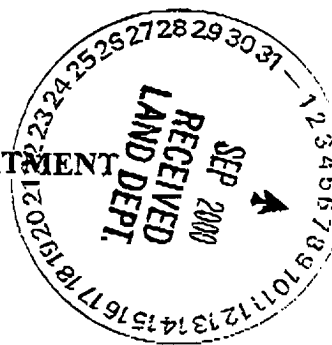


STATE OF NEW MEXICO  
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION



IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 12468  
ORDER NO. R-11446

APPLICATION OF OCEAN ENERGY RESOURCES, INC. FOR AN  
EXCEPTION TO DIVISION RULE 104.C.(2), EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 10, 2000, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 31st day of August, 2000, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.
- (2) The applicant, Ocean Energy Resources, Inc. ("Ocean"), seeks an exception to Division Rule 104.C.(2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, for its proposed Derrick Federal Com Well No. 3 to be drilled 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, Diamond Mound-Morrow Gas Pool.
- (3) 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, and comprises Lots 3 through 6 and 11 through 14 of irregular Section 5, is currently dedicated to the applicant's Derrick Federal Com Well No. 1 (API No. 30-015-23057), located 2160 feet from the North line and 1980 feet from the West line (Lot 11/Unit K) of irregular Section 5, which was considered to be a standard gas well location at the time it was drilled in 1980. In 1980, Division rules required deep gas