

KELLAHIN & KELLAHIN
Attorney at Law

W. Thomas Kellahin
Recognized Specialist in the Area of
Natural Resources-oil and gas law-
New Mexico Board of Legal Specialization

P.O. Box 2265
Santa Fe, New Mexico 87504
117 North Guadalupe
Santa Fe, New Mexico 87501

Telephone 505-982-4285
Facsimile 505-982-2047
kellahin@earthlink.net

May 6, 2005

HAND DELIVERED

Mr. Mark E. Fesmire, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13502

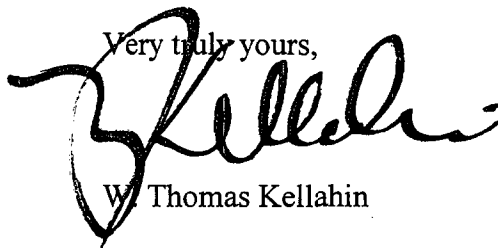
2005 MAY 6 PM 1 36

Re: OPL South Sunflower "3" State Com. Well No. 1
(Unit D) **API # 30-025-37211**
Dedications: NW/4 and the W/2 equivalent of
Irregular Section 3, T18S, R34E
Application of Occidental Permian Limited Partnership
for compulsory pooling,
Lea County, New Mexico

Dear Mr. Fesmire:

On behalf of Occidental Permian Limited Partnership ("OPL"), please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for June 2, 2005. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Occidental Permian Limited Partnership
Attn: Doug Hurlbut

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF OCCIDENTAL PERMIAN LIMITED PARTNERSHIP
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 13502

APPLICATION

Occidental Permian Limited Partnership ("OPL") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying in the following described acreage in Irregular Section 3, T18S, R34E, NMPM, Lea County, New Mexico: the W/2 to form a standard 321.09-acre gas spacing and proration unit for any production for any and all formations/pools developed on 320-acre spacing within that vertical extent, including but not limited to the Vacuum-Morrow Gas Pool; and the NW/4 to form a standard 161.09 acre gas spacing unit for any production for any and all formations/pools developed on 160-acre spacing within that vertical extent. These units are to be dedicated to its OLP South Sunflower "3" State Com Well No. 1 (API #30-025-37211) to be drilled at a standard well location in Unit D of this section. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well.

In support of its application OLP states:

- (1) OPL is a working interest ownership in the oil and gas minerals underlying both the NW/4 and the W/2 equivalent of Irregular Section 3, T18S, R34E, NMPM, Lea County, New Mexico.

- (2) On March 29, 2005, OPL sent to BP America Production Company and to ChevronTexaco its written well proposal, including an AFE, for its South Sunflower "3" Com Well No. 1 to be drilled at a standard well location in Unit D of Irregular Section 3, T18S, R34E, Lea County, New Mexico and dedicated to both the NW/4 and to the W/2 equivalent of this section.
- (3) On April 27, 2005, the Division approved OPL's application for permit to drill ("APD") and assigned API #30-025-37211 to this well and its spacing units.
- (4) Despite reasonable efforts, OPL was unable to conclude a voluntary agreement with ChevronTexaco.
- (5) Pursuant to Commission Order R-11992, effective August 15, 2003, OXY requests that the 200% risk charge be applied.
- (6) This spacing unit is within 1 mile of the Vacuum-Morrow Gas Pool and subject, among other things, to Division Rule 104 providing for standard 320-acre spacing unit.
- (7) Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, OPL needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.
- (8) In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for June 2, 2005.

WHEREFORE, OPL, as applicant, requests that this application be set for hearing on June 2, 2005 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

- (1) Occidental Permian Limited Partnership be named operator.

- (2) Provisions for applicant and all working interest owners to participate in the costs of re-entering, completing, equipping and operating the well;
- (3) In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%.
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504
Telephone: (505) 982-4285
Fax: (505) 982-2047

EXHIBIT "A"

Chevron Texaco
11111 South Wilcrest
Houston, Texas 77099
Attn: James E. Baca

CASE 3502: Application of Occidental Permian Limited Partnership for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying in the following described acreage in Irregular Section 3, T18S, R34E, NMPM, Lea County, New Mexico: the W/2 to form a standard 321.09-acre gas spacing and proration unit for any production for any and all formations/pools developed on 320-acre spacing within that vertical extent, including but not limited to the Vacuum-Morrow Gas Pool; and the NW/4 to form a standard 161.09 acre gas spacing unit for any production for any and all formations/pools developed on 160-acre spacing within that vertical extent. These units are to be dedicated to its OLP South Sunflower "3" State Com Well No. 1 (**API #30-025-37211**) to be drilled at a standard well location in Unit D of this section. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well. This unit is located approximately 13 miles Southeast of Maljamar, New Mexico.