17#	14000'	875 sx Cl C POZ + additives

1. Drill 36" hole to 50'. Set 50' of 20" conductor & cement to surface with ready-mix
2. Drill 17-1/2" hole to 450'. Run & set 450' of 13-3/8" H-40, 48# ST&C csg, cmt w/400 sx o Class "C" cement + 2% circulate to surface.
3. Drill 11" hole to 6200'. Run & set 6200' of 8-5/8" HCK55, 32# LT&C csg. Cmt w/900 sx 35/65 POZ Class C + 6% 5% salt + 0.25#/sd Cello 1 and tail in with 200 sx of Class C cmt, circ cmt to surface.
4. Drill 7-7/8" hole to 14000'. If logs indicate commercial production, run & set 14000' of 5-1/2" 17# LT&C csg. Cement w/875 sx Class C 15/61/11 POZ w/additives. Estimated top of cement 500' above uppermost productive interval. Cement volumes will be adjusted based on open hole caliper log.

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM : If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

SIGNED Jeannie McMillon TITLE Sr. Regulatory Specialist DATE 2/7/2002

(This space for Federal or State office use)
 PERMIT NO. _____ APPROVAL DATE _____
 Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
 CONDITIONS OF APPROVAL, IF ANY:
 APPROVED BY /S/ JOE G. LARA Acting FIELD MANAGER DATE MAR 07 2002

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

APPROVAL FOR 1 YEAR

STRICT I
5 N. French Dr., Hobbs, NM 88240

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999

STRICT II
1 South First, Artesia, NM 88210

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

STRICT III
10 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

2040 South Pacheco

STRICT IV
0 South Pacheco, Santa Fe, NM 87505

Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-35861	Pool Code 81H60	Pool Name NORTH MORTON, BRUNSON MESA <i>MORROW</i>
Property Code 29596	Property Name KUKUI "31"	Well Number 1
OGRID No. 169355	Operator Name OCEAN ENERGY, Inc.	Elevation 4048'

Surface Location

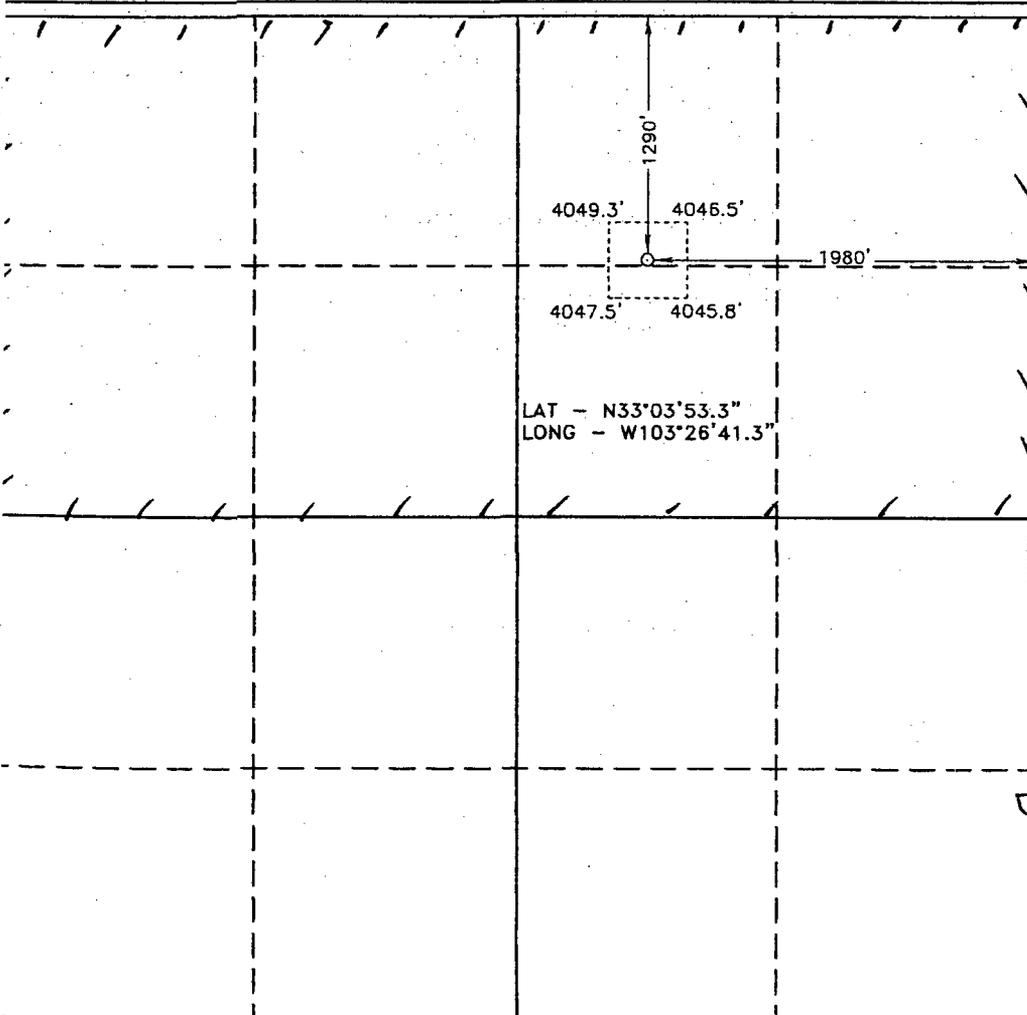
IL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	31	14 S	35 E		1290	NORTH	1980	EAST	LEA

Bottom Hole Location If Different From Surface

IL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 321.01	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Jeanie McMillan
Signature

JEANIE McMILLAN
Printed Name

Sr. Regulatory Specialist
Title

2/3/02
Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.

January 30, 2002
Date Surveyed

[Signature]
Signature & Seal
Professional Surveyor

NEW MEXICO
7977
W.O. No. 22
Certified No. Gary L. Jones 7977
PROFESSIONAL LAND SURVEYORS
BASIN SURVEYS

APPLICATION TO DRILL

OCEAN ENERGY, INC.

Kukui 31 #1
Sec. 31, T14S, R35E

In response to questions asked under Section II of Bulletin NTL-6 the following information on the above well is provided for your consideration.

1. Location: 1290' FNL & 1980' FEL, Section 31, T14S-R35E Lea Co. NM

2. Elevation above Sea Level: 4048' GR

3. Geologic name of surface formation:

4. Drilling tools and associated equipment: Conventional rotary drilling rig using drilling mud as a circulating medium for solids removal from hole.

5. Proposed drilling depth: 14,000'

6. Estimated tops of geological markers:

Rustler	1907'	Strawn	11994'
Yates	3085'	Strawn Clastics	12130'
San Andres	4445'	Atoka Shale	12430'
Glorieta	5950'	Atoka Lime	12490'
Tubb	7442'	Brunson Sd	12950'
Abo	8233'	Mesa Sd	13280'
Wolfcamp	9700'	Austin	13500'
Penn Shale	11518'	TD	14000'

7. Possible mineral bearing formation:

Wolfcamp	9700' Oil
Strawn	11994' Oil & Gas
Brunson	12950' Gas
Mesa	13280' Gas
Austin	13500' Gas

8. Casing program:

Hole size	Interval	OD of casing	Weight	Thread	Collar	Grade
20"	0-50'	20"	60	NA	NA	Conductor
17-1/2"	0-450'	13-3/8"	40	8-R	ST&C	H-40
11"	0-6200'	8-5/8"	32	8-R	LT&C	HCK-55
7-7/8"	0-14000'	5-1/2"	17	8-R	LT&C	L-80 & P-110

9. Cementing and setting depth:

20"	Conductor	Set 50' of 20" conductor pipe and cement to surface with Redi-mix.
13-3/8"	Surface	Set 450' of 13-3/8" H-40, 40# ST&C csg. Cement with 400 sx of Class "C" cement + 2% CaCl ₂ , circ to surface.
8-5/8"	Intermediate	Set 6200' of 8-5/8" HCK55 32# LT&C csg. Cement with 900 sx of 35/65 POZ Class "C" + 6% Gel + 5% salt + 0.25 #/sx Cello Flake and tail in with 200 sx of Class "C" cement, circulate cement to surface.
5-1/2"	Production	Set 14,000' of 5-1/2" 17# LT&C csg. Cement with 875 sx of Class "C" 15/61/11 POZ + additives. Estimate top of cement 500' above uppermost productive interval. Cement volumes will be adjusted based on open-hole caliper log.

APPLICATION TO DRILL

OCEAN ENERGY, INC.

Kukui 31 #1
Sec. 31, T14S, R35E

10. Pressure control equipment: Exhibit "E". A 10000-PSI working pressure B.O.P. consisting of a double ram type preventor with a 5000-PSI bag type annular preventor. BOP unit will be hydraulically operated. Exhibit "E-1". Choke manifold and closing unit. BOP will be nipped up on 13-3/8" casing and will be operated at least once each 24 hr. period while drilling and blind rams will be operated when out of hole during trips. Flow sensor, PVT, full opening stabbing valve and upper kelly cock will be utilized from 6200' to TD. No abnormal pressure or temperature is expected while drilling

11. Proposed mud circulating system:

50 - 450'	8.4 - 9.0	32-36	NC	Fresh water mud use paper to control seepage add Bentunite/ Soda Ash for Viscosity.
500 - 6200'	9.0 - 10.1	32-34	NC	Brine water Salt-Gel add paper to control seepage, high viscosity sweeps to clean hole.
6200 - 9900'	8.4 - 9.0	32-38	NC	Fresh water / cut brine, use caustic soda to maintain pH @ 9.5-10.5 high viscosity sweeps to clean if necessary.
8000 - 14000'	9.0 - 10.0	32 - 50	15 - <8cc 6-10 for DST	Cut brine and Polymer, maintain pH with Caustic Soda @ 9.0-10.0 high viscosity sweeps to clean if necessary.

Sufficient mud materials will be kept on location or available at the nearest stocking points at all times in order to combat lost circulation and unexpected kicks. In order to run DST's, open hole logs and casing the viscosity and water loss may have to be adjusted to meet these needs.

12. Testing, logging and casing program:

- A. Open hole logs: Fluid caliper from 500-6200'.
 - B. CNL/Gamma Ray with caliper from TD to surface.
 - C. Dual Induction, Dual Induction, Compensated Sonic, Gamma Ray from TD to 6200'.
 - D. Cement Bond Log Gamma Ray and CCL TD to top of cement.
 - E. Mud logger on at 6200' to TD.
- DST's as warranted in Wolfcamp and Strawn formations.

13. Potential hazards:

No abnormal pressures or temperatures are expected. Hydrogen Sulfide gas may be encountered; H₂S detectors will be in place to detect any presence after setting the surface casing. There is the potential for lost circulation in the Wolfcamp, Cisco, Canyon formations. All personal will be familiar with all aspects of safe operation of equipment being used. Estimated BHP 6500 PSI, estimated BHT 185°.

14. Anticipated starting date and duration of operation:

Road and location construction will begin after BLM approval of APD. Anticipated spud date as soon as approved. Drilling expected to take 50 days. If production casing is run an additional 30 days will be required to complete and construct surface facilities.

15. Other facets of operations:

After running casing, cased hole gamma ray cement bond and collar logs will be run from total depth over possible pay intervals. The Brunson/Mesa pay will be perforated and stimulated. The well will be swab tested and potentialized as a gas well.