



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**Bill Richardson**  
Governor  
**Joanna Prukop**  
Cabinet Secretary

**Lori Wrotenbery**  
Director  
Oil Conservation Division

May 14, 2003

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

*Administrative Order NSL-4884*

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pKRV0-313329989*) on behalf of the operator, Ocean Energy, Inc. ("Ocean") that was submitted to the New Mexico Oil Conservation Division ("Division") on May 9, 2003; and (ii) the Division's records in Santa Fe and Hobbs: all concerning Ocean's request for an unorthodox Wolfcamp oil well location for its existing Kukui "31" Well No. 1 (API No. 30-025-35861), which was recently drilled to test the Morrow formation for gas underlying a standard 321.01-acre lay-down gas spacing unit comprising Lots 1 and 2, the NE/4, and the E/2 NW/4 (N/2 equivalent) of Section 31, Township 14 South, Range 35 East, NMPM, Undesignated North Morton-Morrow Gas Pool (97156), Lea County, New Mexico. Pursuant to Division Rule 104.C (2) (a), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, the well's location, being 1290 feet from the North line and 1980 feet from the East line (Unit B) of Section 31, is considered to be "standard" for this deep gas unit.

This application has been duly filed under the provisions of Division Rule 104.F, as revised.

It is the Division's understanding after reviewing your application and its records that Ocean primarily as a deep Morrow gas permitted this well test within the aforementioned 321.01-acre unit (see the U. S. Bureau of Land Management Form 3160-3, "*Application for Permit to Drill ("AP")*") for this well dated February 7, 2002). As shown on an attachment to this APD, Ocean lists the Wolfcamp formation as a possible oil bearing formation to be encountered by this wellbore. The well was subsequently spud on April 1, 2002, drilled to a total depth of 13,650 feet, and completed into the Morrow formation with perforations from 13,215 feet to 13,253 feet. It is further understood that Ocean now intends to recomplete the well up-hole into the North Morton Permo-Upper Pennsylvanian Pool (47350); however, pursuant to Division Rule 104.B (1), as revised, the location is considered to be "unorthodox" for the standard 40-acre oil spacing and proration unit to be dedicated to this well comprising the NW/4 NE/4 (Unit B) of Section 31.

The N/2 equivalent of Section 31 comprises a single Federal lease (U.S. Government lease No.

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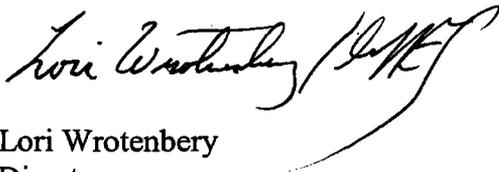
NM-96249) in which Ocean is the leasehold operator and all mineral interest is common; therefore, there are no adversely effected offsets to the subject 40-acre tract.

By the authority granted me under the provision of Division Rule 104.F (2), as revised, the above-described unorthodox oil well location within the North Morton Permo-Upper Pennsylvanian Pool for Ocean's above-described Kukui "31" Well No. 1 is hereby approved.

***PLEASE NOTE HOWEVER THAT IN THE FUTURE, Ocean, as a prudent operator, shall take all necessary steps to locate wells at a location considered to be standard for all possible zones to be encountered and should be more cognizant of well location requirements for different producing horizons within the immediate area of operations, please refer to the official Division Notice by the Director dated October 25, 1999. Any future disregard to the Division's well spacing rules with respect to secondary intervals may subject all such future requests to the Division's hearing process.***

Jurisdiction of this case 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 - Hobbs  
U. S. Bureau of Land Management - Carlsbad