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W. THOMAS KELLAHIN\*

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RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

February 12, 1999

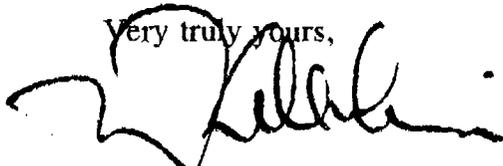
**VIA FACSIMILE**  
**(505) 827-1877**Mr. Mark Ashley, Hearing Examiner  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87504*Re: NMOCD Case 12127*  
*Application of OXY USA Inc.*  
*for compulsory pooling*  
*Eddy County, New Mexico*

Dear Mr. Ashley:

Please find attached OXY USA Inc.'s prehearing statement for the referenced case currently set for hearing on February 18, 1999. OXY has reached a voluntary agreement with all parties except for Jalapeno Corporation and Cibola Energy Corporation who collectively have about 2% of the working interests. This case is uncontested.

Due to a prior commitment, I will not be available to represent OXY at the hearing. Mr. Carr has agreed to present their case.

Very truly yours,



W. Thomas Kellahin

cfx: William F. Carr, Esq.  
OXY USA Inc.  
Attn: Rick Foppiano

*W  
2-16-99*

**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:**

*RC 2/15/99*

**APPLICATION OF OXY USA INC.  
CORPORATION FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

**CASE NO. 12127**

**PRE-HEARING STATEMENT**

This pre-hearing statement is submitted by OXY USA Inc., as required by the Oil Conservation Division.

**APPEARANCE OF PARTIES**

**APPLICANT**

**ATTORNEY**

OXY USA Inc.  
P. O. Box 27470  
Houston, Texas 77227  
Attn: Rick Foppiano  
713-215-7317  
(505) 988-4421

William F. Carr, Esq.  
Paul Owen, Esq.  
Campbell Carr Berge & Sheridan  
P.O. Box 2208  
Santa Fe, NM 87504

**STATEMENT OF CASE**

Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this E/2 of Section 33, T16S, R27E, NMPM, Eddy County, New Mexico, Applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

NMOCD Case 12127  
Prehearing Statement  
-Page 2-

Applicant requests an order pooling the mineral interest of described in this spacing unit for the drilling of its Lucky Dog State Well No. 1 at a standard gas well location for potential production from the Morrow and other formations upon terms and conditions which include:

- (1) OXY USA Inc. be named operator;
- (2) The order make provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working 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) A provision for overhead rates and a method for adjusting those rates in accordance with COPAS accounting procedures;
- (5) For such other and further relief as may be proper.

PROPOSED EVIDENCE

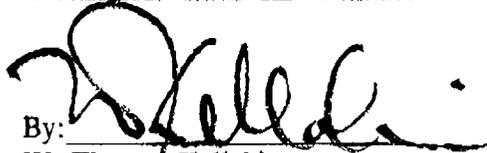
APPLICANT:

WITNESSES	EST. TIME	EXHIBITS
Richard Foppiano (land)	20 min.	@ 6 exhibits
Bob Doty (geologist)	15 Min.	@ 2 exhibits

**PROCEDURAL MATTERS**

None anticipated at this time.

KELLAHIN AND KELLAHIN



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