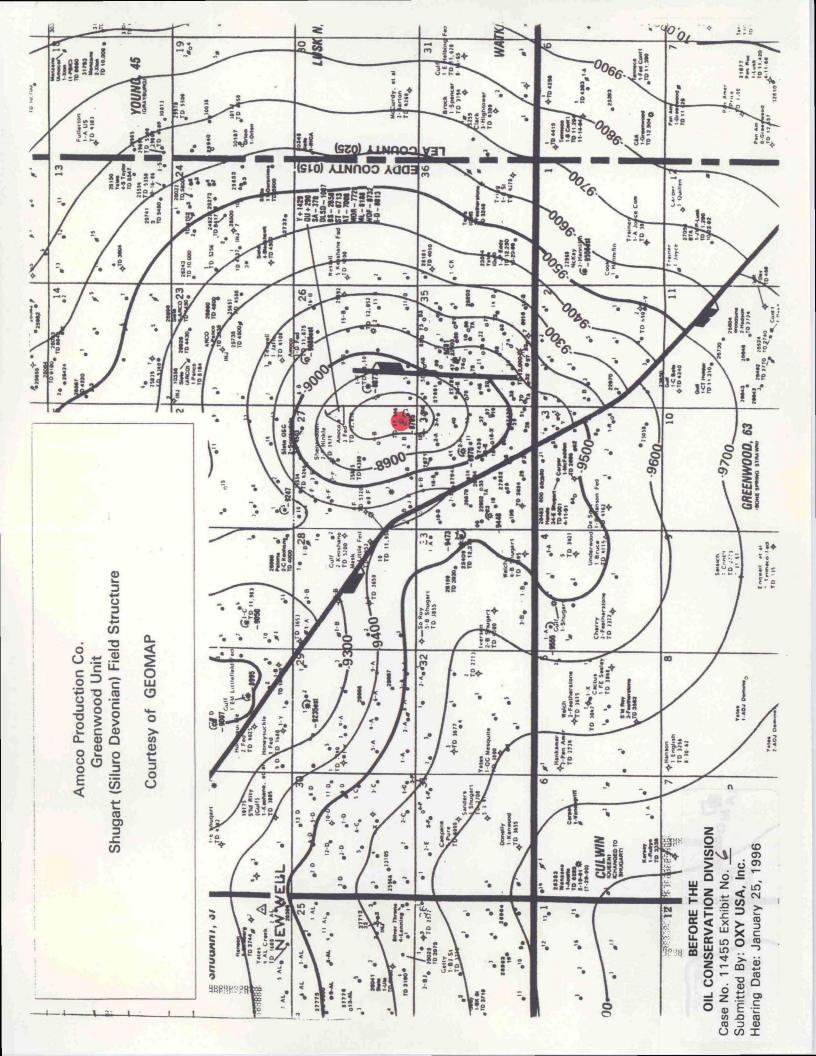
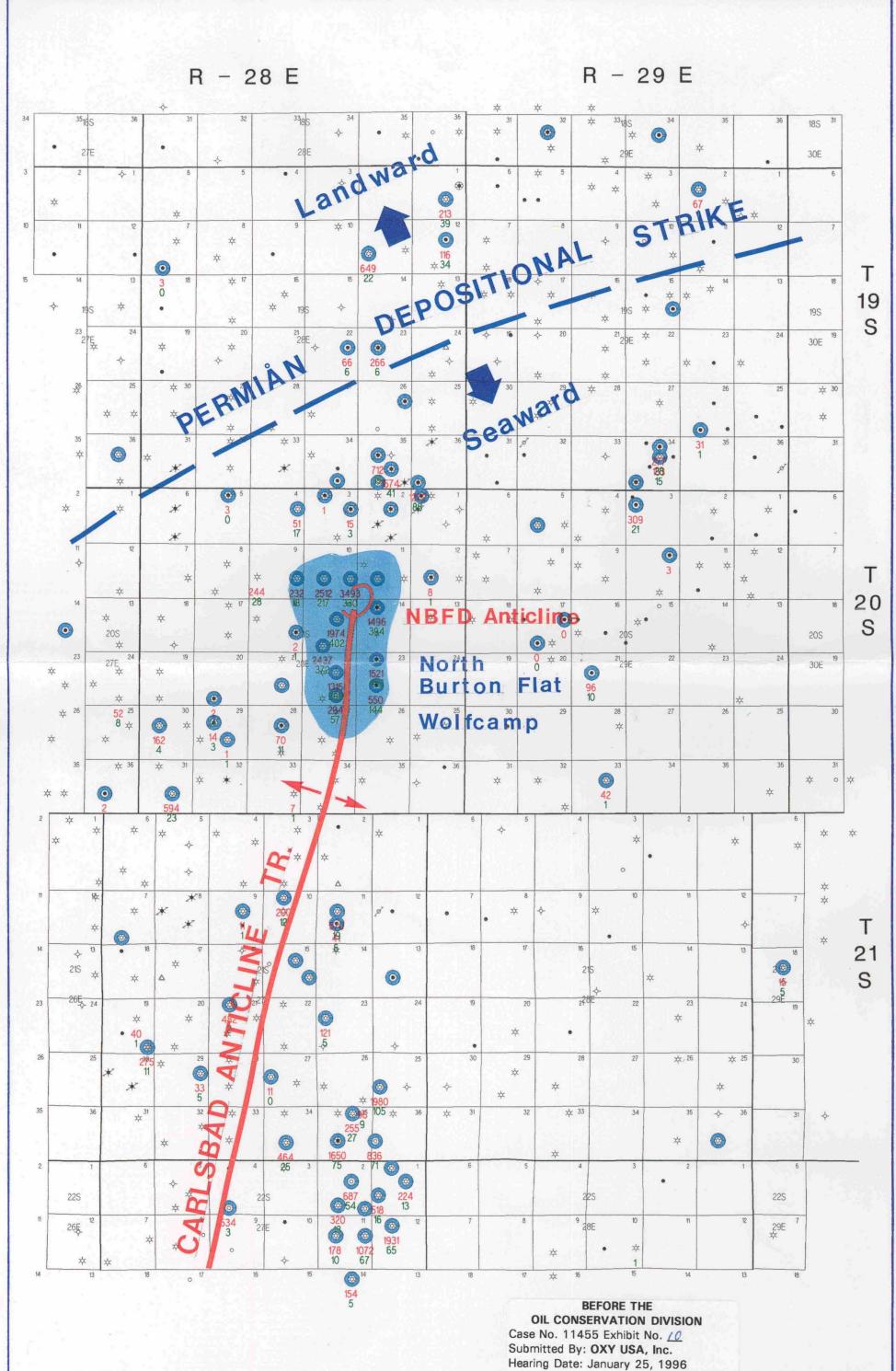


BEFORE THE

Eddy County, New Mexico





OXY USA, Inc. SCPC 1/10/1996 RLD

8637 FT

Development Predicted by Model Current NBF WC Development Untested Development Untested Development

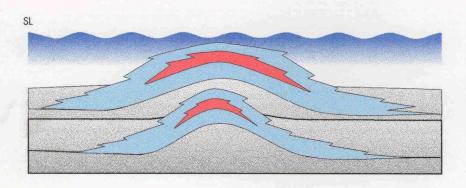
Maximum Reservoir

NORTH BURTON FLAT WOLFCAMP DEPOSITIONAL MODEL

R.L. Doty January 21, 1996

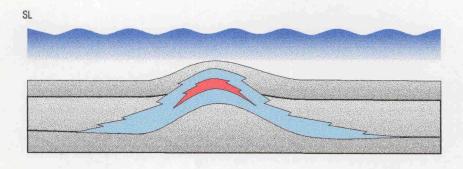
Finally

 the cycle repeats several times with maximum reservoir development over NBFD Anticline, which remains untested.



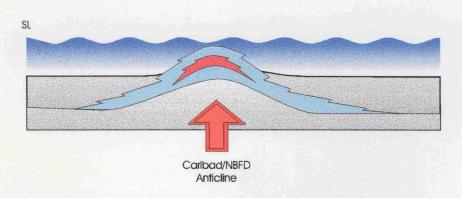
Time 3

 clean carbonate development is re-established over NBFD Anticline



Time 2

 sudden sea level rise drowns carbonate buildup and covers with thin shaley carbonate (vertical barrier).



Time 1

- clean carbonate development occurs in shallowest water, over NBFD Anticline
- small sea level drops results in porosity creation.

OIL CONSERVATION DIVISION
Case No. 11455 Exhibit No. //
Submitted By: OXY USA, Inc.
Hearing Date: January 25, 1996

Drive Mechanism Current Oil Rate (BO/D) Current Gas Rate (MCF/D) *** Number of Active Wells Cumulative Oil (MBO) Cumulative Gas (MMCF) * Pool Name Date of First Production Approximate Depth @ NBFD #1 (ft) North Burton Flat Drilling Unit #1 Reservoir Data Sheet (Wolfcamp) # **Burton Flat** Depletion North 19,527 3,020 8,970 5/74 Depl/Wat. Dr. (Morrow) ## **Burton Flat** 11,060 12,272 1/74 880 10 (Devonian) **Burton Flat** Depletion 12,010 N/A 0 0 0

Numbers for the ten wells adjacent to or included in NBFD Equity Unit only.

^{*} Cumulative Production through July 1995 - limit of currently available public information (Wolfcamp) Morrow is through November 1995.

^{**} Current Rate = July 1995 Average Daily Rate (Wolfcamp)
Morrow is November 1995 Average Daily Rate.

[#] Numbers reflect the entire Pool.

Volumetrics:	Morrow Reserves Calculations North Burton Flat Drilling Unit cs:
OGIP =	43.56 x phi x (1-Sw) (Pres/Psc)(Tsc/Tres)/z
GD III	Morrow
phi (dec)	0.12
Sw (dec)	0.30
Pres (psia)	4,800
Psc (psia)	15.03
Tsc (oR)	460
Tres (oR)	630
Z	0.97
RF (dec)	0.70
A (acres)	250
h (ft)	30
OGIP/Ac-ft Gp (MMCF)	879.9 4,619.5

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 11455 Exhibit No. 25
Submitted By: OXY USA, Inc.
Hearing Date: January 25, 1996

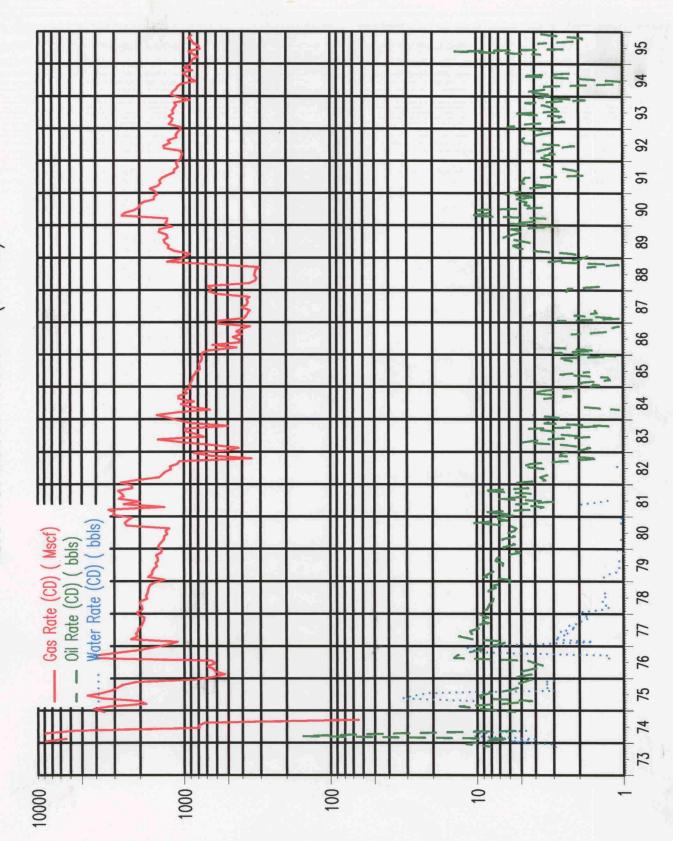
	Morrow Poduction in the NBFD Area	tion in th	e NBFD Are	g		
	Cum Production *	luction *	Ult Recovery	overy		
	Gas	Oil	Gas	Oil		
Well	(MMCF)	(MBO)	(MMCF)	(MBO)	Status	
Govt R 1	3,669	9	3,859	9	Active	
Govt S 2	1,628	2	2,135	3	Active	
Govt T 1	380	S	380	5	Inactive	
Govt T 2	117		117		Inactive	
Govt Y 1	1,898	13	2,759	18	Active	
Govt AB 1	158	0	158	0	Inactive	
Govt AB 4	552	4	792	9	Active	
Govt AB 5	716	2	942	2	Active	
JCW State 1	159	-	159		P&A	
State CV 1	2,995	6	3,192	6	Active	
Total	12,272	41	14,493	51		

* Cumulative Production through 11/95

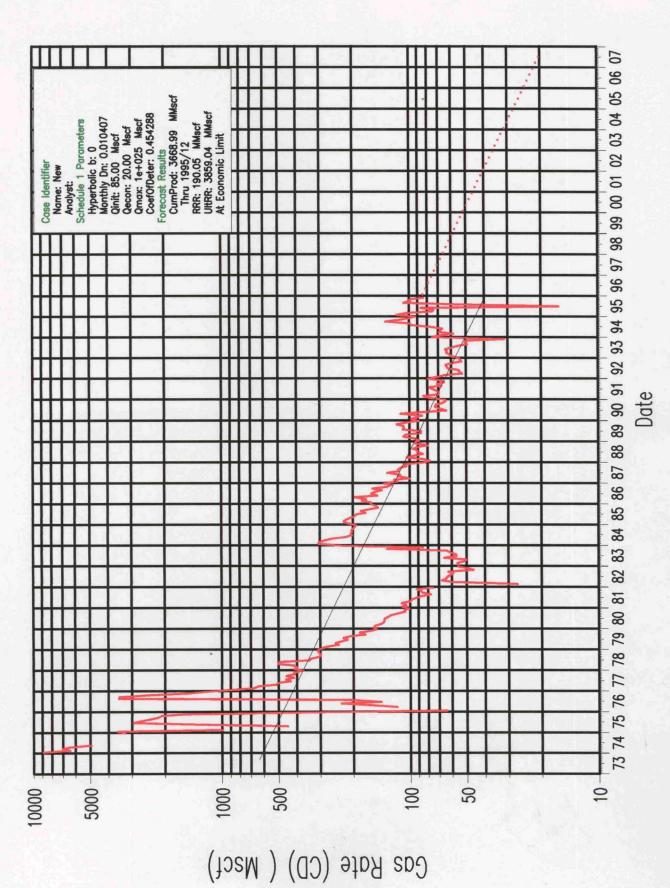
	Cum Production *	luction *	Ult Recovery	overy	
	Gas	iio	Gas		
Well	(MMCF)	(MBO)	(MMCF)	(MBO)	Status
Govt T 1	1,521	398	2,011		Active
Govt T 2	2,004	406	2,569		Active
Govt AB 1	2,304	217	4,333	408	Active
3ovt AB 2	3,571	331	5,850		Active

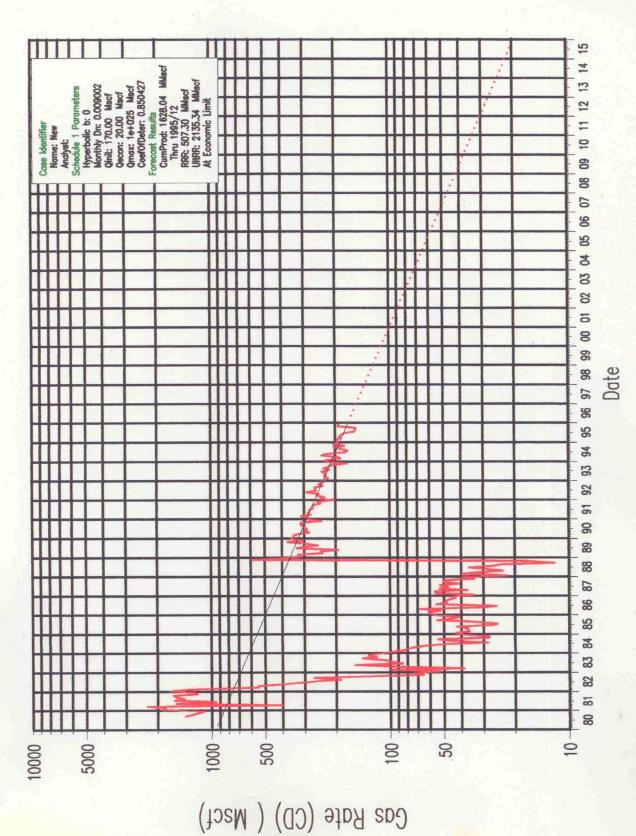
* Cumulative Production through 11/95

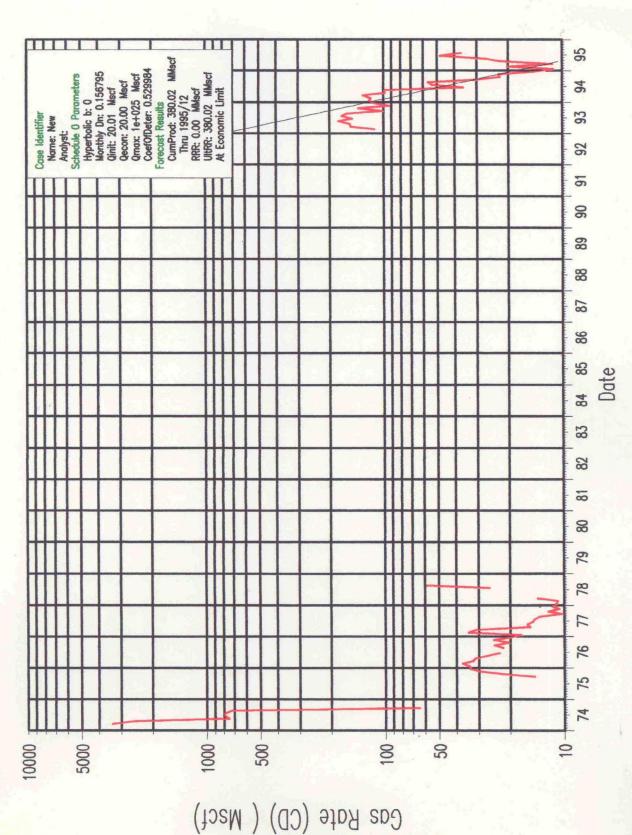
BEFORE THE
OIL CONSERVATION DIVISION
Case No. 11455 Exhibit No. 12
Submitted By: OXY USA, Inc.
Hearing Date: January 25, 1996

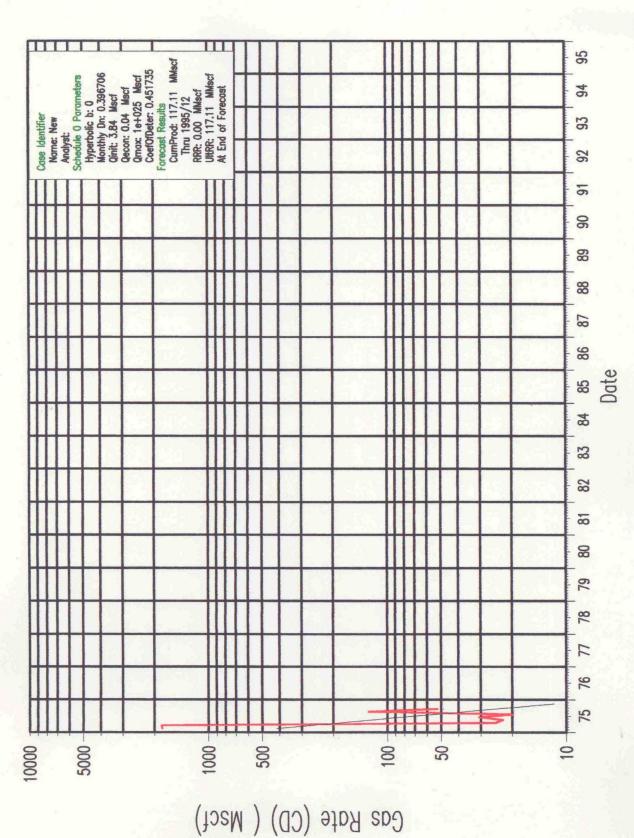


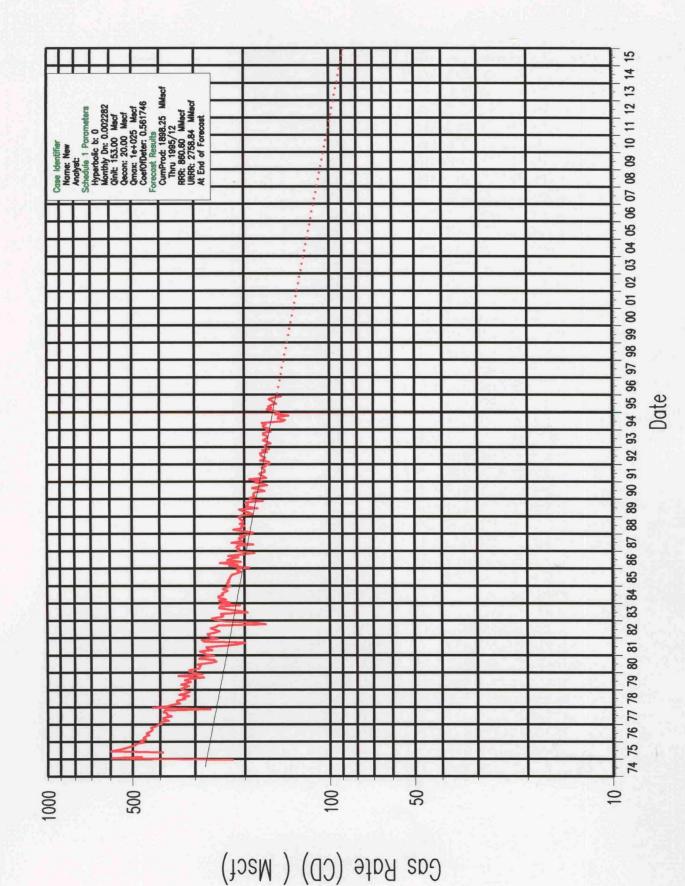
NBFD Area Morrow Production (9 Wells)

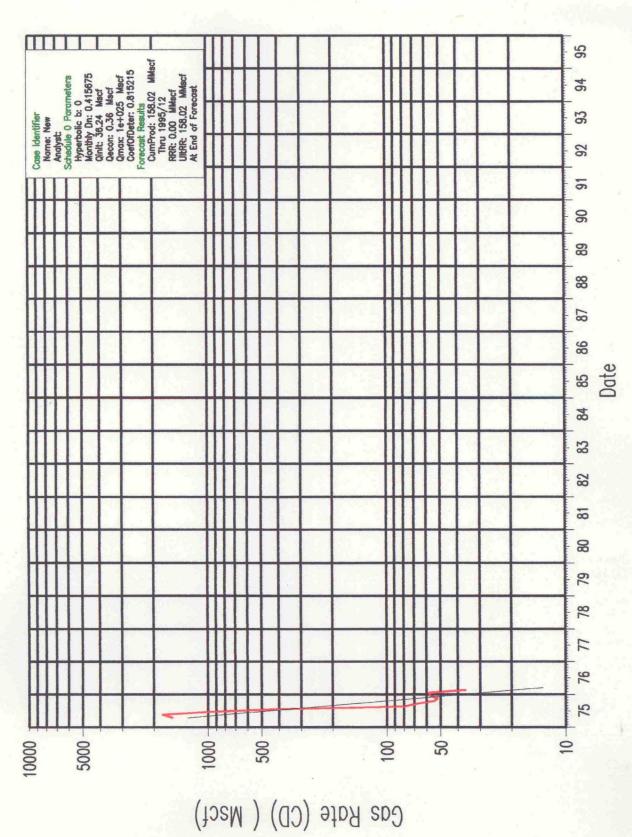


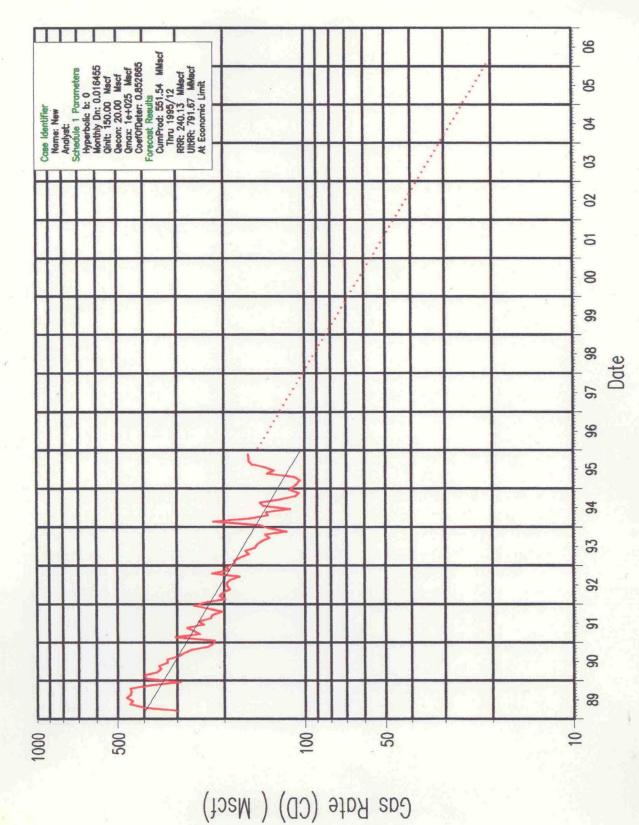




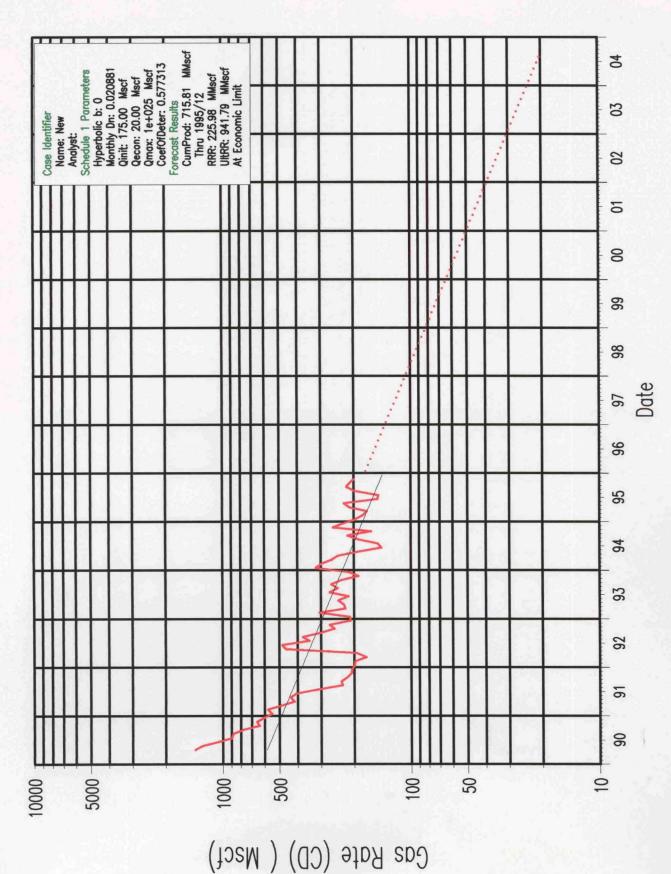


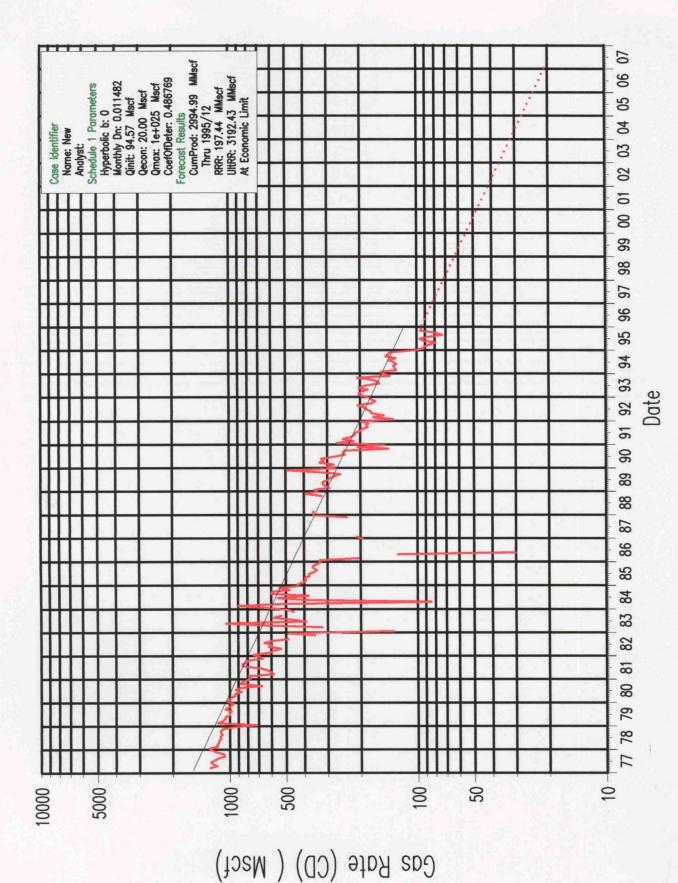


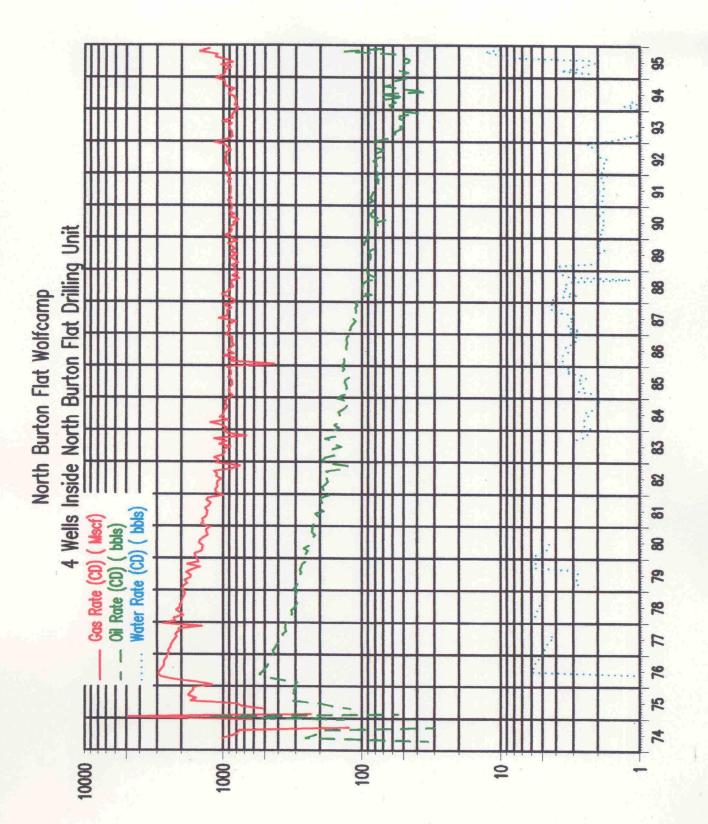


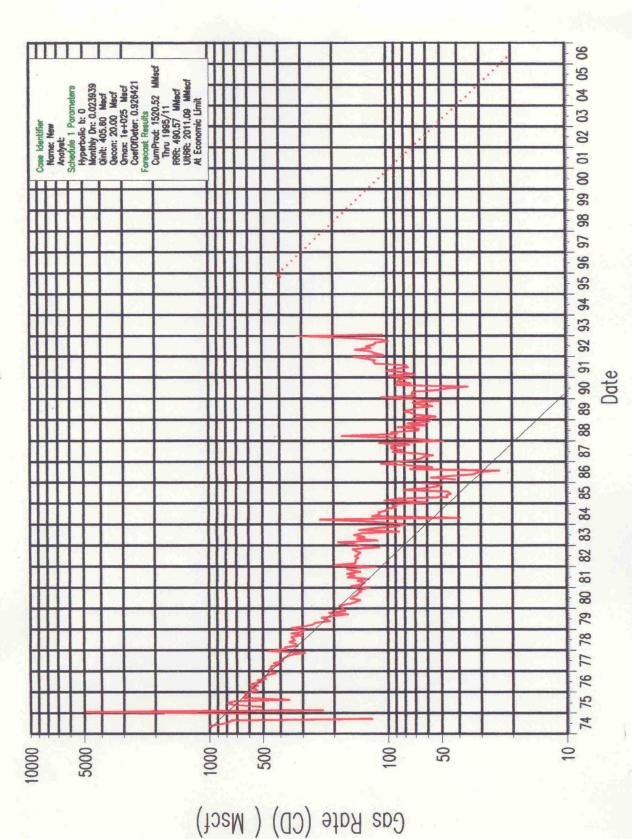


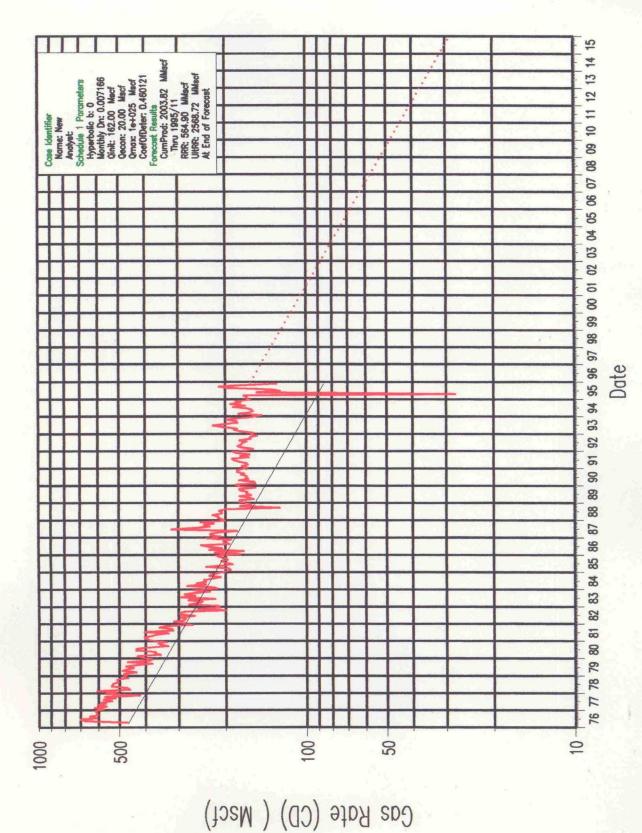
WELL: GOVT AB4 A

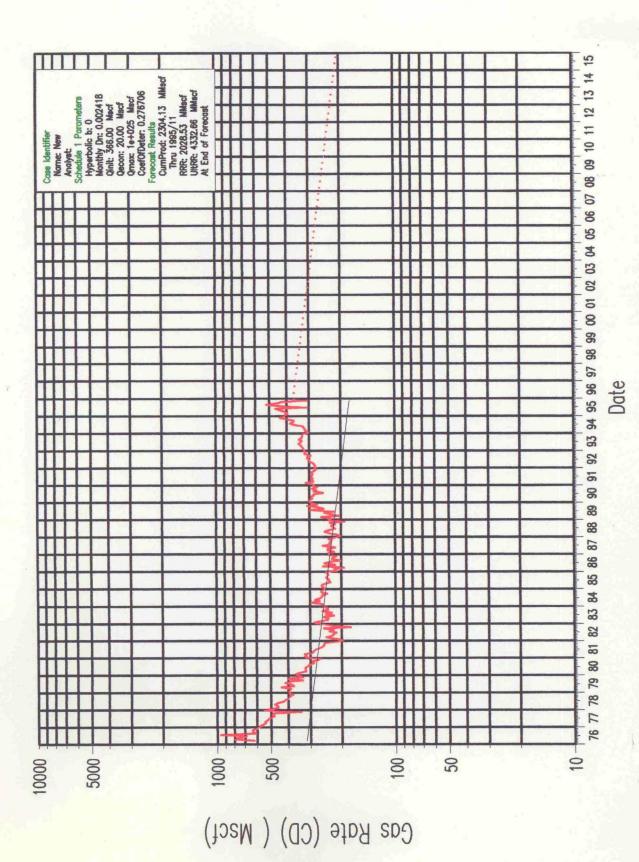


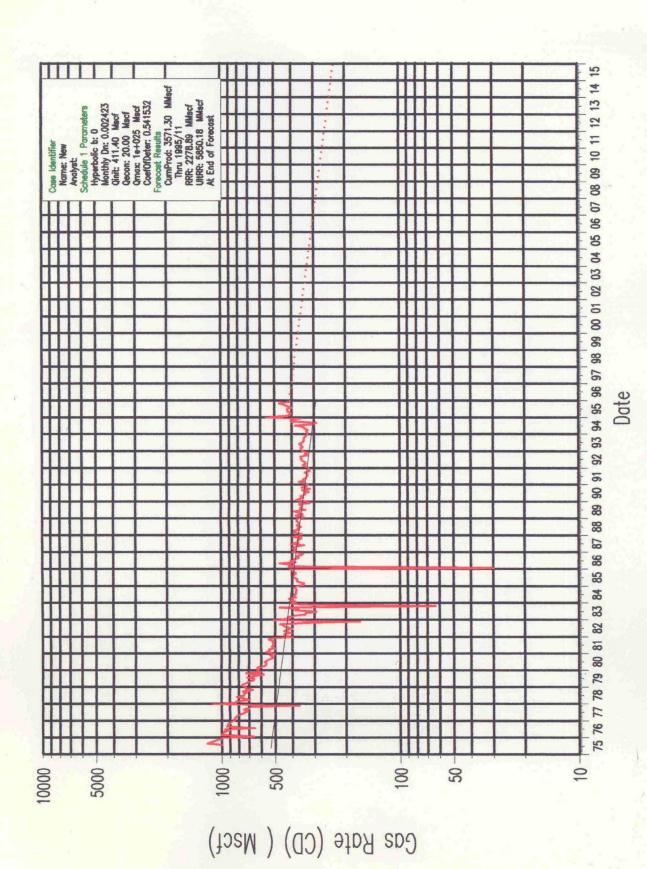












Reserves Calculations North Burton Flat Drilling Unit

Analogy:

	Cu	m Production	
Devonian	Gas (MMCF)	Oil (MBO)	
Devonian Shugart Analogy:	18,677	1,018	
Shugart Approx. Producing Area (acres)	800	· · ·	
NBFD Approx. Producing Area (acres)	250		
NBFD as Fraction of Shugart	0.31		
	Gas	Oil	
	(MMCF)	(MBO)	
Possible NBFD Reserves (MMCF)	5,837	318	

Morrow		
	Ult	. Recovery
	Gas	Oil
	(MMCF)	(MBO)
Total Ult. Recovery from 10 Offsetting Wells:	14,493	51
Average Ult. Recovery from Offsetting Wells:	1,449	6

Wolfcamp		
	Ult	. Recovery
	Gas	Oil
	(MMCF)	(MBO)
Total Ult. Recovery from 4 Offsetting Wells:	14,763	1,997
Average Ult. Recovery from Offsetting Wells:	3,691	499

Submitted By: OXY USA, Inc. Hearing Date: January 25, 1996

	Reserves	Reserves for Economic Analysis	c Analysis	
		NBFD #1	,	
				Ultimate
		Ultimate Gas	Condensate/Gas	Condensate
		Recovery	Ratio	Recovery
	Method	(MMCF)	(BBL/MMCF)	(MBC)
Devonian	Analogy	5,837	55	318
Morrow	Volumetric	4,620	4	16
Wolfcamp	Analogy	3,691	135	499
	The second section of the second sections and second sections are second sections as the second section sectin			

Economic Summary North Burton Flat Drilling Unit #1

	Target MMCF	Reserves MBO	Reserves Category	Risk Factor	NPV @ 15% (M\$)	Rate of Return (%)	Net Gas Reserves (MMCF)	Net Oil Reserves (MBO)
Devonian	4786	258	Poss. Und.	0.0555	(456.0)	Neg	266	14
Morrow	3733	15	Prob. Und	0.1993	(151.0)	Neg	744	3
Wolfcamp	3027	409	Poss. Und.	0.0555	(228.0)	Neg	168	23
Expected Risked Ca					223.0	27.6	1,121	38
		Assumpti	ions:					
		_	terest (dec) ue Interest (c	lec)	1.000 0.820			
		Gas Price (1.50			
		Liquids Price Escal	ce (\$/BO) ation (%/yr)		17.00 0.0			
		Capital Dev	Expense (\$M vonian Comp orrow Compl olfcamp Com	letion (M\$) etion (M\$)	1.5 720.0 655 550			
		Inflation Ra	·	ipiction (ivi	0.0			
		Oil Product	ction Tax (% ion Tax (% F n Tax (% Rev	Rev)	7.08 7.94 0.005			
			ome Tax Ra ne Tax Rate	te	. 0%	•	~	

SURVEY SUMMARY

The industry has maintained relatively mild escalation factors for all prices and costs in the past few years. Last year's relatively more optimistic gas price forecast has taken a step back and is now similar to 1992's price pattern.

A summary of the pertinent results of the 1995 Survey is shown below:

OIL AND GAS PRICE FORECASTS

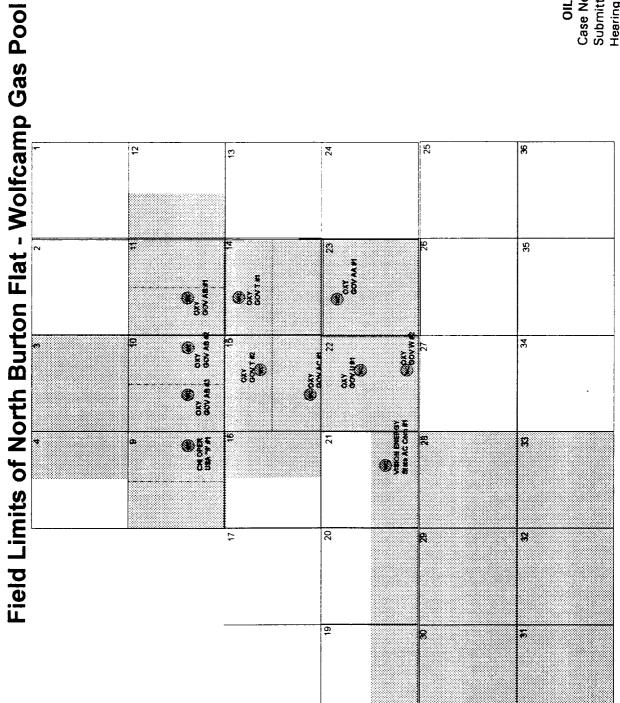
	Pr	ice	Escalation	
Commodity	1995	2004	%/Year	
Oil, \$/bbl	17.64	23.77	3.38	
Gas, \$/MMBtu	1.75	2.56	4.19	

COSTS AND INFLATION

Average Ann	ual Escalation, %/Yea	ır			
Operating Cost	Operating Cost Drilling Cost Inflation				
3.29%	3.36%	3.35%			

EVALUATION CRITERIA

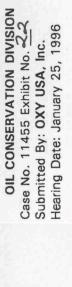
	Mean Fact	tor, %
	Acquistion Value	Loan Value
Present Worth Factor (Cost of Money)	10.18	
Rate of Return (Cost of Money Plus Return)	17.64	
Risk Adjustments (Probability of Success)		
Proved Producing	96.29	84.04
Proved Shut-In	84.66	67.28
Proved Behind-Pipe	74.24	55.23
Proved Undeveloped	55.23	33.45
Probable Behind-Pipe	26.16	8.76
Probable Undeveloped	19.93	6.84
Possible Behind-Pipe	8.17	3.19
Possible Undeveloped	5.55	2.13



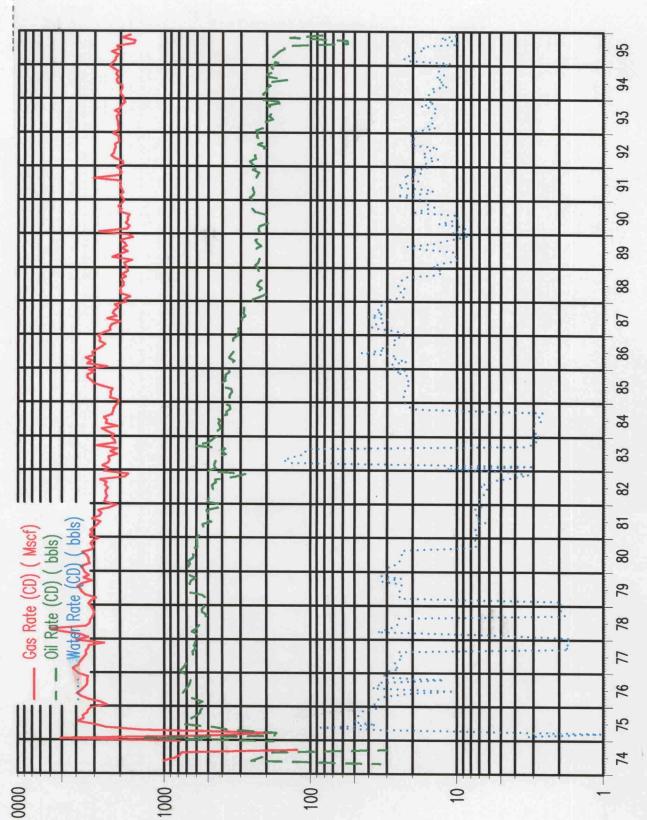
OIL CONSERVATION DIVISION
Case No. 11455 Exhibit No. 2 /
Submitted By: OXY USA, Inc.
Hearing Date: January 25, 1996

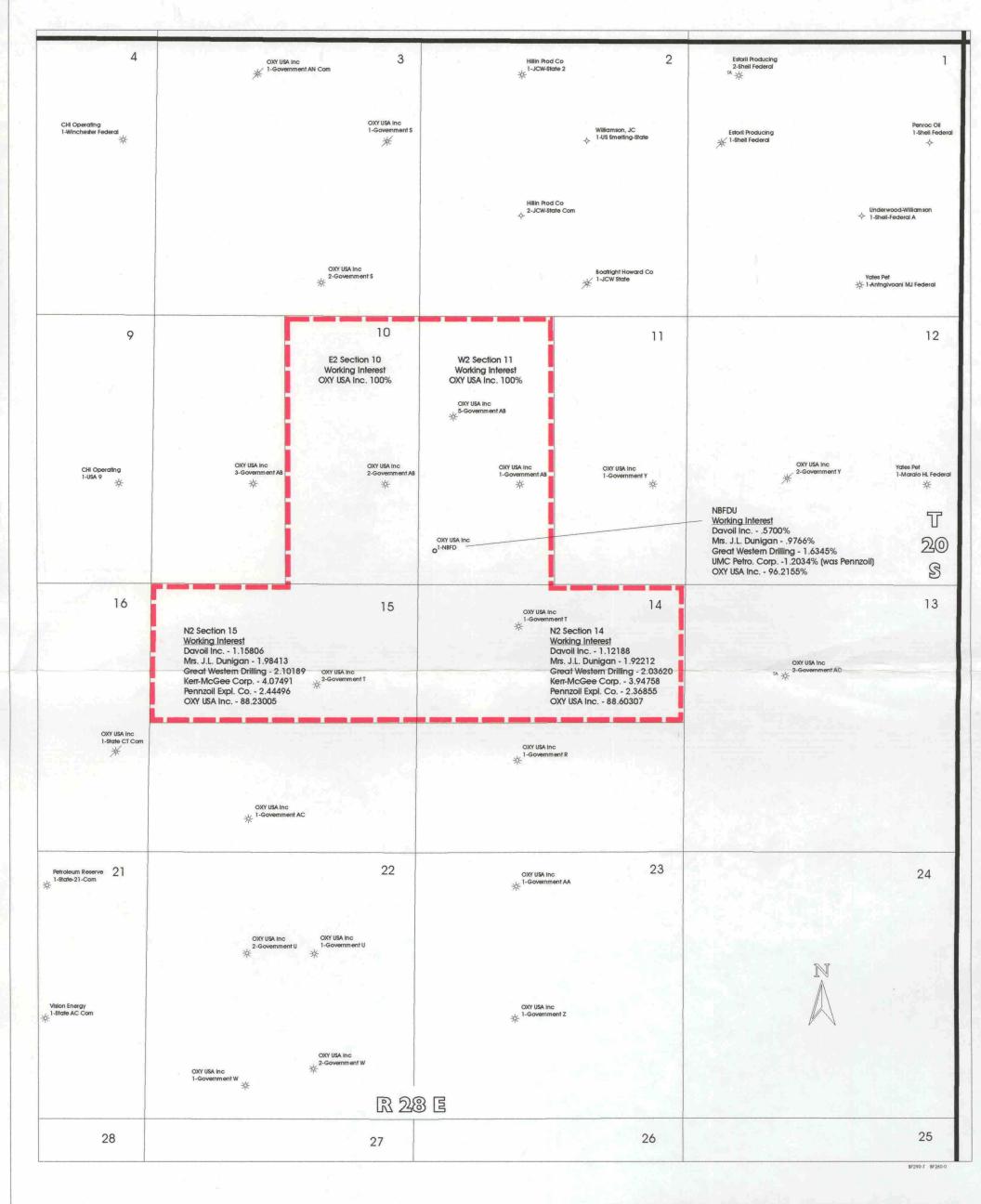
Note: Only wells currently producing from the NBFWC Gas Pool are shown here

Total North Burton Flat Wolfcamp Pool



BEFORE THE





☆ GAS PRODUCER

-- DRY HOLE

* PLUGGED AND ABANDONED

TEMPORARILY ABANDONED/INACTIVE

ONLY WOLFCAMP AND DEEPER WELLS SHOWN

OIL CONSERVATION DIVISION
Case No. 11455 Exhibit No. 3
Submitted By: OXY USA, Inc.
Hearing Date: January 25, 1996

NORTH BURTON FLAT AREA Eddy County, New Mexico

NBFDU WITH OWNERS

K. Wooley

Revised: 1/21/96 Wells Revised: 1/11/96



T. Kent Woodey, CPL Souler Landmen Box 50250, Midland, TX 79710

Phone (715) 685-5966 PAX: (715) 685-5868

November 22, 1995

Davoil, Inc. P. O. Box 122269 Fort Worth, Texas 76121 Mrs. Joseph Dunigan c/o Pat Marr 4024 La Adelita El Paso, Texas 79922 Great Western Drlg. Co. P. O. Box 1659 Midland, Texas 79701

Kerr-McGee Corporation P. O. Box 25861 Oklahoma City, OK 73125 Pennzoil Exploration
Mid-Continent Accounting 29th Fl.
P. O. Box 2967
Houston, Texas 77252

RE:

PROPOSED GOVT NORTH BURTON FLATS DRILLING UNIT

Section 10: E/2, Section 11: W/2, Section 14: N/2, Section 15: N/2, T-20S R-28E, Eddy County, New Mexico

Gentlemen:

OXY USA Inc. has identified what it believes to be an undrilled anticlinal structure on leasehold that includes jointly owned leases in Eddy County, New Mexico. OXY requests your participation in a 1280-acre non-standard proration unit for the purpose of drilling a 12,500 ft Devonian test. Our proposal is contingent upon 100% acceptance by all working interest owners in the proposed unit and the execution by all parties of a mutually acceptable operating agreement based on the A.A.P.L. Form 610-1982 Model Form Operating Agreement. In the event that there is not 100% participation to form the unit, within 30 days OXY will withdraw the offer and develop the structure on 100% OXY leasehold. We, therefore, request your response on or before December 25, 1995.

Unit Boundaries and Working Interest

The proposed non-standard proration unit will be called the Govt North Burton Flats Drilling Unit (NBFD) and will consist of the E/2 Sec 10 and the W/2 Sec 11 (OXY 100%), the N/2 Sec 14 and the N/2 Sec 15, all in T-20S R-28E, below the top of the Wolfcamp formation. There currently are five active wells producing from various zones within the subject interval on this leasehold, the existing wells will not be included in the new unit. Production from any new wells drilled in the unit, which produce from zones below the top of the Wolfcamp, will be shared according to the Govt NBFD Unit working interest. The operating agreement is presently being prepared and will be provided for your execution upon receipt of 100% approval of the proposal contained herein. The following table illustrates each participant's working interest according to the information available to OXY. Of course, should additional information become available this proposal will be revised to reflect that information.

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 11455 Exhibit No. 24
Submitted By: OXY USA, Inc.
Hearing Date: January 25, 1996

	Present % N/2 Sec 14	Present % N/2 Sec 15	Present % E/2 Sec 10	Present % W/2 Sec 11	Proposed % GNBFD Ut. WI
OXY	88.6037	88.2361	100.	100.	94.2099
Davoil	1.1219	1.1581	0	0	.57
Pennzoil	2.3685	2.445	O -	0	1.2034
Dunigen	1.9221	1.9841	0	0	.9766
Kerr McGee	3.9476	4.0749	0	0	2.0056
Great Wester	- · - ·	2.1019			1.0345
	100.	100.	100.	100.	100.

NOTE:

Sections 14 and 15 interests are based on contractual interest created in an operating agreement dated June 11, 1973 (known as the Russell Unit).

Geology

The anticlinal structure was identified from a proprietary 3-D seismic survey acquired in late 1994. OXY's interpretation indicates the structure covers about 320 acres and has about 200 ft of relief at the Morrow horizon. The structure is pervasive throughout all potentially productive zones including the Wolfcamp, Upper Penn, Strawn, Atoka, Morrow and Devonian. In OXY's opinion, the limits of the structure are illustrated on the attached plat.

All of the information contained in this letter is provided as an accommodation to you. Interpretation of geological and geophysical data frequently involves matters which may be the subject of disagreement between competent professionals in the field. Therefore, OXY cannot warrant either the accuracy or the completeness of the title information, the geological or geophysical data or OXY's interpretation thereof, and we can certainly not warrant the productiveness of the structure. Each participant must make their own evaluation of the risks involved and must proceed or not at their sole risk and expense. We believe, however, that the structure is a unique geological feature with the opportunity for substantial gas and oil reserves.

Purpose of Unit and Timetable

Pursuant to OXY's interpretation, the structure is located at the intersection of four governmental sections; thus, developing the structure on standard proration units may lead to the drilling of unnecessary demand wells. We therefore believe it most prudent to afford each affected working interest owner the opportunity to equally share in the development of the structure under a regulatory strategy that provides for the most effective depletion plan. This will require the approval of NMOCD and the BLM, therefore, this proposal will also be subject to the receipt of such required approvals.

Toward this end, OXY presently intends to make application to the NMOCD for a non-standard proration unit consisting of the lands shown above and on the attached plat in time to appear on the January 25, 1996 docket and also to present the Unit and Operating Agreement to the

Govt BFD Unit Proposal Page 3

BLM for their review and approval. Upon receipt of all required approvals, including that of the working interest owners, OXY will AFE the working interest owners for the Govt NBFD #1, located 660 FSL, 330 FWL, Section 11, T-20S R-28E. Plans are to spud the well by March 1, 1996 and drill the well to the Devonian at an estimated TD of 12,500 ft. Estimated costs are \$720 M D&E and \$600 M D&A. Should the Govt NBFD #1 prove non-productive, the unit will dissolve.

OXY is very desirous of that the structure be test in the first quarter of 1996. In the event we are unable to obtain 100% approval to form the unit, it is our present intention to proceed at the same location as a non-standard proration unit entirely on OXY's 100% lease in Section 11.

Please note that the timetable is quite compressed. In order to make the January 25, 1996 NMOCD docket, we must know if we are forming the Govt NBFD non-standard unit or the 100% OXY non-standard unit by December 27. We therefore request your response by December 25, 1996.

Corporate policy prevents us from securing final management approval until the formal agreement has been prepared, therefore this proposal must remain subject to the final approval of OXY's management. Also, OXY has found that conversations between the parties are facilitated and transactions are concluded more quickly if the method of entering a contract between the parties is carefully defined. Therefore, only a formal and complete Operating Agreement prepared pursuant to OXY's normal and usual completion of the A.A.P.L. Form 610-1982, Model Form Operating Agreement, with a 1984 C.O.P.A.S. Accounting Procedure attached, all prepared by and properly executed on behalf of OXY USA Inc. and delivered to you for your execution shall, by its acceptance on behalf of all the parties hereto, give rise to a contract between the parties or create any rights in you. OXY reserves the right to withdraw this proposal in its entirety at any time prior to complete execution of the subject Operating Agreement by all parties.

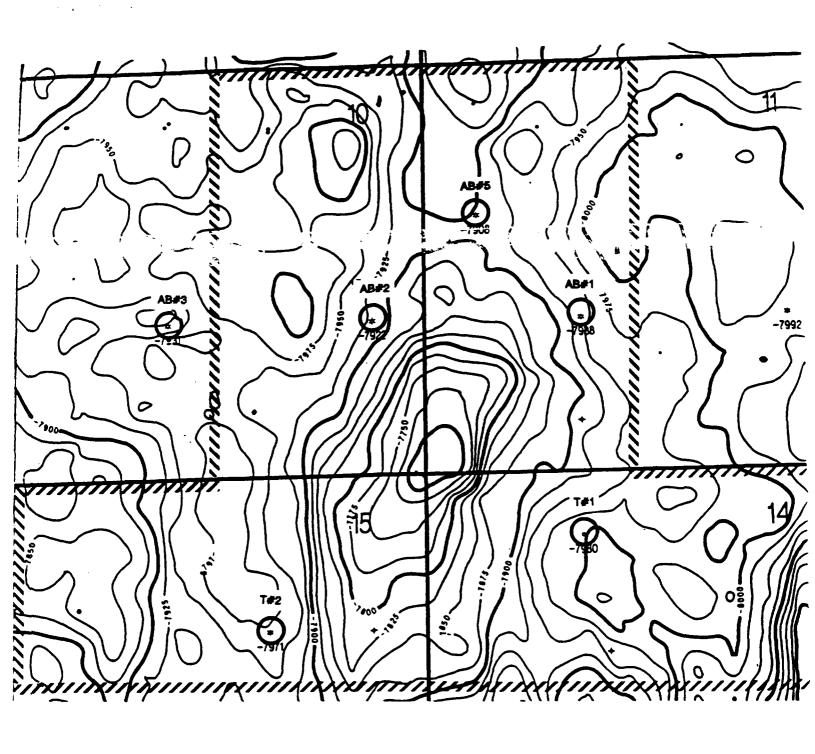
Should you require additional information of any nature, please contact Mr. Kent Woolley at (915) 685-5906.

Sincerely,

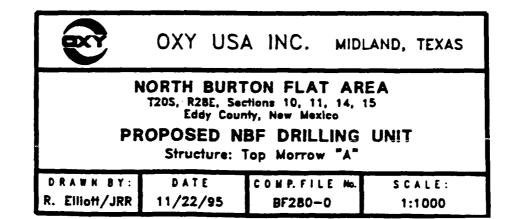
OXY USA Inc.

T. Kent Woolley, CPL Senior Landman

Govt BFD (Page 4	Jnit Proposal	November 22, 1995
	I want to participate.	
	I do not want to participate.	
 By	·	









OXY USA INC. Box 50250, Hidland, TX 79710

> Phone (915) 685-5966 FAX: (915) 685-5868

January 2, 1996

Davoil, Inc.

P. O. Box 122269 Ft. Worth, Texas 76121 Mrs. Joseph Dunigan

c/o Pat Marr 4024 La Adelita

El Paso, Texas 79922

Great Western Drig. Co. P. O. Box 1659

Midland, Texas 79701

Kerr-McGee Corporation

P. O. Box 25861 Oklahoma City, OK 73125 UMC Petroleum Corporation Attn: Joseph F. Gavlick

410 Building

410 17th Street, Suite 140

Denver, CO 80202

RE:

PROPOSED GOVT NORTH BURTON FLATS DRILLING UNIT

Section 10: E/2, Section 11: W/2, Section 14: N/2, Section 15: N/2,

T-20S R-28E, Eddy County, New Mexico

Gentlemen:

The purpose of this letter is to update you on the status of the proposed NBFD Unit, and the possible timing of the test well. We have received sufficient working interest owner approval to proceed with the formation of the unit, and we are very grateful to all of you for your rapid response.

The next step is to receive approval from the New Mexico Oil Conservation Division (NMOCD). Our original plan was to apply for a non-standard proration unit. After preliminary discussions with the Bureau of Land Management (BLM) and the NMOCD, we have been advised that, due to the creation of the NBFD equity unit, an unorthodox location application on a standard proration unit is a more appropriate regulatory remedy. This in no way alters our plans, but merely structures the application in a manner preferred by the NMOCD examiners. We will file the application on January 2nd in time for a January 25th hearing. You should be receiving a copy of the application very soon. It may take 30-45 days after the hearing for an order to be issued.

The surface location had been approved by the BLM before the Federal shut-down, but the Application for Permit to Drill (APD) had not. Our current drilling schedule has the NBFD #1 spudding in March. It normally takes approximately 30 days to receive BLM approval of an APD, so if the shut-down continues into February, we could be delayed until the Federal government returns to work.

Working Interest Owners Proposed Govt North Burton Flats Drilling Unit **Eddy County, New Mexico** Page 2

In the meantime, we will proceed by sending out the Operating Agreement for working interest owner approval.

Again, we wish to thank you for your support of the NBFD project, and we will keep you informed of our progress. Should you have questions, please contact Mr. Kent Woolley at (915) 685-5906.

Sincerely,

T. Kent Woolley, CPL Senior Landman

TKW/RLD/fh

bcc: V. Woolley

R. L. Doty M. Kovarik

R. Elliott

R. Foppiano

LAND DEPARTMENT HOIÐSR NÆSTZ

Govt BFD Ur Page 4	nit Proposal	366 1 3	U a U	November 2	22, 1995
*YES			DAVOIL, IN	PERATING C.	AGREEMENT
	I do not want to partic	cipate.			
Alla	rap & Single	lan 12-06-9	72.		
	H L. SINGLETON resident, Operation	ons			

Govt BFD Page 4	Unit Proposal	Novem
	I want to participate.	
	I do not want to participate.	
By Mr	s. Joseph Dunigan	

Govt BFD Unit Proposal Page 4	
I want to participate.	
I do not want to participate.	
Great legistern Drilling Co.	
By Aknie J. Herol	

November 22, 1995

PLEASE REPLY TO

EXPLORATION AND PRODUCTION DIVISION U.S. ONSHORE REGION P.O. BOX 25861 OKLAHOMA CITY OKLAHOMA 73125 January 5, 1996

LAND DEPARTMENT

WESTERN REGION

PHONE

Writer's Telephone #405/270-3734....

Attn: Mr. T. Kent Woolley

OXY USA, INC. P.O. Box 50250 Midland, TX 79710

RE: PROPOSED GOVT NORTH BURTON FLATS DRILLING UNIT

Section 10: E/2, Section 11: W/2 Section 14: N/2 Section 15: N/2

T20S-R28E, Eddy County, New Mexico

P4400-2A & -4

Dear Mr. Woolley:

In confirmation of my conversation with Bob Doty of your office, Kerr-McGee is agreeable to granting OXY a term assignment of its contractual interest in the N/2 of Section 14 and N/2 of Section 15 T20S-R28E for a consideration of \$300/acre delivering a 75% NRI to OXY with a six (6) month term.

We are currently preparing the instrument for the trade and this will serve as a letter of intent until such assignment is available.

Very truly yours,

KERR-McGEE CORPORATION

John J. Ø Brien, Jr. Petroleum Landman

JJO/cld

NEC ET 30 TRI-HOURI-ONE LEIKO KTOILLIEN

UMC Petroleum Corporation

December 21, 1995

Post-It" Fax Note	7671	Date 2-2 -95 pages
TO MIKE KOVY.	L	From JOE GINLICK
CONTRACT DXV		ca unc
Phone #	,	Phone \$ 503-573-4652
Fax : 915-685.	5881	3 Fac 303-673-0813

VIA FACSIMILE TRANSMISSION (915) 685-5888

Mr. Mike Kovarik
Oxy USA Inc.
Post Office Box 50250
Midland, Texas 79710

RE:

PROPOSED GOVT NORTH BURTON FLATS DRILLING UNIT

TOWNSHIP 20 SOUTH, RANGE 28 EAST SECTION 10: E%, SECTION 11: W%, SECTION 15: N%

EDDY COUNTY, NEW MEXICO

UMC - BURTON FLAT COMPLEX/PENNZOIL ACQUISITION

Dear Mr. Kovarik:

In response to your telefacsimile communique of December 18, 1995, and our subsequent conversations, I am pleased to inform you that the management of UMC Petroleum Corporation has elected to participate with Oxy USA Inc. in the formation of the captioned unit and in the drilling of the proposed 12,500 feet Devonian test. Please be aware that said election is specifically conditioned upon the receipt and approval, by UMC, of a mutually acceptable Joint Operating Agreement and AFE for the drilling of the initial well.

If there is anything I can do to assist you in your efforts to have this proposed Drilling Unit approved by the NMOCD and/or the BLM, please do not hesitate to call me. My direct line number is (303) 573-4652.

Yours very truly,

UMC PETROLEUM CORPORATION

Joseph F. Gavlick Regional Landman

JFG/kv

xc:

Jerry Grocock Bob Mowry

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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 11455

Application of OXY USA, Inc. for Unorthodox Gas Well Location Eddy County, New Mexico.

CERTIFICATE OF MAILING AND COMPLIANCE WITH ORDER R-8054

W. THOMAS KELLAHIN, attorney in fact and authorized representative of OXY USA, Inc., states that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on the 29th day of December, 1995 I caused to be sent, by certified mail return receipt requested, notice of this hearing and a copy of the application for the referenced case along with the cover letter, at least twenty days prior to the hearing set for January 25, 1996, to the parties shown in the application as evidenced by the attached copies of receipt cards, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.

W. Thomas Kellahin

SUBSCRIBED AND SWORN to before me on this 22nd day of January, 1996.

Notary Public

My Commission Expires: June 15th, 1998

BEFORE EXAMINER CATANACH

OIL CONSERVATION DIVISION

XV EXHIBIT NO.

CASE NO. 1455