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

JASON KELLAHIN (RETIRED 1991)

April 5, 2000

12391

HAND DELIVERED

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

**Re: Esperanza Federal Well No. 1
Application of OXY USA, Inc.
for Compulsory Pooling
Eddy County, New Mexico**

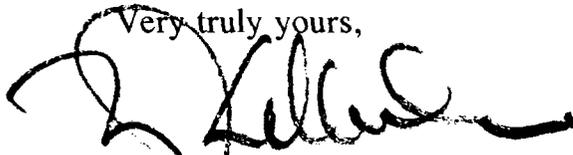
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OIL CONSERVATION DIV

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 May 4, 2000. 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 Foppiano

12391

CASE ___ : Application of OXY USA, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant, in accordance with Division Rule 1207.A(1)(b), seeks an order pooling all mineral interests from the surface to the base of the Pennsylvanian formation underlying the following described acreage in Section 9, T25S, R26E, NMPM, Eddy County, New Mexico, in the following manner: (a) all of Section 9 forming a standard 640-acre gas spacing and proration unit for any and all formations and/or pools spaced on 640-acre spacing, including but not limited to the White City-Pennsylvanian Gas Pool; (b) N/2 of Section 9 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools spaced on 320-acre spacing, including but not limited to the Chosa Draw-Morrow Gas Pool and the Sage Draw-Wolfcamp Gas Pool; (c) SE/4NW/4 of Section 9 forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools spaced on 40-acre spacing, including but not limited to the South Black River-Delaware Pool and the Southwest Sulfate-Delaware Pool. Said unit(s) is to be dedicated to its Esperanza Federal Well No. 1 to be drilled and completed at a standard well location in Unit F 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 applicant as the operator of the well and a charge for risk involved in this well. This well will be located approximately 4-1/2 miles southeast from Whites City, New Mexico. **IN THE ABSENCE OF OBJECTION THIS MATTER WILL BE TAKEN UNDER ADVISEMENT**

**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. 12391

A P P L I C A T I O N

OXY USA, INC. ("OXY") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) and Division Rule 1207.A(1)(b), applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Pennsylvanian formation underlying the following described acreage in Section 9, T25S, R26E, NMPM, Eddy County, New Mexico, in the following manner: (a) all of Section 9 forming a standard 640-acre gas spacing and proration unit for any and all formations and/or pools spaced on 640-acre spacing, including but not limited to the White City-Pennsylvanian Gas Pool; (b) N/2 of Section 9 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools spaced on 320-acre spacing, including but not limited to the Chosa Draw-Morrow Gas Pool and the Sage Draw-Wolfcamp Gas Pool; (c) SE/4NW/4 of Section 9 forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools spaced on 40-acre spacing, including but not limited to the South Black River-Delaware Pool and the Southwest Sulfate-Delaware Pool. Said unit(s) is to be dedicated to its Esperanza Federal Well No. 1 to be drilled and completed at a standard well location in Unit F 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 applicant as the operator of the well and a charge for risk involved in this well.

In support of its application, OXY states:

1. OXY has a working interest ownership in the oil and gas minerals from the surface to the base of the Pennsylvanian formation underlying all of Section 9, T25S, R26E, NMPM, Eddy County, New Mexico. **See Exhibit "A"**.

2. This well will be located within one mile of the White City-Pennsylvanian Gas Pool, Chosa Draw-Morrow Gas Pool, Sage Draw-Wolfcamp Gas Pool, South Black River-Delaware Pool and the Southwest Sulfate-Delaware Pool.

3. This well is to be drilled at a standard well location in the SE/4NW/4 (Unit F) of Section 9 to test any and all formations in the pooled interval from the surface to the base of the Pennsylvanian formation.

4. OXY has the voluntary agreement of certain of the working interest ownership of the oil & gas minerals from the surface to the base of the Pennsylvanian formation underlying the various possible spacing units within Section 9.

5. OXY, despite its good faith effort, has been unable to obtain the voluntary agreement the remaining mineral interest owner in the various spacing units as identified on Exhibit "B".

6. 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.

7. OXY requests that this application be processed in accordance with Division Rule 1207.A(1)(b) and at the time of hearing will submit the data required by this rule.

8. 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 "B" 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 May 4, 2000

WHEREFORE, OXY USA, Inc., as applicant, requests that this application be set for hearing on May 4, 2000 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 interest described in the appropriate spacing units for the drilling of the this well at a standard well location upon terms and conditions which include:

- (1) OXY USA, Inc. be named operator;

- (2) 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 mineral interest 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%;
- (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:

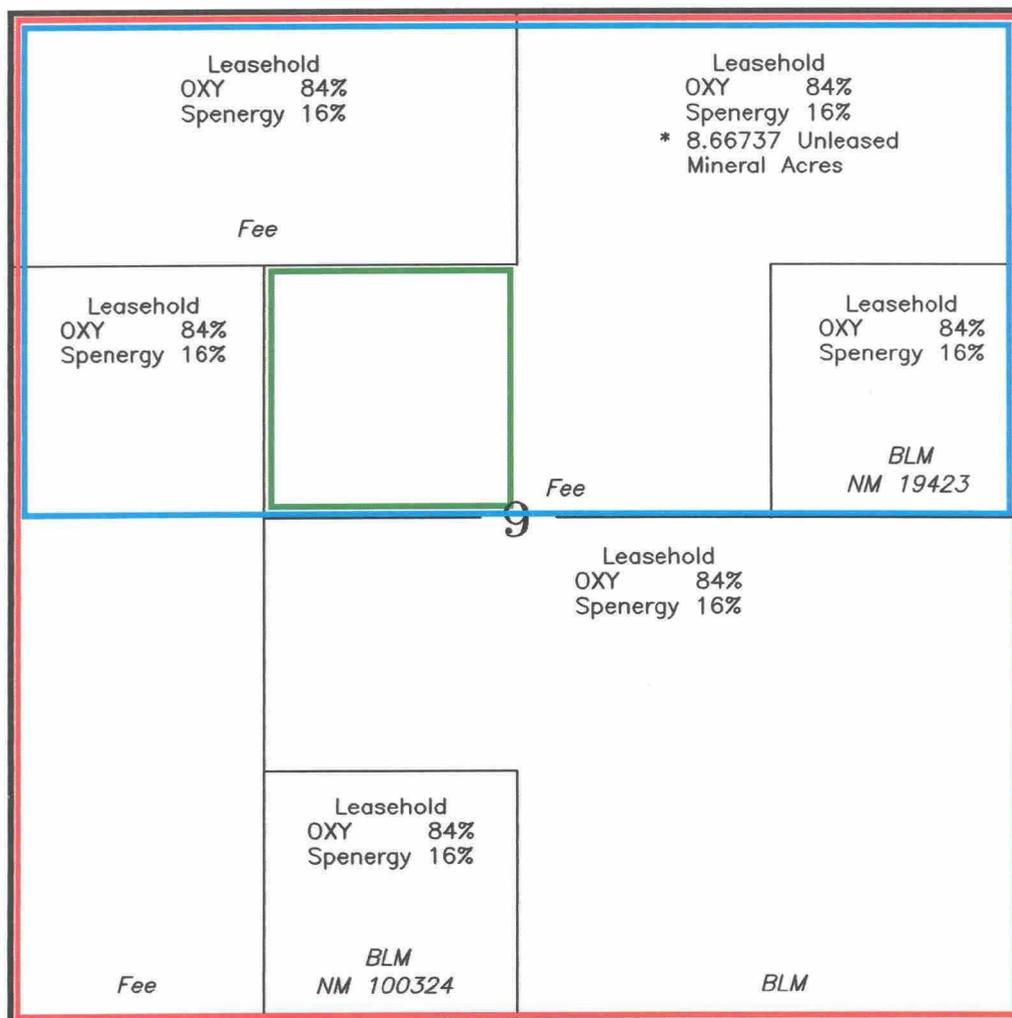
A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a long horizontal flourish extending to the right.

W. THOMAS KELLAHIN
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Santa Fe, New Mexico 87501
(505) 982-4285

EXHIBIT A

To Force Pooling Application

Plat of force pooling application area covering Sec. 9,
T 25 S, R 26 E, N.M.P.M., Eddy County, New Mexico.



- 640 Acre Spacing Unit
- 320 Acre Spacing Unit
- 40 Acre Spacing Unit

*** Parties of Unleased Mineral Interest**

<u>Name</u>	<u>Unleased Mineral Interest</u>	<u>Unleased Mineral Acres</u>
Dorothy Lavern Kenyon	1.429%	2.28640
Heirs of George P. Larremore, Jr.	0.625%	1.00000
Elizabeth Ann Clayton Larremore	0.625%	1.00000
Rebecca Wilkinson	0.714%	1.14286
Lee Thomas Goodman	0.714%	1.14286
Barbara Wilkinson	0.714%	1.14286
Myrtle Maltby Cook	0.417%	0.66667
The Children of George P. Larremore, Jr.	0.089%	0.14286
Thelma Catherine Hutson	0.045%	0.07143
Gregory Clayton Larremore	0.045%	0.07143

