

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**

CASE NO. _____

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

AFFADIVITS OF KENT WOOLLEY, DAVID G. ROSE & ROBERT L. DOTY

STATE OF TEXAS)
) ss.
COUNTY OF _____)

Before me, the undersigned authority, personally appeared _____,
who being duly sworn, stated:

A. Our names and our qualifications as experts are as follows:

Name: Kent Woolley
Education: Western State College of Colorado, 1968, BBA
Experience: 22 years as a landman in the Permian Basin, the last 8 years for OXY USA Inc.

Name: David G. Rose
Education: New Mexico State University, 1970, Degree in Education
Experience: 21 years as a landman in West Texas and New Mexico for Exxon, Texaco, Pogo, and several other oil and gas companies. Member PBLA & AAPL.

Name: Robert L. Doty
Education: State University of New York, 1975, BS in Geology; Northern Arizona University, 1982, MS in Geology
Experience: 22 years as a petroleum geologist, all with OXY USA Inc. (and predecessor company) in the Permian Basin and Rocky Mountain area. Member AAPG

B. We are over the age of majority and competent to make this affidavit.

We have been responsible for and involved in preparing the necessary documents for
submittal to the New Mexico Oil Conservation Division for this case.

We are each personally knowledgeable and familiar with the facts and circumstances of this
case and the following factual statements.

This affidavit has been prepared in accordance with the New Mexico Oil Conservation Rule 1207.A(1)(b).

C. Our expert opinions are based on the following facts and events:

1. OXY USA Inc. ("OXY") has a working interest ownership in the oil and gas minerals underlying the 640 acre unit consisting of all of section 9-T25S-R26E, the 320 acre unit consisting of the N/2 of section 9-T25S-R26E, and the 40 acre unit consisting of the SE/4 NW/4 of section 9-T25S-R26E, NMPM, Eddy County, New Mexico.
2. OXY proposes to drill and complete its OXY Esperanza Well No. 1 at a standard oil/gas well location to test any and all formations in the pooled interval from the surface to the base of the Morrow formation.
3. Based upon an oil and gas title opinion, OXY believes that the following individuals are owners of an unleased mineral interest in the subject spacing units in the following percentages:

NAME	PERCENTAGE (based on 640 acre unit)	PERCENTAGE (based on 320 acre unit)	PERCENTAGE (based on 40 acre unit)
Dorothy L. Kenyon	0.357 %	0.715%	1.429%
Heirs of George P. Larremore, Jr.	0.156 %	0.313%	0.625%
Elizabeth Ann Clayton Larremore	0.156 %	0.313%	0.625%
Rebecca Wilkinson	0.179 %	0.357%	0.714%
Lee Thomas Goodman	0.179 %	0.357%	0.714%
Barbara Wilkinson	0.119 %	0.238%	0.476%
Myrtle Maltby Cook	0.104 %	0.208%	0.417%
The Children of George P. Larremore, Jr.	0.022 %	0.045%	0.089%
Thelma Catherine Hutson	0.011%	0.022%	0.045%
Gregory Clayton Larremore	0.011%	0.022%	0.045%
<hr/>			
TOTAL	1.294 %	2.59%	5.179%

1. On February 10, 2000, to the extent possible, OXY submitted a written well proposal and Authorization For Expenditure (AFE) by certified mail to the above named parties at the last known address and has had the following additional contacts: As of the date of this application, Barbara Wilkinson has verbally agreed to lease her mineral interest to OXY USA Inc., however, she has not yet executed a lease.
2. Despite its good faith efforts, OXY has been unable to obtain a voluntary agreement with the forgoing parties.

3. 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 to protect correlative rights and prevent waste.
4. In accordance with Division Rule 1207.A(1)(b), attached are the following statements and exhibits in support of this case:
 - (i) OXY is not aware of any opposition in this case.
 - (ii) A map is attached and identified as Exhibit "A" which shows the outline of the spacing units to be pooled, the well location, and the nature and percentage of the ownership interests:

SPACING UNIT	DESCRIPTION
640 acre	Entire Section 9-T25S-R26E
320 acre	N/2 of 9-T25S-R26E
40 acre	SE/4 NW/4 of 9-T25S-R26E

- (iii) A list of the names and last known addresses of the parties to be pooled is attached and identified as Exhibit "B." I, David G. Rose, hereby attest that a diligent search has been conducted of all public records in Eddy County and of phone directories, including INTERNET phone directories, obituary and probate records. I have also conducted interviews with identified family members of the forgoing parties. My efforts to contact these parties are more fully explained in Exhibit "B."
- (iv) The names of the formation and pools to be pooled are as follows:

POOL	SPACING
White City-Pennsylvanian Gas	640 acre
Chosa Draw Morrow Gas	320 acre
Sage Draw Wolfcamp Gas	320 acre
South Black River Delaware Oil	40 acre
Southwest Sulfate-Delaware Oil	40 acre
Undesignated Delaware Oil	40 acre

- (v) The pooled unit is for gas and/or oil as follows:

POOL	UNIT TYPE
White City-Pennsylvanian	Gas
Chosa Draw Morrow	Gas
Sage Draw Wolfcamp	Gas
South Black River Delaware	Oil
Southwest Sulfate-Delaware	Oil
Undesignated Delaware	Oil

- (vi) Written evidence of our attempts to reach voluntary agreement is attached and identified as Exhibit "C." It includes copies of letters.
- (vii) A geological display and discussion of the target zone, the White City-Pennsylvanian Gas Pool, is attached and identified as Exhibit "D." I, Robert L. Doty, hereby state that it is my opinion that the risk of encountering sufficient reservoir development in

the target zone to yield a commercially-viable project is sufficient to justify the maximum 200% risk penalty.

- (viii) Exhibit "E" is a copy of the 1999-2000 Ernest & Young average overhead rates of \$6385/month for drilling operations and \$630/month during production operations. We propose that these rates be applied in this case.
- (ix) Attached and identified as Exhibit "F" is a copy of an approved Application For Permit To Drill ("APD") and Form C-102 which describes the well location as 1650 feet from the north line and 1650 feet from the west line of Section 9, Township 25 South, Range 26 East, Unit F, Eddy County, New Mexico, and the proposed total depth of the well as 11,600 feet.
- (x) The AFE for the subject well is attached and identified as Exhibit "G." We estimate the completed well costs to be \$828,890. I, Robert L. Doty, hereby state that in my opinion the estimated well costs are fair and reasonable for wells of this type drilled in this area.

(8) We recommend that a compulsory pooling order be entered which provides that:

- (i) OXY USA Inc. be named operator;
- (ii) Provisions for the applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (iii) In the event an unleased mineral interest owner or 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%; and
- (iv) Provision for overhead rates of \$6385/month during drilling operations and \$630/month during production operations, and a provision providing for an adjustment method of the overhead rates as provided by COPAS.

D. We have formed the following opinions based on our respective expertise and upon the forgoing chronology of events:

- (1) That, except as noted on Exhibit "B," OXY is unable to locate all the owners of interests to be pooled and the application is not expected to be opposed by any of the forgoing parties.
- (2) That approval of OXY's application in this case is necessary in order to consolidate the ownership within the applicable spacing units for the drilling, completing and producing of the subject well, will not violate correlative rights and will help prevent waste and promote the conservation of natural resources.
- (3) That the New Mexico Oil Conservation Division should enter an order pooling:
 - (i) all mineral interests from the surface to the base of the Morrow formation underlying all of Section 9, Township 25 South, Range 26 East, NMPM, Eddy County, New Mexico, forming a standard 640-acre spacing and proration unit for any and all formations and/or pools developed on 640-acre spacing with said vertical extent, which presently includes but is not necessarily limited to the White City-Pennsylvanian Gas Pool, and

- (ii) all mineral interests from the surface to the base of the Morrow formation underlying the north half of Section 9, Township 25 South, Range 26 East, NMPM, Eddy County, New Mexico, forming a standard 320-acre unit consisting of the N/2 of Section 9 for any and all formations and/or pools developed on 320-acre spacing with said vertical extent, which presently includes but is not necessarily limited to the Chosa Draw Morrow Gas Pool and the Sage Draw Wolfcamp Gas Pool, and
 - (iii) all mineral interests from the surface to the base of the Morrow formation underlying the SE/4 of the NW/4 of Section 9, Township 25 South, Range 26 East, NMPM, Eddy County, New Mexico, forming a standard 40-acre unit consisting of the SE/4 NW/4 of Section 9 for any and all formations and/or pools developed on 40-acre spacing with said vertical extent, which presently includes but is not necessarily limited to the South Black River Delaware Oil Pool, the Southwest Sulfate-Delaware Oil Pool and the Undesignated Delaware Oil Pool.
- (4) dedication of this pooled unit to its OXY Esperanza Well No. 1 to be drilled and completed at a standard gas well location within said spacing unit, approval of 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 200% charge for risk involved in drilling and completing said well.

FURTHER AFFIANTS SAYETH NOT:

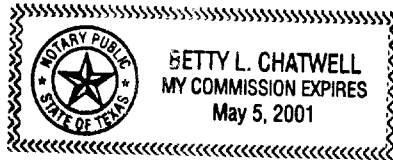
David G. Rose
David G. Rose

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

SUBSCRIBED AND SWORN TO before me this 3rd day of April, 2000
by David G. Rose.

Betty L. Chatwell
Notary Public

(SEAL)



My Commission expires: 050501

FURTHER AFFIANTS SAYETH NOT:

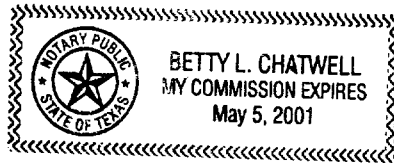
Kent Woolley
Kent Woolley

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

SUBSCRIBED AND SWORN TO before me this 3rd day of April, 2000
by Kent Woolley.

Betty L. Chatwell
Notary Public

(SEAL)



My Commission expires: 0505-01