

July 9, 2002

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

Telefax No. (505) 982-2151

Administrative Order NSL-4757

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*application reference No. pKRV0-218447405*) dated July 3, 2002 on behalf of the operator Ocean Energy, Inc.; (ii) your telefax of July 8, 2002 requesting special consideration; and (iii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe.

The Division Director Finds That:

(1) Ocean Energy, Inc. is the current operator of the Parkway West Unit Area (see Division Order No. R-4386, issued in Case No. 4801 on September 6, 1972) comprising the following described 3,840 acres, more or less, of State lands in Eddy County, New Mexico:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM

Sections 20 through 22:	All
Sections 27 through 29:	All.

(2) The E/2 of Section 28, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico comprises a single state lease issued by the New Mexico State Land Office (State Lease No. L-03100) in which Ocean Energy, Inc. is the leasehold operator and all mineral interest is common.

(3) Ocean Energy, Inc., as operator, proposes to drill its Parkway West Unit Well No. 15 at a location that is 1310 feet from the North line and 660 feet from the East line (Unit A) of Section 28, to a depth that is sufficient to test the Atoka formation.

(4) The primary objective for this well is the deeper gas bearing Atoka interval, with the shallower Bone Spring formation as a secondary target.

(5) Ocean Energy, Inc. seeks an exception to the applicable well location set-back requirements governing the aforementioned intervals for its West Parkway Unit Well No. 15, which is to be dedicated to the following described spacing and proration units:

- (a) the E/2 to form a standard 320-acre stand-up gas spacing and proration unit for the West Parkway-Atoka Gas Pool (82560),

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in accordance with Rules 2 and 4 of the "*Special Rules and Regulations for the Parkway-Strawn Gas Pool and West Parkway-Atoka Gas Pool*," as promulgated by Division Order No. R-4638, as amended (**82560**); and

- (b) the NE/4 NE/4 to form a standard 40-acre oil spacing and proration unit (Division Rule 104.B, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999) for the Undesignated Parkway-Bone Spring Pool (**49622**).

(6) The geologic interpretation submitted herein indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the deeper Atoka formation than a well drilled at a location considered to be standard within the proposed standard 320-acre gas spacing and proration unit comprising the E/2 of Section 28.

(7) The subject application has been duly filed under the provisions of Division Rule 104.F (2), as revised.

(8) The subject application, which serves to prevent waste, protects correlative rights, and being in the best interest of conservation, should be approved.

The Division Director Finds That:

(1) Ocean Energy, Inc. is hereby authorized to drill its proposed West Parkway Unit Well No. 15 at an unorthodox location that is 1310 feet from the North line and 660 feet from the East line (Unit A) of Section 28, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico, to a depth that is sufficient to test down to the Atoka formation.

(2) This well is to be dedicated to the following described oil and/or gas spacing and proration units in Section 28:

- (a) the E/2 to form a standard 320-acre stand-up gas spacing and proration unit for the West Parkway-Atoka Gas Pool (**82560**);
and
- (b) the NE/4 NE/4 to form a standard 40-acre oil spacing and proration unit for the Undesignated Parkway-Bone Spring Pool (**49622**).

(3) Jurisdiction of this cause 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
New Mexico State Land Office – Santa Fe