

District I
1625 N. French Dr., Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-109
Revised March 17, 1999

Instructions on
Reverse Side

APPLICATION FOR DISCOVERY ALLOWABLE AND CREATION OF A NEW POOL

NOTE: This form is to be filed and attachments made in accordance with the provisions of Rule 509.

If discovery is claimed for more than one zone, separate forms must be filed for each.

Operator Ocean Energy, Inc.		Address: 1001 Fannin, Suite 1600 Houston, TX 77002	
Lease Name Cerf Federal Com		Well No. 2	County Eddy
Well Location Unit Letter F 1980 Feet from The North Line and 1980 Feet From the West Line of Section 10 Township 21S Range 27E NMPM			
Suggested Pool Names (List in order of Preference) 1. Third Bond Springs 2. Bones Springs Three 3. Bone Springs Third			
Name of Producing Formation 3rd Bone Springs	Perforations 8362-8494'	Depth of Top Perf from GL 8362'	Date of Filing Form C-104 4-16-02
Was "Affidavit of Discovery" Previously Filed For This Well in this Pool? No	If yes, Give Date of Filing	Date Well was Spudded 8/16/76	Date Compl. Ready to Prod. 4/14/02
Total Depth 11572'	Plugged Back Depth 11524'	Depth Casing Shoe 11572'	Tubing Depth 3220'
Elevation (Gr., DF, RKB, RT, etc.) 3220'			
Oil Well Potential (Test to be taken only after all load oil has been recovered) 663 Bbbls, Oil Per Day Based On 663 bbls In 24 Hours; 0 Bbbls Water Per Day Based on 0 Bbbls In 24 Hours: Gas Production During Tes.: 1109 MCF; Gas-Oil Ration 1672 Method Of Producing Flowing Choke Size 16/64"			

NEAREST PRODUCTION TO THIS DISCOVERY (Includes past and present oil or gas producing areas and zones whether this discovery is based on horizontal or vertical separation):

Pool Name Burton Flat	Name of Producing Formation Strawn/Morrow	Top of Pay 10224'	Bottom of Pay 10254'	Currently Producing? Yes
Horizontal Distance and Direction from Subject Discovery Well to the Nearest well in this Pool Same wellbore		Vertical Distance from Subject Discovery Zone to Producing Interval this Pool Same wellbore		

NEAREST COMPARABLE PRODUCTION (Includes past and present oil or gas production for this pay or formation only):

Pool Name NONE	Top of Pay	Bottom of Pay	Currently Producing
Horizontal Distance and Direction from Subject Discovery Well to the Nearest Well in this Comparable Pool			

Is "County Deep" Discovery Allowable Requested for Subject Discovery Well? NO	If Yes, Give Name, Location, and Depth of Next Deepest Oil Production in this County
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Is the Subject Well Multiple Completion? Yes	Is Discovery Allowable Requested for Other Zone(s)? No	If Yes, Name all Such Formations
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(Continue on reverse side)

LIST ALL OPERATORS OWNING LEASES WITHIN ONE MILE OF THIS WELL. (Attach additional sheet if necessary)

NAME	ADDRESS
Ocean Energy, Inc., 1001 Fannin, Suite 1600, Houston, TX 77002	
J. M. Huber Corp., 1900 W. LP S, Houston, TX 77027	
Concho Oil & Gas Corporation, 110 W. Louisiana, #410, Midland, TX 79701	
Marbob Energy Corp., P. O. Box 227, Artesia, NM 88211-0227	
Texaco Exploration & Production Inc., P. O. Box 3109, Midland, TX 79702	
Bass Enterprises Production Co., P. O. Box 2760, Midland, TX 79702	
Exxon Mobil Corporation, P. O. Box 4721, Houston, TX 77210-4721	
Matador Operating Company, 8340 Meadow Rd, Suite 158, Dallas, TX 75231	
Yates Petroleum Corp., 105 S 4 th St, Artesia, NM 88210	
Broughton Petroleum, Inc. P. O. Box 1389, Sealy, TX 77474	
CHI Operating Inc., P. O. Box 1799, Midland, TX 79702	

Attach evidence that all of the above operators have been furnished a copy of this application. Any of said operators who intends to object to the designation of the subject well as a discovery well, eligible to receive a discovery allowable, must notify the appropriate District Office and the Santa Fe Office of the Division of such intent in writing within ten days after receiving a copy of this application.

Remarks: All copies of the C109 were mailed by certified mail on 5/13/02. See attached copied of certified mailings.

OPERATOR CERTIFICATION

I hereby certify the all rules and regulations of the New Mexico Oil Conservation Division have been complied with, with respect to the subject well, and that it is my opinion that a bona fide discovery of a hitherto unknown common source of oil supply has been made in said well. I further certify that the discovery allowable for the subject well, if authorized, will be produced from the subject zone in this well only. Further, that the information given herein and attached hereto is true and complete to the best of my knowledge and belief.

Signature Jeanie McMillan
Title Sr. Regulatory Specialist
Date 5/13/02

Printed Name Jeanie McMillan
Telephone No. (713) 265-6834

INSTRUCTIONS: File two copies of Form C-109 with attachments with appropriate district office and one copy with attachments with the Santa Fe Office.

Attachments: (See Rule 509 for details)

- 1) Map showing all wells within a two-mile radius of discovery well.
- 2) Electrical log with tops and bottoms of producing formations marked.
- 3) A sub-surface structure map if application is based on horizontal separation.
- 4) Geological cross-section.
- 5) Summary of reservoir data.
- 6) Evidence that all operators (listed above) owning leases within one mile of this well have been furnished a copy of this application.