

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

**APPLICATION OF OXY USA INC.
FOR APPROVAL OF THE MESA VERDE UNIT,
CONTRACTION OF THE COTTON DRAW;
BONE SPRING EAST POOL, AND EXPANSION
OF THE MESA VERDE; BONE SPRING POOL,
LEA AND EDDY COUNTIES, NEW MEXICO.**

CASE NO. 15798

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by OXY USA Inc. ("OXY") as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

OXY USA Inc.

ATTORNEY

Michael H. Feldewert
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STATEMENT OF THE CASE

OXY seeks an order (1) approving its Mesa Verde Unit; (2) contracting the Cotton Draw; Bone Spring, East Pool (96556) from the interior boundary of the spacing unit; and (3) expanding the Mesa Verde; Bone Spring Pool (96229) to cover the Bone Spring formation within the Unit Area. The proposed Unit Area consists of approximately 3,461.80 acres of the following Federal and State lands situated in Lea and Eddy Counties, New Mexico:

TOWNSHIP 24 SOUTH, RANGE 31 EAST, N.M.P.M., EDDY COUNTY

Section 13: All

TOWNSHIP 24 SOUTH, RANGE 32 EAST, N.M.P.M., LEA COUNTY

Section 7: E/2 NE/4, SE/4

Section 8: All

Section 9: W/2

Section 16: W/2

Section 17: All

Section 18: All

OXY is the designated operator under the Unit Agreement and the unitized interval is the stratigraphic equivalent of the top of the Bone Spring formation at a measured depth of 8,445 feet down to the stratigraphic equivalent of the top of the Wolfcamp formation at a measured depth of 11,830 as encountered in the Heavy Metal 14 Federal 1 well in Section 14, Township 24 South, Range 31 East, N.M.P.M. (API # 30-015-29603).

The Unit Area is currently subject to two pools identified by the Division District Office for Lea County, as follows:

Mesa Verde; Bone Spring (Pool Code 96229)
Cotton Draw; Bone Spring, East (Pool Code 96556)

Both pools are subject to Statewide Rule 19.15.15.9 which requires wells to be located no closer than 330 feet to the outer boundary of a spacing unit, or in this case the outer boundary of the Unit Area. In order to allow for the most efficient horizontal well development pattern, to effectively drain the reserves in the unitized formation underlying the Unit Area, and to maximize administrative reporting and efficiency, OXY proposes to contract the Cotton Draw; Bone Spring, East Pool from within the Unit Area, and to expand the Mesa Verde; Bone Spring Pool to cover the Bone Spring formation within the boundaries of the Unit Area.

APPLICANT'S PROPOSED EVIDENCE

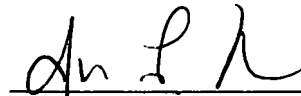
WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Stacy Rojas, Landman	Approx. 10 minutes	Approx. 5
Amanda Ulincy, Geologist	Approx. 10 minutes	Approx. 4

PROCEDURAL MATTERS

None at this time.

Respectfully submitted,

HOLLAND & HART LLP



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