



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

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Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



September 17, 2010

OXY USA, Inc.
Attn: David Stewart
P.O.Box 50250
Midland, TX 79710-0250

Administrative Order NSL-6261

Re: Lost Tank 10 Federal Well No. 1
API No. 30-015-37959
400 feet FSL & 250 feet FEL
Unit P, Section 3-22S-31E
Eddy County, New Mexico

Dear Mr. Stewart:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW10-23749796**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on August 25, 2010, and

(b) the Division's records pertinent to this request.

OXY USA, Inc. (OXY) has requested to drill the above-referenced well as a directional well in the Delaware formation, at a location that will be unorthodox under Division Rule 16.14.B(2). The proposed surface location, point of penetration and terminus of the well are as follows:

Surface Location: 400 feet from the South line and 250 feet from the East line
(Unit P) of Section 3, Township 22S, Range 31E, NMPM,
Eddy County, New Mexico

Point of Penetration: same as surface location

Terminus 760 feet from the North line and 990 feet from the East line
(Unit A) of Section 10, said Township and Range

Oil Conservation Division

1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/OCD



The N/2 and SE/4 of the NE/4 and the NE/4 of the NW/4 of Section 10 will be dedicated to the proposed well to form a project area consisting of four standard spacing units in the West Lost Tank-Delaware Pool (96582). This pool is governed by statewide Rule 15.9.A, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is unorthodox because portions of the producing interval will be outside the producing area.

The penetration point is in the SE/4 SE/4 of Section 3, which is outside the project area. This approval is **CONDITIONED UPON** the well being completed only within the designated project area.

Your application has been duly filed under the provisions of Division Rules 15.13 and 4.12.A(2).

It is our understanding that you are seeking this location to conform to United States Bureau of Land Management potash area drilling restrictions. It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Acting Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
United States Bureau of Land Management