

Case No. 12468
Order No. R-11446
Page 3

thereby increasing the chances of encountering commercial gas production; and

- (d) production from the Derrick Federal Com Well No. 1 should not be adversely affected by the Derrick Federal Com Well No. 3 because the two wells are located further apart than required by Division Rule 104.C(2).

- (9) Ocean testified it provided notice to all affected parties.

- (10) This case was styled such that in absence of objection, it would be taken under advisement.

- (11) No other affected party appeared at the hearing or objected to this application.

- (12) Approval of Ocean's application will provide Ocean the opportunity to recover additional gas reserves in the Diamond Mound-Morrow Gas Pool within the existing 270.20-acre stand-up non-standard gas spacing and proration unit of irregular Section 5, thereby preventing waste, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

- (1) The applicant, Ocean Energy Resources, Inc., is hereby granted an exception to Division Rule 104.C(2) for: (i) the drilling of its proposed Derrick Federal Com Well No. 3 as an infill Morrow gas well 3300 feet from the South line and 1980 feet from the West line (Lot 14/Unit M) of irregular Section 5, Township 16 South, Range 28 East, Eddy County, New Mexico, Diamond Mound-Morrow Gas Pool; and (ii) the simultaneous dedication of the Derrick Federal Com Well No. 1, located 2160 feet from the North line and 1980 feet from the West line (Lot 11/Unit K) of irregular Section 5, Township 16 South, Range 28 East, Eddy County, New Mexico, with the Derrick Federal Com Well No. 3.

- (2) Both wells shall be simultaneously dedicated to the existing 270.20-acre stand-up non-standard gas spacing and proration unit which was approved by Division Administrative Order NSP-1160, dated October 30, 1979, comprising Lots 3 through 6 and 11 through 14 of irregular Section 5.

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