

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

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)

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

January 5, 1996

**HAND DELIVERED**

Mr. William J. LeMay, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

**RECEIVED**

JAN 5 1996

Oil Conservation Division


Re: Oxy 33 Federal Well No. 1  
Application of Oxy USA Inc.  
for an Unorthodox Gas Well Location,  
Eddy County, New Mexico

11-156

Dear Mr. LeMay:

On behalf of Oxy USA Inc., please find enclosed our application for an unorthodox gas well location for its Oxy 33 Federal Well No. 1 which we request be set for hearing on the Examiner's docket now scheduled for February 8, 1996. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Oxy USA Inc.  
Attn: Richard Foppiano

RECEIVED

JAN 5 1996

Oil Conservation Division

Proposed notification/advertisement for OCD docket

Case 11458 : Application of Oxy USA Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to drill its Oxy 33 Federal Well No. 1 at an unorthodox gas well location 510 feet from the South line and 660 feet from the East line (Unit P) of Section 33, Township 19 South, Range 28 East, NMPM. The S/2 of Section 33 is to be dedicated to this well forming a standard 320-acre gas spacing and proration unit for any and all production from the top of the Wolfcamp formation to the base of the Morrow formation. Applicant further requests approval of the unorthodox well location as to all prospective pools or formations including but not limited to the North Burton Flat-Wolfcamp Gas Pool, the Winchester-Morrow Gas Pool, the Winchester-Strawn Gas Pool and the Angell Ranch Atoka-Morrow Gas Pool. Said well is located approximately 9 miles east of Lakewood, New Mexico.

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

**RECEIVED**

JAN 5 1996

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

CASE: 11458

**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 33 Federal Well No. 1 at an unorthodox gas well location 510 feet FSL and 660 feet FEL (Unit P) Section 33, Township 19 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 S/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, the Winchester-Morrow Gas Pool, the Winchester-Strawn Gas Pool and the Angell Ranch-Atoka Morrow Gas Pool and forming a standard 80-acre gas spacing and proration unit consisting of the S/2SE/4 of Section 33 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 S/2 of Section 33, T19S, R28E and the proposed operator for the Oxy 33 Federal Well No. 1 to be drilled at an unorthodox gas well location 510 feet from the south line and 660 feet from the east line of said Section 33 as set forth on Exhibit "A" attached.

2. Oxy proposes to drill its Oxy 33 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 Winchester 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/2SE/4 of Section 33 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 S/2 of Section 33 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 S/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".

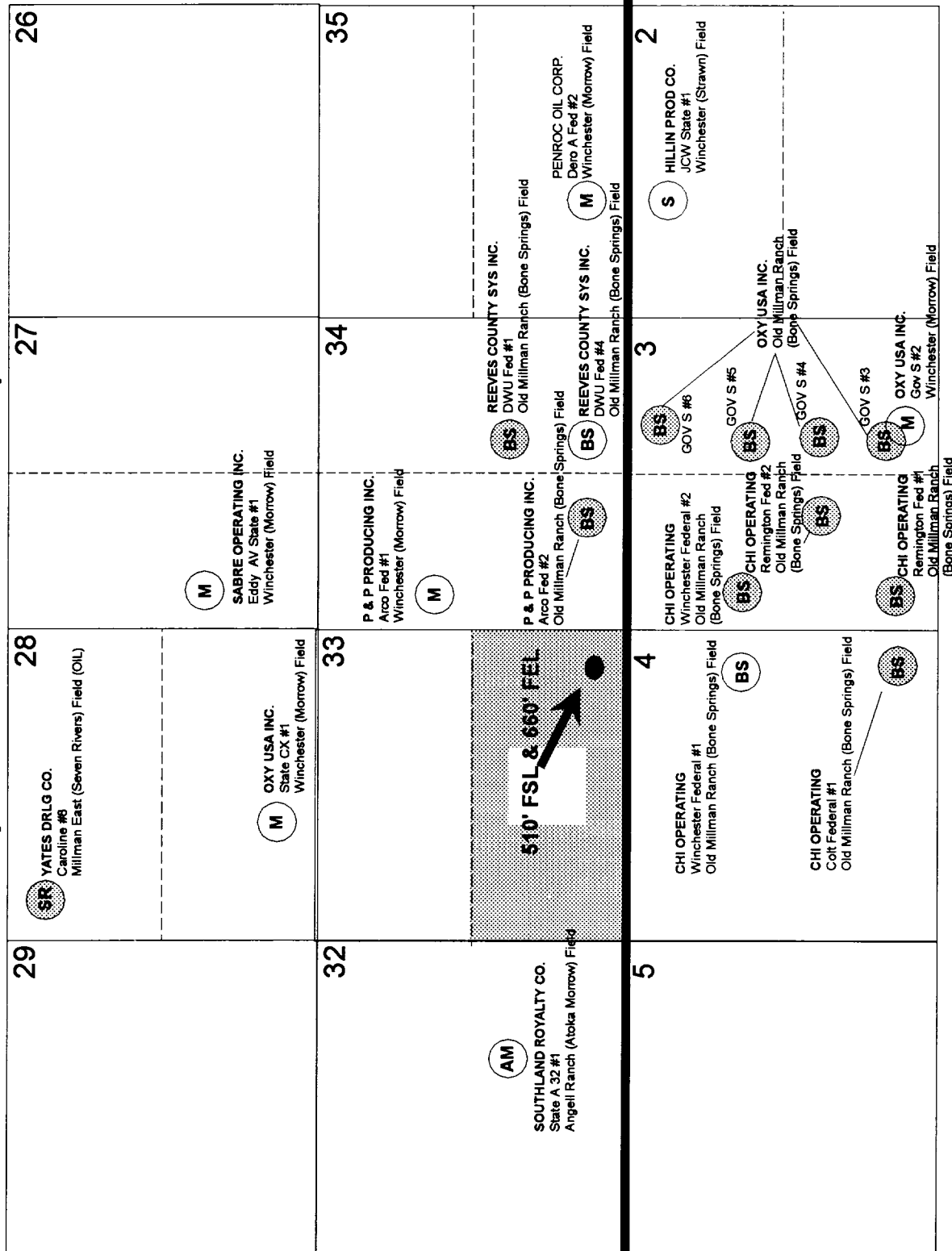
WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

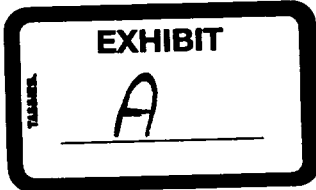
BY 

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

Note: Shaded Circle indicates oil well. Only active wells are shown. Well spots accurate to within a 40 acre unit.



# OXY FEDERAL 33-1 Well



**EXHIBIT "B"**

Chi Energy, Inc.  
P.O. Box 1799  
Midland, Texas 79701

Don Hoffman  
Quay Route  
Tucumcari, New Mexico 88401

Maurice Mordka  
1800 N. Grady  
Tucson, AZ 85715

Mark Owen  
Post Office Box 1799  
Midland, Texas 79702

Michael D. Hayes  
P.O. Box 1799  
Midland, Texas 79702

D.H. Essex Agency Account  
303 W. Wall  
Ste. 902  
Midland, Texas 79701

JTI Inc.  
5801 E. 41st.  
Ste. 603  
Tulsa, OK 74135

W.D. Kennedy  
550 W. Texas  
Ste. 1255  
Midland, Texas 79701

M. Elizabeth Locker  
1610 Gulf  
Midland, Texas 79705

**EXHIBIT "B" (continued)**

Maralo, Inc.  
Five Post Oak Park  
Ste. 1010  
Houston, Texas 77027-3489

Siete Oil & Gas Corporation  
PO Box 2523  
Roswell, New Mexico 88202

Parker & Parsley Development Company  
303 West Wall  
Ste. 101  
Midland, Texas 79701

JW and Alice G. Davis  
45 Reserve Ave. SW  
PO Box 8160  
Roanoke, VA 24014

CALKAY  
PO Box 4109  
Winston-Salem, NC 27105

John S. Ross, Jr.  
1701 Mud Lick Road SW  
Roanoke, VA 24018

Olin Garrett  
2728 Colonial Ave. SW  
Ste. 12  
Roanoke, VA 24014

Paul Umbarger and  
Zofia M. Unbarger  
5048 Hunting Hills Sq.  
Roanoke, VA 24014



**EXHIBIT "B" (continued)**

Mrs. Myrlene M. Dillon  
#4 Churchill Way  
Midland, TX 79705

John Huffman  
c/o Jerrell Huffman  
4618 Tyon Road  
Longview, TX 75605

John R. Kline MD  
5045 E. St Andrews  
Tucson, AZ 85718

Duer Wagner, Jr.  
Attn: Kelly McKee  
3400 City Center Tower II  
301 Commerce St.  
Fort Worth, TX 76102

Asher Resources  
100 Sandau  
Ste. 300  
San Antonio, TX 78216

Gerald L. Michaud  
PO Box 702140  
Wichita, KS 67278

John G. Rocovich Jr.  
PO Box 13676  
Roanoke, VA 24034