

**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:**

**APPLICATION OF ORYX ENERGY COMPANY
FOR POOL EXPANSION AND CONTRACTION
AND APPROVAL OF A NON-STANDARD GAS
PRORATION AND SPACING UNIT
EDDY COUNTY, NEW MEXICO.**

CASE NO. 11928

A P P L I C A T I O N

Comes now ORYX ENERGY COMPANY, by its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Division for an order expanding the Indian Basin-Upper Pennsylvanian Associated Pool to include the E/2 of Section 36, Township 21 South, Range 23 East, Eddy County, New Mexico and the corresponding contraction of the Indian Basin-Upper Pennsylvanian Gas Pool to delete said acreage from that pool. In addition, applicant seeks the approval of a non-standard gas proration and spacing unit consisting of the W/2 of said Section 36 to be dedicated to production from the Indian Basin-Upper Pennsylvanian Gas Pool.

and in support thereof states:

1. Oryx Energy Company is a working interest owner in and the proposed operator for Section 36, T21S, R23E, NMPM, Eddy County, New Mexico which is located within the current boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool. See Exhibit "A"

2. All of Section 36, T21S, R23E was simultaneously dedicated to production from the Indian Basin-Upper Pennsylvanian gas Pool from the Lowe-State Gas Com Well No. 1 located 1995 feet from the North line and 1712 feet from the West line and to the Lowe-State Gas Com Well No. 2 located 330 feet from the South line and 330 feet from the West line of said Section 36.

3. Gas production from the Lowe-State Gas Com Well No. 1 within the vertical limits of the Indian Basin-Upper Pennsylvanian Gas Pool was temporarily abandoned on March 5, 1986.

4. Gas production from the Lowe-State Gas Com Well No. 2 within the vertical limits of the Indian Basin-Upper Pennsylvanian Gas Pool was temporarily abandoned on December 28, 1990.

5. The Cisco/Canyon formations are the principal productive formations within the area described in paragraph (1) above and are included within the current boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool ("Indian Gas Pool") which provides, among other things, for 640-acre proration and spacing units with well locations to be not closer than 1650 feet to the outer boundary of said units with a current maximum gas allowable of 6.5 MMCFPD.

6. The eastern boundary of Section 36 is also the current western boundary of the Indian Basin-Upper Pennsylvanian Associated Pool.

7. Indian-Upper Pennsylvanian Associated Pool's principal productive formations are also the Cisco/Canyon formations but its pool's rules provide, among other things, for 320-acre proration and spacing units with well locations to be not closer than 660 feet to the outer boundary of said units with a current maximum gas allowable of 9.8 MMCFPD.

8. On October 8, 1997, the Division entered Order R-10892 in Case 11841 which granted the application of Yates Petroleum Corporation to expand the Indian Basin-Upper Pennsylvanian Associated Pool to include all of Section 1, Township 22 South, Range 24 East, Eddy County, New Mexico and the corresponding contract the Indian Basin-Upper Pennsylvanian Gas Pool to delete this acreage from that pool.

9. The northwestern corner of Section 6 which was the subject of the Yates' application adjoins the southeastern corner of Section 36 which is the subject of this application by Oryx Energy Company.

10. Oryx Energy Company has determined that the E/2 of Section 36, T21S, R23E and Section 6, T22S, R24E should be subject to the same pool rules and in order to protect correlative rights, prevent waste and

provide for a more orderly development of the Cisco/Canyon formations, it is necessary to contract the Indian Basin-Upper Pennsylvanian Gas Pool to delete the E/2 of Section 36 from that pool and place this section in the Indian Basin-Upper Pennsylvanian Associated Pool.

11. Oryx Energy Company proposes to drill a Cisco/Canyon formation in the SE/4 of Section 36 and dedicated the E/2 of said Section to production from the Indian Basin-Upper Pennsylvanian Associated Pool.

12. Oryx Energy Company Gas proposes to re-enter the Lowe-State Gas Com Well No. 1 within the vertical limits of the Indian Basin-Upper Pennsylvanian Gas Pool and if successful to dedicate the W/2 of said Section to a non-standard 320-acre gas proration and spacing unit in said pool.

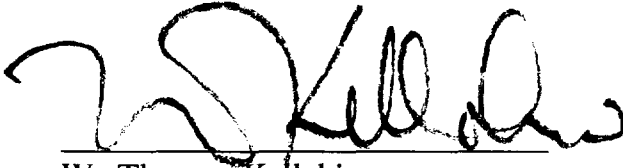
13. The granting of this Application will not impair correlative rights of any owner within Section 36 because:

- (a) currently there is no production from this section within the subject interval;
- (b) all working interest owners will enter into a new joint operating agreement and will continue to share in production from the applicable new 320-acre spacing units on the same proportional basis as they shared in production from the original 640-acre unit;
- (c) there are no overriding royalty owners involved in this section; and
- (d) all royalties are to be paid to the State of New Mexico, as the lessor of the two oil & gas leases involved and will be subject to new communitization agreements which will be submitted for approval to the Commissioner of Public Lands for approval.

14. Notification of this application and request for hearing to be held on February 19, 1998 has been sent to the owners within Section 36 and to the offset operators of Cisco-Canyon reservoir spacing units as identified on Exhibit "B" attached.

Wherefore, Applicant requests that, after notice and hearing, this application be granted.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504

EXHIBIT "B"

Marathon Oil Company
Box 552
Midland, Texas 79702
Attn: Thomas C. Lowry, Esq.

Devon Energy Corporation (Nevada)
20 N. Broadway, Ste 1500
Oklahoma City, OK 73102
Attn: Ken Gray

Santa Fe Energy Resources, Inc.
550 W. Texas Ste 1330
Midland, Texas 79701
Attn:

Yates Petroleum Corporation
105 S. Fourth Street
Artesia, NM 88210
Attn: Mr. Randy Patterson