

11/21/00 12/11/00 MS NW NSL

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

33326791

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

Print or Type Name

Signature

Title

Date

NOV 21 2000

JAMES BRUCE

ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
HYDE PARK ESTATES
SANTA FE, NEW MEXICO 87501

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

November 21, 2000

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. applies for administrative approval of an unorthodox gas well location for the following well:

Shugart Fed. "28" Well No. 3
2180 feet FSL & 1330 feet FEL
E½ S28, Township 18 South, Range 31 East, NMPM
Eddy County, New Mexico

The well will be drilled to a depth sufficient to test the Morrow formation (Shugart-Morrow Pool). Well spacing is 320 acres, with wells to be located no closer than 660 feet to a quarter section line, nor closer than 10 feet to an internal quarter-quarter section line. A Form C-102 for the well is attached as Exhibit A. The well unit will be simultaneously dedicated to the Shugart Fed. "28" Well No. 1 (in the SW¼NE¼ of Section 28) and the proposed Shugart Fed. "28" Well No. 3.

The proposed location is based upon topographical and geological reasons. The original location for the proposed well was 1980 feet FSL and 1330 feet FEL. Attached as Exhibit B is a plat showing that there are several pipelines near the original location, which required the well to be moved north 100 feet. Attached as Exhibits C and D are isopachs of the Morrow "B" and "C" zones, which are the primary zones of interest in the well. As you move south and west from the proposed location, there is a loss of thickness in the Morrow. Therefore, the proposed location maximizes the chances for success, and will reduce the risk involved in drilling the well.

Because the well is only moving toward an interior boundary of the well unit, notice has not been given to any offset operator or lessee.¹ As a result, Ocean requests that the 20 day waiting period be waived.

Please call me if you need anything further on this matter.

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in dark ink and is positioned above the printed name.

James Bruce

Attorney for Ocean
Energy Resources, Inc.

¹The SE¼ of Section 28 is covered by Federal Lease LC 029390(a). The working interest owners in the proposed well own rights as to depths below 4000 feet subsurface. As to depths below 4000 feet, working, royalty, and overriding royalty interest ownership is common, and thus the well's location, 10 feet from the quarter-quarter section line, will have no adverse effect upon any interest owner if the well is subsequently completed uphole.

Also, I could locate no pools within a mile of the proposed well spaced on 160 acres.

NOV 17 '00 02:50PM OCEAN LAND

DISTRICT I
1825 N. French Dr., Hobbs, NM 88240

State of New Mexico

Energy, Minerals and Natural Resources Department

P. 4
Form C-102

Revised March 17, 1999

DISTRICT II
811 South First, Artesia, NM 88210

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT III
1000 Rio Grande Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

2040 South Pacheco

Santa Fe, New Mexico 87504-2088

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name SHUGART "28"	Well Number 3
OGRID No.	Operator Name OCEAN ENERGY	Elevation 3615'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	28	18 S	31 E		2180	SOUTH	1330	EAST	EDDY

Bottom Hole Location If Different From Surface

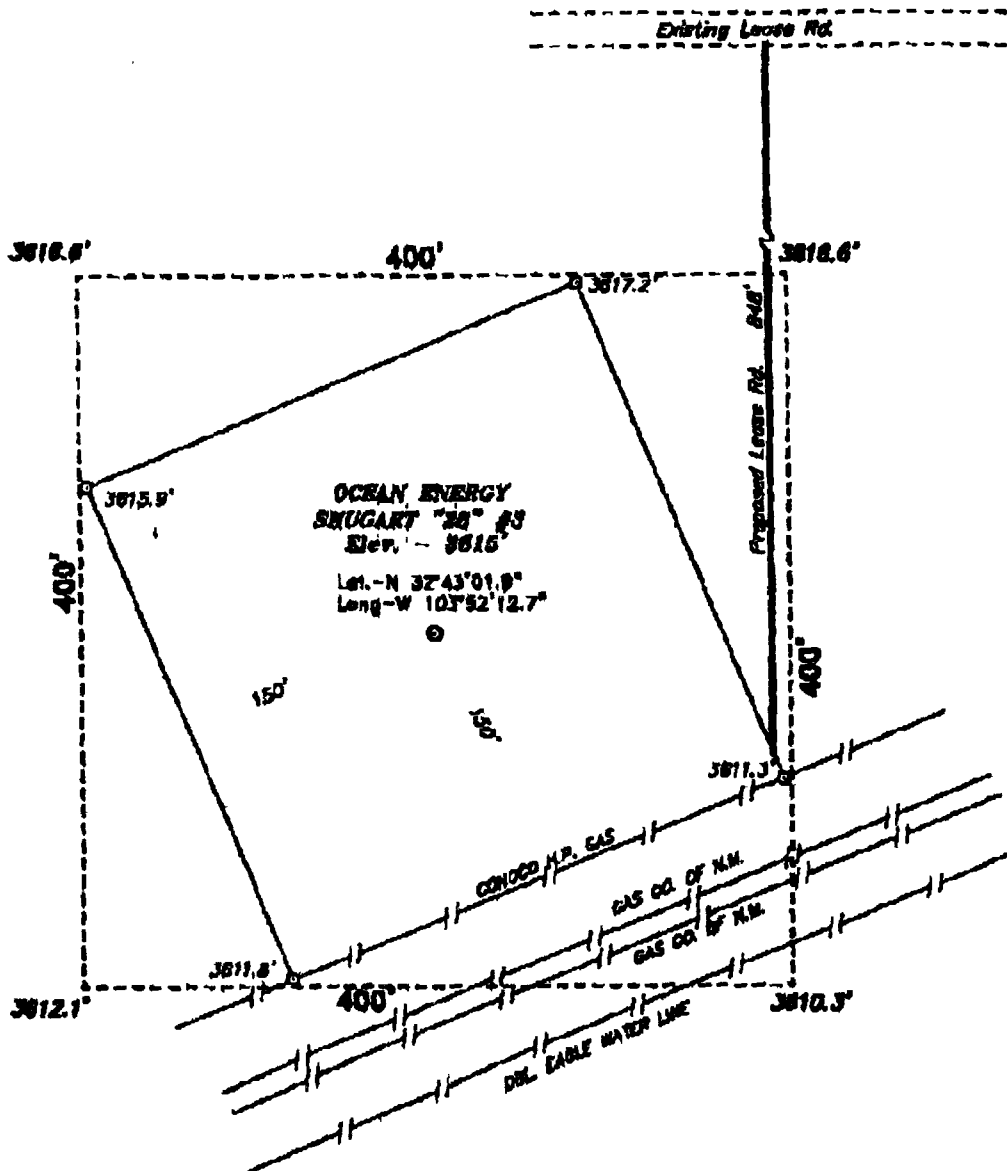
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

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 that the information contained herein is true and complete to the best of my knowledge and belief. Signature: <u>Jeannie McMillan</u> Printed Name: <u>JEANNIE McMillan</u> Title: <u>REGULATORY</u> Date: <u>11-10-00</u>
	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. Date Surveyed: <u>October 27, 2000</u> Signature: <u>[Signature]</u> Professional Geologist: <u>[Signature]</u> Professional Engineer: <u>[Signature]</u> Professional Surveyor: <u>[Signature]</u> W.D. No. <u>0597A</u> Certificate: <u>Gary L. Jones</u> 7977 Professional Land Surveyor: <u>[Signature]</u> 7977

EXHIBIT A

**SECTION 28, TOWNSHIP 18 SOUTH, RANGE 31 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.**



Directions to Location:

FROM THE JUNCTION OF US HWY 62 & CO. RD.
222(SHUGART ROAD), GO SOUTH ON 222 FOR 0.2
MILES TO A LEASE ROAD LEFT; THENCE GO EAST ON
LEASE ROAD 0.8 MILE TO PROPOSED LEASE ROAD.



OCEAN ENERGY

REF: Shugart "28" No. 3 / Well Pad Topo

THE SHUGART "28" No. 3 LOCATED 2180' FROM
THE SOUTH LINE AND 1330' FROM THE EAST LINE OF
SECTION 28, TOWNSHIP 18 SOUTH, RANGE 31 EAST.
N.M.P.M., EDDY COUNTY, NEW MEXICO.

BASIN SURVEYS P.O. BOX 1766-HOBBS, NEW MEXICO

W.O. Number: 0597

Drawn By: K. GOOD

Date: 11-1-2000

Disk: KJG #122 - 0597A.DWG

Survey Date: 10-27-2000

Sheet 1 of 1 Sheets



Morrow "C"
01.5'

SNOW OIL & GAS INC.
S1 SGR1 DEP FDRL UN
12510

EXHIBIT D

Insert

Color Page/Photo

Here

CMD :
OG5SECTONGARD
INQUIRE LAND BY SECTION11/30/00 10:12:06
OGOMES -TQHC
PAGE NO: 2

Sec : 28 Twp : 18S Rng : 31E Section Type : NORMAL

L 40.00 Federal owned A	K 40.00 Federal owned	J 40.00 Federal owned	I 40.00 Federal owned
M 40.00 Federal owned A	N 40.00 Federal owned	O 40.00 Federal owned	P 40.00 Federal owned

PF01 HELP
PF07 BKWDPF02
PF08 FWDPF03 EXIT
PF09 PRINTPF04 GoTo
PF10 SDIVPF05
PF11PF06
PF12

CMD : ONGARD 11/30/00 10:13:14
OG6IWCM INQUIRE WELL COMPLETIONS OGOMES -TQHC

API Well No : 30 15 30137 Eff Date : 06-20-1998 WC Status : A
Pool Idn : 85300 SHUGART;MORROW (GAS)
OGRID Idn : 169355 OCEAN ENERGY INC
Prop Idn : 23537 SHUGART 28 FEDERAL

Well No : 001
GL Elevation: 3622

	U/L	Sec	Township	Range	North/South	East/West	Prop/Act (P/A)
	---	---	-----	-----	-----	-----	-----
B.H. Locn : G	28	18S	31E	FTG 1750 F N	FTG 1900 F E	P	

Lot Identifier:
Dedicated Acre: 320.00
Lease Type : F
Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :

M0025: Enter PF keys to scroll

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06
PF07	PF08	PF09	PF10 NEXT-WC	PF11 HISTORY	PF12 NXTREC

CMD : ONGARD 11/30/00 10:31:44
 OG6ACRE C102-DEDICATE ACREAGE OGOMES -TQHC
 Page No : 1

API Well No : 30 15 30137 Eff Date : 04-01-1998
 Pool Idn : 85300 SHUGART;MORROW (GAS)
 Prop Idn : 23537 SHUGART 28 FEDERAL Well No : 001
 Spacing Unit : 50741 OCD Order : Simultaneous Dedication:
 Sect/Twp/Rng : Acreage : 320.00 Revised C102? (Y/N) :
 Dedicated Land:

S	Base	U/L	Sec	Twp	Rng	Acreage	L/W	Ownership	Lot	Idn
	A	28	18S	31E	40.00	N	FD			
	B	28	18S	31E	40.00	N	FD			
	G	28	18S	31E	40.00	N	FD			
	H	28	18S	31E	40.00	N	FD			
	I	28	18S	31E	40.00	N	FD			
	J	28	18S	31E	40.00	N	FD			
	O	28	18S	31E	40.00	N	FD			
	P	28	18S	31E	40.00	N	FD			

E0005: Enter data to modify or PF keys to scroll

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 LAND PF11 NXTSEC PF12 RECONF

CMD :
OG5SECTONGARD
INQUIRE LAND BY SECTION11/30/00 10:12:02
OGOMES -TQHC
PAGE NO: 1

Sec : 28 Twp : 18S Rng : 31E Section Type : NORMAL

D 40.00 Federal owned	C 40.00 Federal owned A	B 40.00 Federal owned	A 40.00 Federal owned A
E 40.00 Federal owned A A	F 40.00 Federal owned A A	G 40.00 Federal owned A	H 40.00 Federal owned A

PF01 HELP
PF07 BKWDPF02
PF08 FWDPF03 EXIT
PF09 PRINTPF04 GoTo
PF10 SDIVPF05
PF11PF06
PF12

Eddy

POOL

Shugart - Pennsylvania Gas

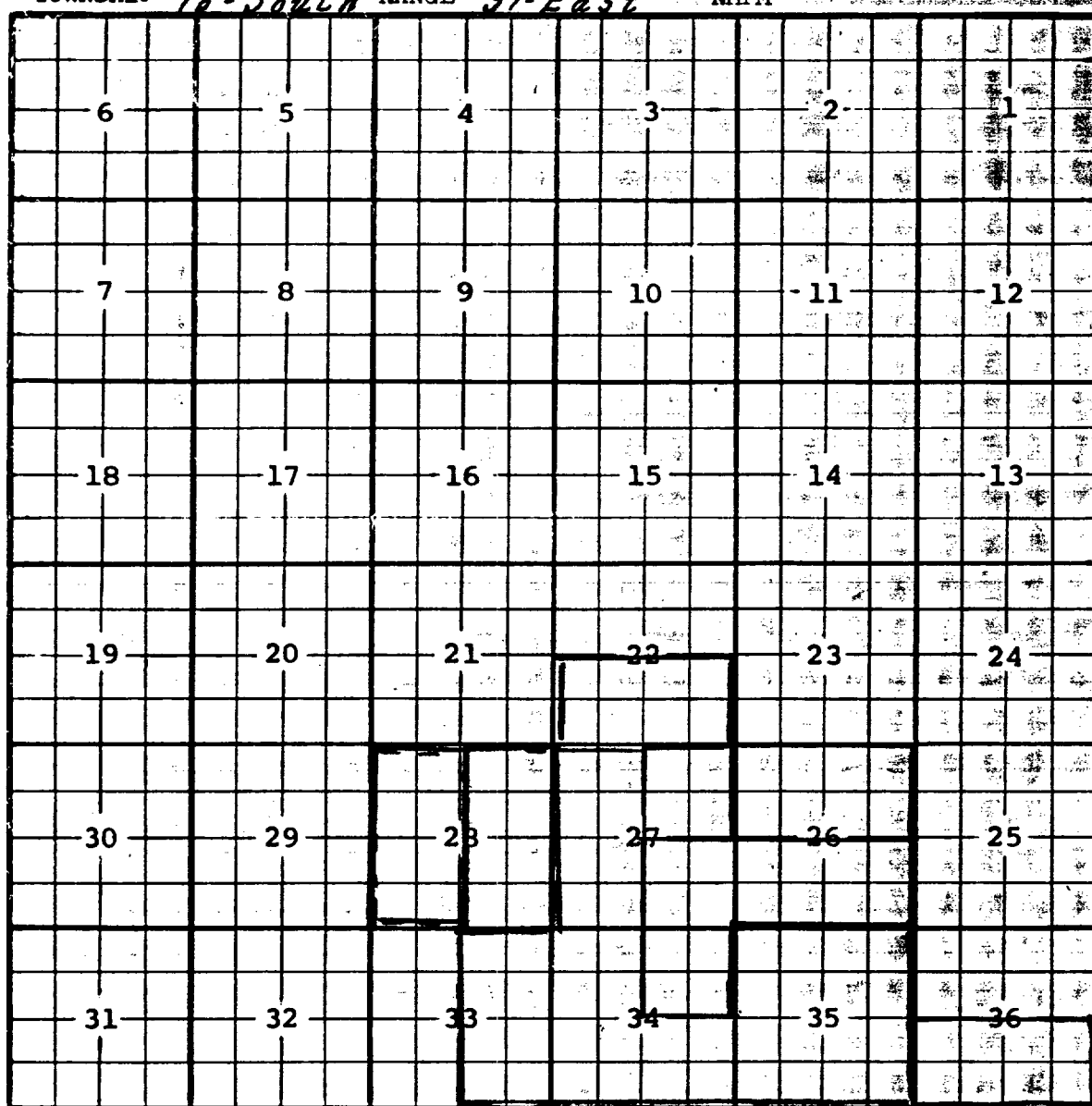
TOWNSHIP

18-South

RANGE

31-East

NM PM



Description: $NE\frac{1}{4}$ Sec. 34, (R-1179, 6'-1-58). - $S\frac{1}{2}$ Sec. 26;
 $SE\frac{1}{4}$ Sec. 27, (R-1652, 5'-1-60).

Ext: $\frac{NE}{4}$ Sec. 27 (R-3067, 6-1-66) EXT: $\frac{W}{2}$ Sec. 27, $\frac{E}{2}$ Sec. 33, $\frac{W}{2} + \frac{SE}{4}$ Sec. 34,
All Sec. 35 (R-6170, 11-1-79)

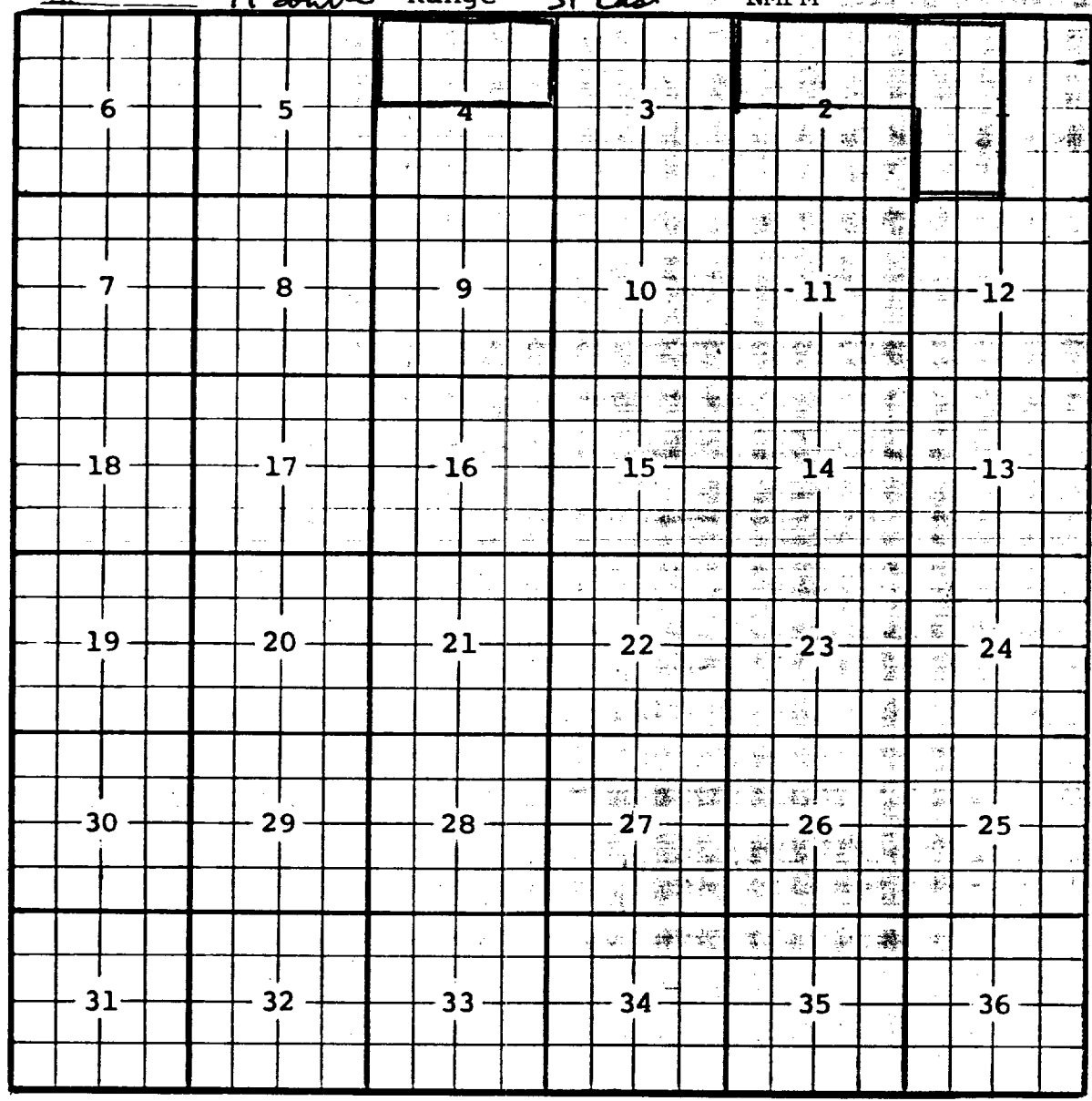
Vertical limits contracted to Morrow formation only and redesignated Shugart-Morrow Gas and ext. $\frac{1}{2}$ Sec 26 (R-6698, 6-2-81)

Ext: $\frac{5}{2}$ sec 36 (R-6758, 8-26-91) Ext: $\frac{5}{2}$ Sec. 22 (R-10962, 2-23-98)

Ext. E/2 Sec. 28(R-11067, 10-20-98) Ext. W/2 Sec. 28(R-11160, 4-7-99)

ILLEGIBLE

County Eddy Pool Shugart - Morrow - Pennsylvania Gas
TOWNSHIP 19 South Range 31 East NMPM



EXT: $\frac{1}{2}$ Sec. 1, $\frac{1}{2}$ Sec. 2 (R-6476, 10-1-80)
EXT: $\frac{1}{2}$ sec 34 (R-7009, 6-19-82)

ILLEGIBLE

Deep Gas. 0001

November 30, 2000

Rec: 11-21-00
Susp: NA
Released: 11-30-00

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.

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

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

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