

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. 12,468

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

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MARK ASHLEY, Hearing Examiner

August 10th, 2000

Santa Fe, New Mexico

OIL CONSERVATION DIV.
00 AUG 16 PM 12:00

This matter came on for hearing before the New Mexico Oil Conservation Division, MARK ASHLEY, Hearing Examiner on Thursday, August 10th, 2000, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

August 10th, 2000
 Examiner Hearing
 CASE NO. 12,468

	PAGE
PRESENTATION BY MR. BRUCE	3
REPORTER'S CERTIFICATE	8

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	3	6
Exhibit 2	4	6
Exhibit 3	4	6
Exhibit 4	5	6
Exhibit 5	5	6
Exhibit 6	5	6

* * *

A P P E A R A N C E S

FOR THE APPLICANT:

JAMES G. BRUCE, Attorney at Law
 3304 Camino Lisa
 Santa Fe, New Mexico 87501
 P.O. Box 1056
 Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 12:34 p.m.:

3 EXAMINER ASHLEY: At this time the Division calls
4 Case 12,468, Application of Ocean Energy Resources, Inc.,
5 for an exception to Division Rule 104.C (2)(b), Eddy
6 County, New Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, my name is Jim Bruce,
9 representing the Applicant. I have no witnesses, I just
10 have a brief presentation.

11 Mr. Examiner, this case has been advertised such
12 that if there was no objection it would be taken under
13 advisement. I do have a brief presentation. If you would
14 look at what has been marked as Exhibit 1, I'll explain the
15 case.

16 Ocean Energy proposes to drill its Derrick Fed
17 Com Well Number 3 as an infill well 3300 feet from the
18 south line and 1980 feet from the west line of Section 5,
19 Township -- I believe it's 16 South, Range 28 East, in Eddy
20 County. This is a tall section, so it is comprised of Lots
21 1 through 16 plus the south half.

22 This well unit is already dedicated to the
23 Derrick Fed Com Well Number 1, which is identified by a
24 circle, and then the red dot identifies the proposed infill
25 well.

1 If you'll notice, this section, the top tier of
2 lots are very small. They are, you know, approximately 15
3 acres in size. When the Derrick Fed Com Well Number 1 was
4 drilled, the well-location requirements were 1980 feet from
5 the end line of a section and no closer than 330 feet to a
6 quarter quarter section line, which is why the Derrick Fed
7 Com well ended up -- rather than being, say, in Lot 6, it
8 ended up in Lot 11, in order to be at a standard or
9 orthodox location.

10 The well was approved with an NSP order, NSP-
11 1160, which is marked as Exhibit 2.

12 Now, if you look, that Derrick Fed Com Well
13 Number 1 is actually in the north half of that well unit,
14 north half of that 270-plus-acre well unit. And so the
15 Derrick Fed Com Number 3 would be in the -- If you could
16 just measure it out, it would be in the other quarter
17 section, which is why they propose this well, but why we
18 need permission from the Division for an exception to Rule
19 104.

20 If you'd turn to Exhibit 3, it is another well
21 plat. The well unit is highlighted in yellow. The only
22 offset is Matador Petroleum in Section 36 and Section 6 to
23 the west. North in Section 35, that is 100-percent working
24 interest owned by Ocean. And then if you look at just
25 Section 5, all of that section except Lots 4 and 5 are one

1 federal lease owned by Ocean. So really the acreage most
2 affected by the proposed well is all one federal lease with
3 a common working interest ownership throughout.

4 We notified Matador; that affidavit of notice is
5 marked as Exhibit 4. By letter dated July 20th, 2000,
6 Matador waived objection to the location in return for well
7 logs. That waiver is marked as Exhibit 5.

8 And finally, marked as Exhibit 6 is a simple
9 Morrow isopach. In the center you can see Section 5.

10 The reason for moving this well, or having it in
11 the south half of this well unit, if you will, is because
12 it is a better geologic location than putting it up, say,
13 on the north side of this well unit.

14 EXAMINER ASHLEY: Okay, this unit is 270 acres,
15 you said? 270.2?

16 MR. BRUCE: 270.2, I believe.

17 EXAMINER ASHLEY: And that is essentially the
18 northwest quarter of this section?

19 MR. BRUCE: Yeah, or northwest -- Yeah, or
20 northwest third, if you will --

21 EXAMINER ASHLEY: Okay.

22 MR. BRUCE: Of this section.

23 One thing I would also point out is the distance
24 between the Number 1 well and the Number 3 well is about
25 1700 feet, so it is further away than the 1320 feet

1 required by the Division.

2 I'd be glad to answer any other questions you
3 have, Mr. Examiner, but I would move the admission of
4 Exhibits 1 through 6.

5 EXAMINER ASHLEY: Exhibits 1 through 6 will be
6 admitted as evidence.

7 So this is essentially almost half a section,
8 this unit. It would be equivalent to almost half a section
9 of a normal section, like a west half, almost, wouldn't it?

10 MR. BRUCE: That is correct.

11 EXAMINER ASHLEY: Okay.

12 MR. BRUCE: There is -- Lots 1, 2, 7, 8, 9, 10,
13 15 and 16 are also dedicated to an existing Morrow well. I
14 believe it's the Derrick Federal Number 2 well. So there
15 is a well unit there also.

16 EXAMINER ASHLEY: Okay. If you look at the
17 location of these two wells, it looks like they would
18 almost be, by the way the quarter quarter sections are
19 broken down, they would almost be in the same quarter
20 section. But yet if you divide this whole unit in half,
21 then it would be --

22 MR. BRUCE: If you went on distance alone, the
23 Number 1 well would be in the northern half of the well
24 unit.

25 EXAMINER ASHLEY: Okay, great. Okay, I think I

1 understand that.

2 MR. BRUCE: And originally, Mr. Examiner, there
3 are materials of record that indicate that the Number 1
4 well was in Lot 6. That's what some people thought at the
5 time when they originally went out and staked it, till they
6 had to move it just because of getting 330 away -- getting
7 far enough away from the end line plus 330 feet away from
8 the quarter quarter section.

9 EXAMINER ASHLEY: Based on the original location
10 requirements?

11 MR. BRUCE: That's correct.

12 EXAMINER ASHLEY: Okay. I have nothing further,
13 then.

14 This case, Case 12,468, will be taken under
15 advisement.

16 And that concludes today's hearing.

17 (Thereupon, these proceedings were concluded at
18 12:43 p.m.)

19 * * *

20
21 I do hereby certify that the foregoing is
22 a complete record of the proceedings in
23 the Examiner hearing of Case No. 12468.
24 heard by me on 8-10-00
25 Manuel H. [Signature], Examiner
On Conservation Division

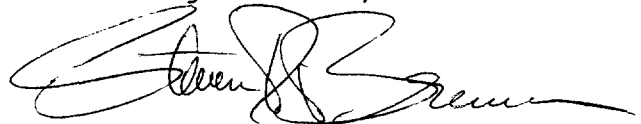
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL August 14th, 2000.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002