

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

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)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

July 25, 1999

#12229

HAND DELIVERED

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

**Re: OXY's Buckskin Federal Well No. 1
N/2 Section 4, T18S, R29E
Application of OXY USA Inc.
for compulsory pooling and an
unorthodox gas well location
Eddy County, New Mexico**

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OIL CONSERVATION DIV.

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 August 19, 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

12229

CASE ____ : Application of OXY USA Inc., for compulsory pooling and an unorthodox well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 4, T18S, R29E, NMPM, Eddy County, New Mexico in the following manner: the N/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, including the Grayburg-Morrow Gas Pool, the Grayburg-Strawn Gas Pool, and the Bear Grass Draw-Atoka Gas Pool; the NW/4 to form a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre gas spacing within said vertical extent; the S/2NW/4 to form a standard 80-acre spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within said vertical extent, including the South Empire Wolfcamp Pool; the SE/4NW/4 to form a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within said vertical extent. Said unit(s) are to be dedicated to its OXY's Buckskin Federal Well No. 1 to be drilled and completed at a well location 1980 feet FNL and 1650 feet FEL (Unit F) of this section which is unorthodox for production from the South Empire Wolfcamp Pool. 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. Said units are located approximately 3 miles south of Loco Hills, 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
AND AN UNORTHODOX GAS WELL LOCATION
EDDY COUNTY, NEW MEXICO.

CASE NO. 12229

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 NMSA 1978, Section 70-2-17(c), applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 4, T18S, R29E, NMPM, Eddy County, New Mexico in the following manner: the N/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 this vertical extent, including the Grayburg-Morrow Gas Pool, the Grayburg-Strawn Gas Pool, and the Bear Grass Draw-Atoka Gas Pool; the NW/4 to form a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre gas spacing within this vertical extent; the S/2NW/4 to form a standard 80-acre spacing and proration unit for any and all formations and/or pools developed on 80-acre oil spacing within this vertical extent, including the South Empire Wolfcamp Pool; the SE/4NW/4 to form a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within this vertical extent. These unit(s) are to be dedicated to its OXY's Buckskin Federal Well No. 1 to be drilled and completed at a well location 1980 feet FNL and 1650 feet FEL (Unit F) of this section which is unorthodox for production from the South Empire Wolfcamp Pool. 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 N/2 of Section 4, T18S, R29E, NMPM, Eddy County, New Mexico.

2. This tract is located within one-mile of the current boundary of the South Empire Wolfcamp Pool, the special rules and regulations for which provide for 80-acre oil spacing units and well locations within 150 feet of the center of a governmental quarter-quarter section.

3. OXY has proposed a well to be drilled at an unorthodox oil well location in Unit F of this section and the dedication of the well to various possible spacing units as set forth above.

4. 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."

5. 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.

6. 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 August 19, 1999.

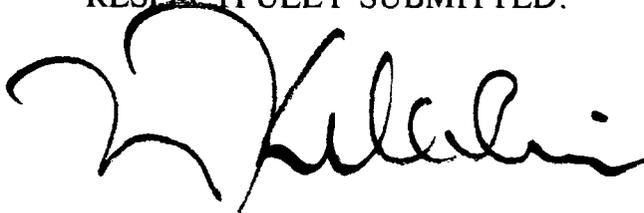
WHEREFORE, OXY, as applicant, requests that this application be set for hearing on August 19, 1999 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interests described in the appropriate spacing unit for the drilling of this well at an unorthodox well location upon terms and conditions which include:

- (1) OXY USA INC. be named operator;

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- (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;
- (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"

Louis Dreyfus Natural Gas Corp.
14000 Quail Springs Parkway
Suite 600
Oklahoma City, Oklahoma
Attn: Joe W. Hammond