



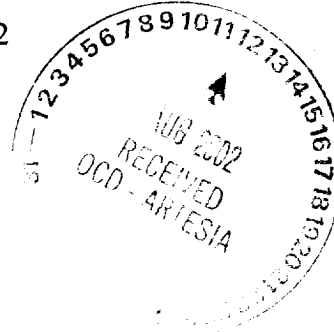
NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor
Betty Rivera
Cabinet Secretary

August 6, 2002

Lori Wrotenbery
Director
Oil Conservation Division



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

Re: *Administrative application (Division administrative application reference No. pKRV0-218447015) for the creation of a non-standard 160-acre gas spacing unit within the Saladar-Strawn Gas Pool (84412) to comprise the SE/4 of Section 28, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Bruce:

Reference is made to your application dated July 1, 2002 for the formation of the above-described non-standard 160-acre gas spacing unit for gas production from the unprorated Saladar-Strawn Gas Pool. This unit to be dedicated to Ocean Energy Resources, Inc.'s ("Ocean Energy") existing Burton Flat Deep Unit Well No. 13 (API No. 30-015-21125) located 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 28.

As you know the Saladar-Strawn Gas Pool is currently spaced on 320-acre spacing, pursuant 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.

According to my review of your application and the Division's records here in Santa Fe the Morrow interval was originally assigned a standard lay-down 320-acre spacing unit comprising the S/2 of Section 28. These records do not indicate anything different; therefore, your argument as stated in your application that:

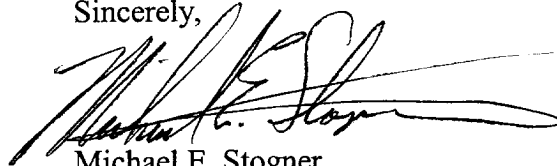
"...all working interest owners in the Unit Area shared in the cost of drilling the well, and they all share in production from the well. It would be inequitable at this time to require them to share in production from the well, because they bore its entire cost;"

Does not seem appropriate or applicable, but in fact is contradictory. Since the subject application failed to show why it is essential to create the proposed 160-acre unit for the Strawn gas production instead of forming a standard 320-acre lay-down unit in the S/2 of Section 28, your application is hereby **denied**.

Ocean Energy Resources, Inc.
c/o Jim Bruce
August 6, 2002
Page 2

To assure that correlative rights are adequately protected between the mineral interest owners in the SW/4 of Section 28, being a state lease for common schools issued by the New Mexico State Land Office (State Lease No. VB-0539), and the SE/4 of Section 28, being a separate state lease for common schools issued by the New Mexico State Land Office (State Lease No. L-06322-0004), the Strawn interval, like the Morrow interval, should be developed with a standard 320-acre lay-down unit in the S/2 of section 28. Should Ocean Energy need additional information about combining acreage in order to form a standard 320-acre gas spacing unit in the S/2 of Section 28, please: (i) refer to Sections 70-2-17 and 70-2-18, NMSA 1978 of the New Mexico Oil and Gas Act; (ii) refer to Division Rule 1207.A (1); and (iii) contact the New Mexico State Land Office in Santa Fe at (505) 827-5759 about obtaining a communitization agreement.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
Kathy Valdes, NMOCD - Santa Fe

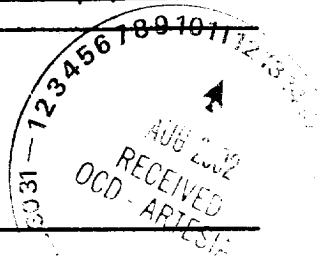
DATE 7/1/02	SUBMITTED 7/21/02	ENGINEER MS	LOGGED IN RN	TYPE NSP	APP NO. 218447015
-------------	-------------------	-------------	--------------	----------	-------------------

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [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 - Simultaneous Dedication
☐ NSL ☒ NSP ☐ 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

[D] Other: Specify _____

[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] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate and complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

James Bruce

Print or Type Name

JAMES BRUCE
 P.O. BOX 1056
 SANTA FE, NM 87504

Signature

Attorney for Applicant

Title

Date

jamesbruc@aol.com

e-mail Address

02 JUL - 1 PM 3:50

OIL CONSERVATION DIV.

7/1/02

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

324 MCKENZIE STREET
SANTA FE, NEW MEXICO 87501

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

July 1, 2002

Michael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rule 104.D(2), Ocean Energy, Inc. ("Ocean"), as operator of the Burton Flat Deep Unit Area (the "Unit Area"), requests administrative approval of a non-standard gas spacing and proration unit for the following well unit:

Well Name: Burton Flat Deep Unit Well No. 13 (30-015-21125)
Well Unit: SE $\frac{1}{4}$ of Section 28, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico
Well Location: SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 28

A land plat with the well unit outlined in yellow is attached as Exhibit A. The well unit is comprised of State of New Mexico Lease L-6322-4.

The reason for the requested non-standard proration unit is as follows: The well was originally completed in the Morrow formation, and was in the Morrow Participating Area (Seventh Revision) for the Unit Area. (The Unit Area, which is co-extensive with the Morrow Participating Area, is outlined in orange on Exhibit A.) The well has been re-completed in the Strawn formation (Saladar-Strawn Gas Pool), and Ocean applied to the Commissioner of Public Lands (the "Commissioner") and the Bureau of Land Management (the "BLM") to create a Strawn participating area. However, both the Commissioner and the BLM denied the application because the well was deemed non-commercial. The denial letter from the BLM is attached as Exhibit B.

Under the Unit Operating Agreement for the Unit Area, all working interest owners in the Unit Area shared in the cost of drilling the well, and they all share in production from the well. It would be

inequitable at this time to require them to share in production from the well, because they bore its entire cost.

The Saladar-Strawn Gas Pool is spaced on statewide rules. Therefore, the parties affected by this application are as follows:

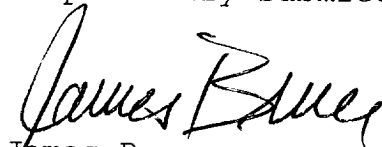
1. NE¼ §28: State of New Mexico (RI)
Winged Foot Oil Co., Inc. (WI)
Jay E. Floyd (WI)
G.K. Partners (WI)
B. Bernard Lankford, Jr. (WI)
Joel R. Miller (WI)
Joel R. Miller, Trustee (WI)
Brian K. Miller (WI)
Scott E. Wilson (WI)
Mack Maxcey, Inc. (ORRI)
Richard K. & Beverly Barr (ORRI)
Michael E. Cheney (ORRI)
Tom Brown, Inc. (ORRI)
2. SW¼ §28: State of New Mexico (RI)
Yates Petroleum Corporation (WI)
Yates Drilling Company (WI)
Abo Petroleum Corporation (WI)
MYCO Industries, Inc. (WI)

(There are no ORRI's in the SW¼ §28)

Notice has been give to the affected parties, as shown on Exhibit C attached hereto.

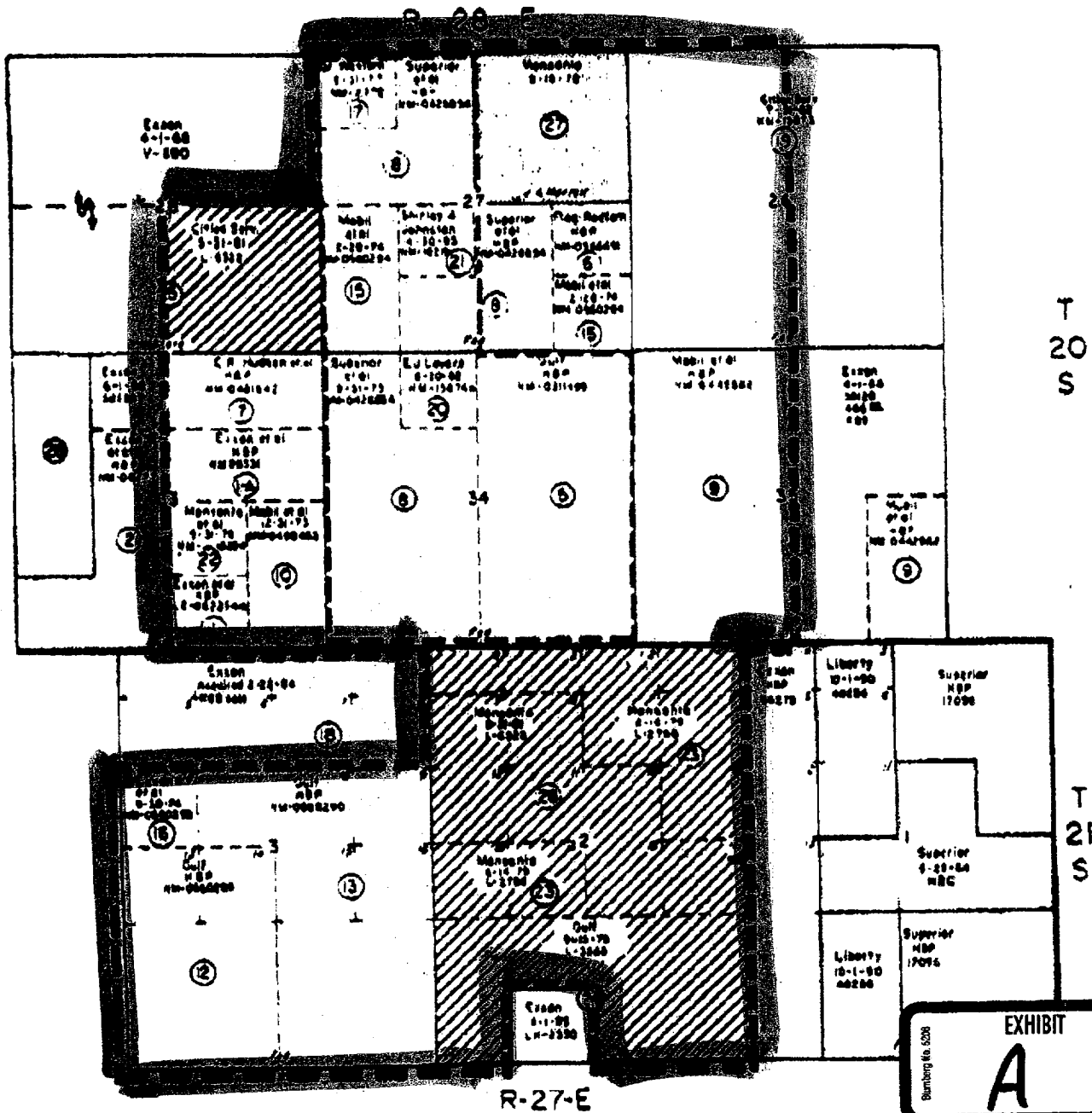
Please call me if you need any additional information.

Respectfully submitted,



James Bruce

Attorney for Ocean Energy, Inc.



- ② - Tract Number
- Federal Lands
- ▨ State Of New Mexico Lands

BURTON FLAT DEEP UNIT
Eddy Co. New Mexico

EXHIBIT "A"



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Reswell Field Office
2909 West Second Street
Roswell, New Mexico 88201

IN REPLY REFER TO:

148000112391
NMNM70798X
3180 (06300)

FEB 19 2002



Ocean Energy, Inc.
Attn: Mr. Derold Maney
1001 Fannin, Suite 1600
Houston, Texas 77002-6794

Re: Commercial Well Determination
Burton Flat Deep Unit #13
660 FSL, 19800 FEL, Section 28, T. 20 S., R. 28 E.
Eddy County, New Mexico

Pursuant to your letter dated January 31, 2002, this office concurs with your determination that the Burton Flat Deep Unit #13 is not capable of producing untized substances from the Strawn formation in paying quantities as defined in Section 11 of the Burton Flat Deep Unit agreement. This well is therefore not entitled to be part of the Strawn participating area and production from this formation should be handled on a lease basis.

Your application for the Initial Strawn B Participating Area is now being returned.

If you have any questions, please contact Alexis C. Swoboda, P.E. at 505-627-0228.

Sincerely,

Larry D. Bray
Assistant Field Manager
Lands and Minerals



JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

324 MCKENZIE STREET
SANTA FE, NEW MEXICO 87501

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

July 2, 2002

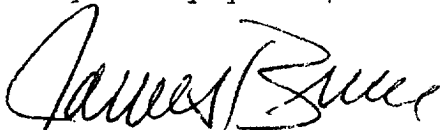
CERTIFIED MAIL
RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

Ladies and Gentlemen:

Enclosed is an application for a non-standard gas spacing and proration unit, filed with the New Mexico Oil Conservation Division by Ocean Energy, Inc., regarding the SE¼ of Section 28, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico. If you object to the application, you must notify the Division in writing no later than Monday, July 22, 2002. The Division's address is 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. Failure to object will preclude you from contesting this matter at a later date.

Very truly yours,



James Bruce

Attorney for Ocean Energy, Inc.



EXHIBIT A

Commissioner of Public Lands
Oil, Gas and Minerals Division
P.O. Box 1148
Santa Fe, New Mexico 87504

Yates Petroleum Corporation
Yates Drilling Company
Abo Petroleum Corporation
MYCO Industries, Inc.
105 South Fourth Street
Artesia, New Mexico 88210

Winged Foot Oil Co., Inc.
P.O. Box 3106
Midland, Texas 79702

Jay E. Floyd
P.O. Box 2577
Midland, Texas 79702

G.K. Partners
Suite 1240
550 West Texas
Midland, Texas 79701

B. Bernard Lankford, Jr.
P.O. Box 238
Midland, Texas 79702

Joel R. Miller
Joel R. Miller, Trustee
P.O. Box 3003
Midland, Texas 79702

Brian K. Miller
P.O. Box 3003
Midland, Texas 79702

Scott E. Wilson
P.O. Box 2577
Midland, Texas 79702

Mack Maxcey, Inc.
Suite 1240
550 West Texas
Midland, Texas 79701

Richard K. & Beverly Barr
P.O. Box 8511
Midland, Texas 79708

Michael E. Cheney
P.O. Box 8511
Midland, Texas 79708

Tom Brown, Inc.
500 Empire Plaza
508 West Wall
Midland, Texas 79701