

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

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JUN 7 1996

IN THE MATTER OF THE APPLICATION
OF OXY USA INC. FOR COMPULSORY POOLING, Oil Conservation Division
EDDY COUNTY, NEW MEXICO.

CASE NO. 11552

A P P L I C A T I O N

Comes now OXY USA INC., by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the S/2 of Irregular Section 30, T22S, R27E, NMPM, Eddy County, New Mexico, forming a non-standard 315-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently may include but is not necessarily limited to the Undesignated South Carlsbad-Strawn Gas Pool or the South Carlsbad-Morrow Gas Pool. Said unit is to be dedicated to its Hagerman Well No. 1 to be drilled and completed at a standard well location in Unit K of said Section 30. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in said well.

In support of its application, OXY USA INC., ("OXY") states:

1. OXY has a working interest ownership in the oil and gas minerals from the surface to the base of the Morrow formation underlying the S/2 of Section 30, T22S, R27E, NMPM, Eddy County, New Mexico.

2. The subject tract is located within one-mile of the current boundaries of the following pools:

| <u>Pool Name</u> | <u>Spacing</u> |
|--------------------------------|----------------|
| South Carlsbad-Morrow Gas Pool | 320 acres |
| South Carlsbad-Strawn Gas Pool | 320 acres |

3. The subject well is to be drilled at a standard well location in Unit K of Section 30 to test any and all formations from the surface to the base of the Morrow formation and to be dedicated to the appropriate sized spacing unit for the appropriate pool consisting of the S/2 of said Section 30 in the event of production below the top of the Wolfcamp formation.

4. OXY has proposed the subject well and its appropriate spacing unit to the all of the working interest owners in the spacing unit.

5. Despite its good faith efforts, OXY has been unable to obtain a written voluntary agreement from those remaining working interest owners or unleased mineral owners listed on Exhibit "A."

6. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, OXY needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

7. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for June 27, 1996.

WHEREFORE, OXY, as applicant, requests that this application be set for hearing on June 27, 1996 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interests described in the appropriate spacing unit for the drilling of the subject well at a standard well location upon terms and conditions which include:

- (1) OXY USA INC. be named operator;
- (2) Provisions for applicant and all working interest and unleased mineral owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest or unleased mineral interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200 %;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS; and
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name and address.

W. THOMAS KELLAHIN
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