

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

IN THE MATTER OF THE APPLICATION OF
OXY USA INC. FOR APPROVAL
OF AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO

RECEIVED
DEC 29 1995
Oil Conservation Division

CASE: 11454

APPLICATION

Comes now OXY USA INC., by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division for approval to drill its Oxy 4 Federal Well No. 1 at an unorthodox gas well location 1980 feet from the North line and 2130 feet from West line (Unit F) Section 4, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico for any and all gas production from the Bone Springs formation to the base of the Morrow formation forming a standard 320-acre gas spacing and proration unit consisting of the W/2 of said section for any and all production from the top of the Wolfcamp formation to the base of the Morrow formation including but not limited to the North Burton Flat-Wolfcamp Gas Pool and the Burton Flat Morrow Gas Pool and forming a standard 80-acre gas spacing and proration unit consisting of the S/2NW/4 of Section 4 for any gas production from the Old Millman Ranch-Bone Springs Associated Pool. Applicant further requests approval of the unorthodox well location as to all prospective pools or formations.

In support thereof, Applicant states:

1. Applicant, Oxy USA Inc. ("OXY"), is a working interest owner in the W/2 of Section 4, T20S, R28E and the proposed operator for the Oxy 4 Federal Well No. 1 to be drilled at an unorthodox gas well location 1980 feet from the North line and 2130 feet from the West line of said Section 4 as set forth on Exhibit "A" attached.

2. Oxy proposes to drill its Oxy 4 Federal Well No. 1 to test for production from the surface to the base of the Morrow formation including but not limited to the Old Millman Ranch-Bone Springs Associated Pool which provides for 80 acre gas spacing and proration units and the North Burton Flat-Wolfcamp Gas Pool and the Burton Flat-Morrow Gas Pool both of which provide for 320 acre gas spacing and proration units.

3. In the event the well is completed for gas production in the Old Millman Ranch Bone Spring Associated Pool, a standard 80-acre gas spacing unit consisting of the S/2NW/4 of Section 4 will be dedicated to the well and if completed for gas production below the top of the Wolfcamp formation then a standard 320-acre gas spacing and proration unit consisting of the W/2 of Section 4 will be dedicated to the well.

4. The well is within the current boundaries of the Old Millman Ranch-Bone Springs Associated Pool and therefore is subject to Special Rules and Regulations set forth in Order R-5353-M-1 (March 2, 1995) which provide in Rule 2(b) that:

"Gas wells shall be located within 150 feet of the center of either quarter-quarter section or lot."

5. The well will be located at a standard well location for any oil production and for gas production from the Bone Springs formation but will be at an unorthodox gas well location for any production below the top of the Wolfcamp formation.

6. Geologic and engineering evaluations have concluded that the optimum location in this spacing unit to test the Bone Springs formation is at the proposed location.

7. However, all of the potential gas productive formations below the top of the Wolfcamp are very risky and cannot be justified by drilling a separate well at a standard "deep gas" well location in the W/2 of Section 33.

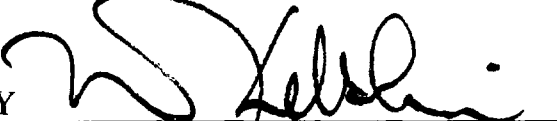
8. Geologic and engineering evaluations have concluded that the proposed location is necessary in order to have the optimum location at which to drill this well in order to use a single wellbore to test all of these potential producing formations within the subject spacing units.

9. Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the hydrocarbons in these formations and will otherwise prevent waste and protect correlative rights.

10. In accordance with Division Rule 1207, notification is being sent to those parties listed on Exhibit "B".

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

KELLAHIN and KELLAHIN

BY 

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