



RICHARD E. FOPPIANO, P.E.
SENIOR ADVISOR

OXY USA INC.
P. O. Box 27570
Houston, Texas 77227-7570
Telephone (713) 215-7317
Fax: (713) 350-4618

FACSIMILE TRANSMISSION

No. of Pages _____ Cover + 6

²⁶
Date: January 26, 1999

To: **Florene**
Company: NMOCD
Fax No.: 505-827-8177

CC:
CC:
CC:

From: Richard E. Foppiano
Company: OXY USA Inc.
Subject: OXY Force Pooling Application for Lucky Dog State Well #1

12127

Please accept for docketing our attached application for the 2/18/99 examiner hearing. I will call to verify receipt. Thanks!

----- PLEASE DELIVER IMMEDIATELY -----

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 962-4222
TELEFAX (505) 962-2047

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)

January 26, 1999

VIA FACSIMILE

Ms. Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

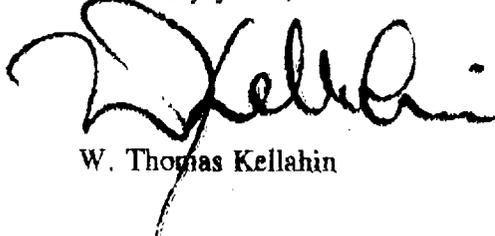
12127

Re: OXY's Lucky Dog State Well No. 1
S/2 Section 33, T16S, R27E
Application of OXY USA INC.
for compulsory pooling
Eddy County, New Mexico

Dear Ms. Wrotenbery:

On behalf of OXY USA INC., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for February 18, 1999. 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 E. Foppiano

CASE 12177: Application of OXY USA Inc., Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the following described acreage in Section 33, T16S, R27E, NMPM, Eddy County, New Mexico and in the following manner: the S/2 to form a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the Dog Canyon-Strawn Gas Pool or the Crow Flats-Morrow Gas Pool. The unit is to be dedicated to OXY's Luck Dog State Well No. 1 to be drilled and completed at a standard gas well location in Unit N of this section. Also to be considered will be the costs of drilling and completing this 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 this well. This unit is located approximately 7 miles northeast of Artesia, New Mexico.

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

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

CASE NO. 12127

APPLICATION

Comes now OXY USA Inc. by its attorneys, Kellahin & Kellahin and, in accordance with NMSA 1978, Section 70-2-17 (c), 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 following described acreage in Section 33, T16S, R27E, NMPM, Eddy County, New Mexico and in the following manner: the S/2 to form a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the Dog Canyon-Strawn Gas Pool or the Crow Flats-Morrow Gas Pool. The unit is to be dedicated to OXY's Luck Dog State Well No. 1 to be drilled and completed at a standard gas well location in Unit N of this section. Also to be considered will be the costs of drilling and completing this 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 this 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 a portion of the S/2 of Section 33, T16S, R27E, NMPM Eddy County, New Mexico.
2. Oxy has proposed a well to be drilled at a standard gas well location in Unit N of this Section and the dedication of the well to an appropriate spacing unit.

NMOCD Application
OXY USA Inc.
- Page 2 -

3. 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".

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

5. 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 February 18, 1999.

WHEREFORE, OXY, as applicant, requests that this application be set for hearing on February 18, 1999 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 this gas 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;

NMOCD Application
OXY USA Inc.
-Page 3-

(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', written in a cursive style.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

EXHIBIT "A"

John W. Gates & wife Jean
706 W. Grand Street
Artesia, NM 88210

Shaw Interests, Inc.
P. O. Box 9612
Midland, TX 79708

Harvey E. Yates Co.
Box 1993
Roswell, NM 88201

John & Jean Gates Trust
706 W. Grand Street
Artesia, NM 88210

Cibola Energy Corp.
P. O. Box 1668
Albuquerque, NM 87102

Yates Petroleum Corp.
105 South 4th Street
Artesia, NM 88210

Robert G. Gates & wife Nada
706 W. Grand Street
Artesia, NM 88210

Yates Drilling Co.
105 South 4th Street
Artesia, NM 88210

ABO Petroleum Corp.
331 W. Main, Ste A
Artesia, NM 88210

MYCO Industries
P. O. Box 840
331 W. Main, Ste C
Artesia, NM 88211

Jalapeno Corp.
P. O. Box 1608
Albuquerque, NM 87103

Yates Energy Corp.
P. O. Box 2323
Sunwest Centre, Ste. 1010
Roswell, NM 88202-2323