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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

December 21, 1994

HAND DELIVERED

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
P. O. Box 6429
Santa Fe, New Mexico 87505

DEC 21 1994

11189

Re: Conoco State Well No. 2
Application of Oryx Energy Company
for an Unorthodox Gas Well Location,
and Simultaneous Dedication
Indian Basin-Upper Pennsylvanian Gas Pool,
Eddy County, New Mexico

Dear Mr. Stogner:

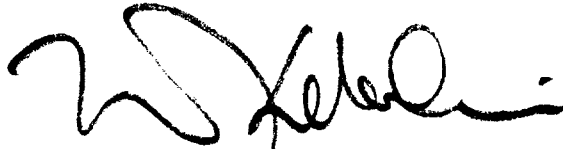
On behalf of Oryx Energy Company, please find enclosed our Application for An Unorthodox Gas Well Location for its Conoco State Well No. 2 which we request be set for hearing on the next available Examiner's docket now scheduled for January 19, 1995. Also enclosed is our proposed notice for the advertisement.

By copy of this letter, including the Application to all parties, we are notifying them by certified mail return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the Application.

Oil Conservation Division
December 21, 1994
Page 2.

Pursuant to the Division's Memorandum 2-90, all interested parties are hereby informed that if they appear in this case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, January 13, 1995, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized, cursive script.

W. Thomas Kellahin

cc: Oryx Energy Company
Attn: Mike Malone (Dallas)

cc: **CERTIFIED MAIL:**
All parties shown in application

DEC 21 1994

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Proposed notification/advertisement for OCD docket

Case 11189: Application of Oryx Energy Company for an unorthodox gas well location and Simultaneous Dedication, Eddy County, New Mexico.

Applicant, in the above-styled cause, seeks approval to drill its Conoco State Well No. 2 at an unorthodox gas well location 800 feet from the South line and 800 feet from the West line (Unit M) Section 2, Township 22 South, Range 23 East, NMPM, Indian Basin-Upper Pennsylvanian Gas Pool. All of said Section 2 is to be simultaneously dedicated to said well and its currently producing Conoco State Well No. 1, located 1775 feet FNL and 1980 feet FWL (Unit F) to form a standard 640-acre gas spacing and proration unit. Said unit is located approximately 20 miles west of Carlsbad, New Mexico.

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

IN THE MATTER OF THE APPLICATION
OF ORYX ENERGY COMPANY FOR APPROVAL OF
AN UNORTHODOX GAS WELL LOCATION,
AND SIMULTANEOUS DEDICATION
INDIAN BASIN-UPPER PENNSYLVANIAN GAS POOL,
EDDY COUNTY, NEW MEXICO

DEC 21 1994

CASE: 11189

APPLICATION

Comes now ORYX ENERGY COMPANY ("ORYX") by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division for approval to drill its Conoco State Well No. 2 at an unorthodox gas well location 800 feet from the South line and 800 feet from the West line (Unit M) Section 2, Township 22 South, Range 23 East, NMPM, Indian Basin-Upper Pennsylvanian Gas Pool, and to simultaneously dedicate Section 2 to said well and its currently producing Conoco State Well No. 1, located 1775 feet FNL and 1980 feet FWL (Unit F) of Section 2 to form a standard 640-acre gas spacing and proration unit.

In support thereof, Applicant states:

1. Applicant, Oryx Energy Company, has the right to drill and test for Pennsylvanian gas production in Section 2, T22S, R23E, N.M.P.M, Eddy County, New Mexico.
2. The proposed gas well will be located within the current boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool.

3. The subject pool was created by Order R-2440 dated March 1, 1963 and was initially spaced on 640 acre spacing, Rule 2(A), with Rule 2(B) setting standard well locations to be no closer than 1650 feet to the outer boundary of the spacing unit. On April 14, 1965, the Division entered Order R-1670-F in Case 3237 which established gas proration for the pool.

4. The existing well in Section 2 is the Conoco State Well No. 1 located 1775 feet from the North line and 1980 feet from the West line (Unit F) which is being adversely affected by water encroachment.

5. The proposed Conoco State Well No. 2 will be a "replacement" well and will be drilled at an unorthodox location in order to gain sufficient structural position in its spacing unit to attempt to recover any remaining recoverable gas reserves underlying Section 2 and thereby protect correlative rights.

6. Oryx proposes to drill its Conoco State Well No. 2 at an unorthodox gas well location 800 feet from the south and west lines of Section 2.

7. Until such time as the Conoco State Well No. 1 has "watered out", Oryx seeks approval to drill, operate and produce the maximum gas allowable assigned to this spacing unit from either or both of these two wells in any combination. Once the Conoco State Well No. 1 is completely watered out, the Oryx seeks approval to produce the spacing and proration unit's gas allowable from the Conoco State Well No. 2 without penalty.

8. Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the remaining gas underlying this unit, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

9. The Applicant is sending notification to each of the operators for all spacing units towards which the subject well encroaches as follows:

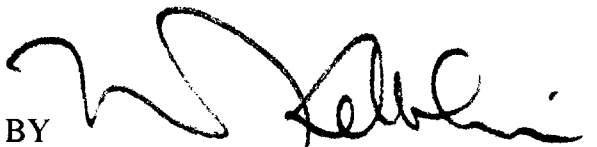
Apache Corporation
2000 Post Oak Blvd
Suite 100
Houston, Texas 77056-4400
Attn: Ceci Leonard

Chevron USA Inc.
P. O. Box 1150
Midland, Texas 79702-1150
Attn: Al Bohling

10. Oryx requests that this matter be set for hearing on the Division Examiner's docket now scheduled for Santa Fe, New Mexico on January 19, 1995

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

BY 

W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

ATTORNEYS FOR APPLICANT