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December 16, 2003

Hand Delivered

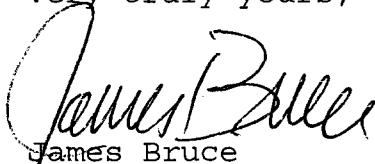
Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed are an original and one copy of an application by Kerr-McGee Oil & Gas Onshore LLC for an exception to the pool rules for the Indian Basin-Upper Pennsylvanian Associated Pool, together with a proposed advertisement. Please set this matter for the January 8, 2004 Examiner hearing. Thank you.

The advertisement is also on the enclosed disk.

Very truly yours,



James Bruce

Attorney for Kerr-McGee Oil & Gas Onshore LLC

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DEC 16 2003

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Case 13202

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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

DEC 16 2003

APPLICATION OF KERR-MCGEE OIL & GAS
ONSHORE LLC FOR AN EXCEPTION TO THE
SPECIAL RULES AND REGULATIONS OF
THE INDIAN BASIN-UPPER PENNSYLVANIAN
ASSOCIATED POOL, AND FOR SIMULTANEOUS
DEDICATION, EDDY COUNTY, NEW MEXICO.

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Case No. 13202

APPLICATION

Kerr-McGee Oil & Gas Onshore LLC applies for an exception to the Special Rules and Regulations of the Indian Basin-Upper Pennsylvanian Associated Pool (the "Pool"), to allow two wells to be completed in the same quarter section, and for simultaneous dedication, and in support thereof, states:

1. Applicant is the operator of the W½ of Section 36, Township 21 South, Range 23 East, N.M.P.M., Eddy County, New Mexico.

2. Special rules and regulations for the Pool were adopted by Division Order No. R-9922, as amended, requiring, among other things, (a) 320 acre spacing, and (b) wells to be located no closer than 660 feet to the outer boundary of a proration unit nor closer than 330 feet to a quarter-quarter section line.

3. Division Order No. R-9922-E also provides that only one well shall be allowed per quarter section in certain acreage in the Pool adjoining the Indian Basin-Upper Pennsylvanian Gas Pool, including the W½ of Section 36.

4. The W½ of Section 36 is currently dedicated to the Lowe State Gas Com Well No. 5, located in the NE¼SW¼ of Section 36.

5. Applicant proposes to drill its Lowe State Gas Com Well No. 6, at an orthodox location in the SW¼SW¼ of Section 36, on the

same quarter section as the Lowe State Gas Com Well No. 5. Applicant further seeks to simultaneously dedicate the Lowe State Gas Com Well Nos. 5 and 6 to the W½ of Section 36.

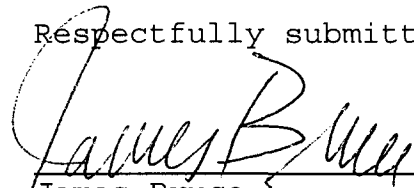
6. Applicant requests that the Lowe State Gas Com Well Nos. 5 and 6 be allowed to produce concurrently.

7. Offset operators have waived objection to this application.

8. 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 relief requested above be granted.

Respectfully submitted,



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

Attorney for Kerr-McGee Oil & Gas
Onshore LLC

PROPOSED ADVERTISEMENT

Case 13202 : Application of Kerr-McGee Oil & Gas Onshore LLC for an exception to the Special Rules and Regulations of the Indian Basin-Upper Pennsylvanian Associated Pool, and for simultaneous dedication, Eddy County, New Mexico. Applicant seeks an exception to the Special Rules and Regulations of the Indian Basin-Upper Pennsylvanian Associated Pool to allow both its existing Lowe State Gas Com Well No. 5 and its proposed Lowe State Gas Com Well No. 6 to be located in the SW¼ of Section 36, Township 21 South, Range 23 East, NMPM. Applicant further seeks approval of the simultaneous dedication of both wells to a standard well unit comprised of the W½ of Section 36, and that the wells be allowed to produce concurrently. The well unit is located approximately 19½ miles west of Carlsbad, New Mexico.

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DEC 1 2 2004

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Santa Fe, NM 87505