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July 17, 2000

Via Fax and Hand Delivery

12468

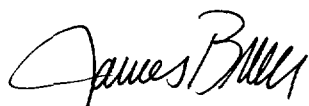
Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Enclosed is an application for an exception to Rule 104.C.(2), etc., and a proposed advertisement, filed on behalf of Ocean Energy Resources, Inc. Please set this matter for the August 10, 2000 Examiner hearing. **Applicant requests that, in the absence of objection, this matter be taken under advisement.**

The application and the proposed advertisement are also on the enclosed disk.

Very truly yours,



James Bruce

Attorney for Ocean
Energy Resources, Inc.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF OCEAN ENERGY RESOURCES,
INC. FOR AN EXCEPTION TO RULE 104.C.(2),
AN UNORTHODOX GAS WELL LOCATION, AND
SIMULTANEOUS DEDICATION, EDDY COUNTY,
NEW MEXICO.

No. 12468

APPLICATION

Ocean Energy Resources, Inc. applies for an order granting an exception to Division Rule 104.C.(2), an unorthodox gas well location, and simultaneous dedication, and in support thereof, states:

1. Applicant is the operator of the Derrick Fed. Com. Well No. 1, which is completed in and producing from the Diamond Mound-Morrow Gas Pool. Lots 3-6 and 11-14 of irregular Section 5, Township 16 South, Range 28 East, N.M.P.M. are dedicated thereto, forming a non-standard 270.20 acre gas spacing and proration unit, approved by Division Administrative Order NSP-1160. See Exhibit "A" attached hereto.

2. Lot 3 of Section 3 contains 15.05 acres, and Lot 4 of Section 5 contains 15.15 acres, while the remaining lots in the well unit contain 40 acres each. See Exhibit "B" attached hereto. At the time the Derrick Fed. Com. Well No. 1 was drilled, in 1980, Division regulations required deep gas wells to be located no closer than 1980 feet to the end boundary nor closer than 660 feet to the side boundary of a well unit, and no closer than 330 feet to a quarter-quarter section line. In order to be orthodox, the location for the Derrick Fed. Com. Well No. 1, 2160 feet from the

north line and 1980 feet from the west line of Section 5, placed it in Lot 11 of Section 5.

3. Applicant proposes to drill its Derrick Fed. Com. Well No. 3, to a depth sufficient to test the Morrow formation, at an otherwise orthodox gas well location 3300 feet from the south line and 1980 feet from the west line of Section 5 (Lot 14), and to simultaneously dedicate Lots 3-6 and 11-14 of Section 5 to both wells. The location of the Derrick Fed. Com. Well No. 3 is based upon geologic considerations.

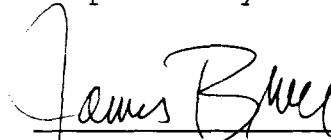
4. Division Rule 104.C.(2) currently requires an infill well in a 320 acre gas well unit to be in a quarter section different than the quarter section in which the initial well is located.

5. Due to the location of the Derrick Fed. Com. Well No. 1, in Lot 11, both that well and the proposed Derrick Fed. Com. Well No. 3, in Lot 14, will be in the same "quarter section" of irregular Section 5, in violation of Rule 104.C.(2), making the location of the Derrick Fed. Com. Well No. 3 unorthodox. Because of the size of the well unit, and due to the well location rules in effect when the Derrick Fed. Com. Well No. 1 was drilled, an exception to Rule 104.C.(2) is necessary to drill the Derrick Fed. Com. Well No. 3 at its proposed location. The two wells will be 1700 feet from each other, greater than the distance required by Rule 104.C.(2).

6. The granting of this application is in the interests of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order (a) granting an exception to Rule 104.C.(2), allowing the Derrick Fed. Com. Well No. 3 to be drilled in Lot 14 of Section 5, and (b) simultaneously dedicating Lots 3-6 and 11-14 of Section 5 to the Derrick Fed. Com. Well No. 1 and the Derrick Fed. Com. Well No. 3. **APPLICANT REQUESTS THAT, IN THE ABSENCE OF OBJECTION, THIS APPLICATION BE TAKEN UNDER ADVISEMENT.**

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", is written over a horizontal line.

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Ocean Energy Resources,
Inc.



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

5-165-28E

Eddy County

October 30, 1979

BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Mesa Petroleum Co.
Vaughn Building
Suite 1000
Midland, Texas 79701

Administrative Order NSP-1160

Gentlemen:

Reference is made to your application for a 271-acre non-standard gas proration unit consisting of the following acreage in the Atoka and Morrow formations:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM
Section 5: Lots 3 through 6 and 11 through 14

It is my understanding that this unit is to be dedicated to your Derrick Federal Com No. 1 located 2160 feet from the North line and 1980 feet from the West line of said Section 5.

By authority granted me under the provisions of Rule 104 D II, the above non-standard proration unit is hereby approved.

Sincerely,

JOE D. RAMEY,
Director

JDR/RLS/dr

cc: Oil Conservation Division - Artesia
Oil & Gas Engineering Committee - Hobbs
U. S. Geological Survey - Artesia

"A"

PROPOSED ADVERTISEMENT

Case _____: Application of Ocean Energy Resources, Inc. for an exception to Rule 104.C.(2), an unorthodox gas well location, and simultaneous dedication, Eddy County, New Mexico. Applicant seeks an order approving an exception to Division Rule 104.C.(2) to allow the drilling of the Derrick Fed. Com. Well No. 3 at a location 3300 feet from the south line and 1980 feet from the west line (Lot 14) of irregular Section 5, Township 16 South, Range 28 East, N.M.P.M., to a depth sufficient to test the Diamond Mound-Morrow Gas Pool, and the simultaneous dedication of Lots 3-6 and 11-14 of Section 5 to the proposed well and the Derrick Fed. Com. Well No. 1, located 2160 feet from the north line and 1980 feet from the west line (Lot 11) of Section 5. The well unit is located approximately 14 miles northeast of Artesia, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS MATTER WILL BE TAKEN UNDER ADVISEMENT.**