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\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

May 17, 1999

**HAND DELIVERED**

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

Re: Jazz Federal No. 1  
N/2 of Irregular Section 4, T17S, R27E, NMPM  
Application of OXY USA Inc.  
for an Unorthodox Well Location,  
and Simultaneous Dedication  
Eddy County, New Mexico

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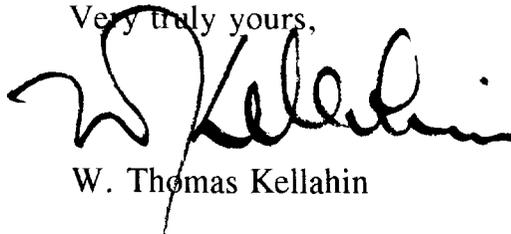
OIL CONSERVATION DIV

12/91

Dear Ms. Wrotenbery:

On behalf of OXY USA, Inc., please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for June 10, 1999. Also enclosed is our proposed notice for the advertisement.

Very truly yours,



W. Thomas Kellahin

cc: OXY USA Inc.

Attn: Richard Foppiano

Proposed notification/advertisement for OCD docket

Case 12191: Application of OXY USA Inc. for an unorthodox well location and an exception from Division Rule 104.D(3), Eddy County, New Mexico. Applicant seeks approval to drill its proposed Jazz Federal Well No. 1 at an unorthodox gas well location 660 feet from the West line and 1980 feet from the North line (Unit E) of Irregular Section 4, Township 17 South, Range 27 East, NMPM, to be dedicated to a previously approved non-standard 323.68-acre gas spacing and proration unit consisting of the N/2 equivalent of this irregular section for any pools/formations spaced on 320-acre spacing including but not necessarily limited to the Crow Flats-Morrow Gas Pool. In addition, applicant seeks an exception from Division Rule 104.D(3) to continuously and concurrently produce gas from the Morrow formation in this well and from its Roscoe Federal Well No. 1, (API No. 30-015-30236) located 1760 feet from the East line and 1540 feet from the North line of this section and for the simultaneous dedication of both wells to this existing 323.68-acre gas proration and spacing unit.

This location is approximately 7 miles east/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 AN UNORTHODOX WELL  
AND AN EXCEPTION FROM DIVISION RULE 104.D(3)  
EDDY COUNTY, NEW MEXICO**

CASE: 12191

OIL CONSERVATION DIVISION  
MAY 17 11:12:29

**APPLICATION**

Comes now OXY USA, INC. ("OXY") by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division ("NMOCD") for approval to drill its proposed Jazz Federal Well No. 1 at an unorthodox gas well location 660 feet from the West line and 1980 feet from the North line (Unit E) of Irregular Section 4, Township 17 South, Range 27 East, NMPM, to be dedicated to a non-standard 323.68-acre gas spacing and proration unit consisting of the N/2 equivalent of this irregular section for any pools/formations spaced on 320-acre spacing including but not necessarily limited to the Crow Flats-Morrow Gas Pool. In addition, applicant seeks an exception from Division Rule 104.D(3) to continuously and concurrently produce gas from the Morrow formation in this well and from its Roscoe Federal Well No. 1, (API No. 30-015-30326) located 1760 feet from the East line and 1540 feet from the North line of this section and for the simultaneous dedication of both wells to this existing 323.68-acre gas proration and spacing unit.

In support thereof, Applicant states:

1. OXY is the operator of the Roscoe Federal Well No. 1 which is located at a standard gas well location in Unit I of Section 4 and is dedicated to a non-standard 323.68 acre proration and spacing unit approved by Division Administrative Order NSL-3961 consisting of Lots 1, 2, 3, 4 and S/2N/2 (N/2 equivalent) of this irregular section. ("the Roscoe spacing unit") for production from the Crow Flats-Morrow Gas Pool.
2. Yates Petroleum Corporation ("Yates") has applied to the Division for an unorthodox gas well location for its Luck Coyote "ATD" Well No. to be located 660 feet from the North and East lines of Section 5, T17S, R27E. This application is currently scheduled for hearing on the Division's Examiner Docket set for May 27, 1999.

3. Yates' proposed location encroaches upon OXY's Roscoe spacing unit.

4. OXY's existing Roscoe well is currently producing from the Crow Flats-Morrow Gas Pool at a rate of 300-400 MCFPD and will not be able to protect its spacing unit from drainage by the proposed Yates' well.

5. OXY proposes to drill its Jazz Federal Well No. 1 at an unorthodox well location in an attempt to protect the Roscoe spacing unit from offset drainage.

6. Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the gas underlying this unit and will otherwise prevent waste and protect correlative rights.

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

KELLAHIN and KELLAHIN

BY



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