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JASON KELLAHIN (RETIRED 1991)

July 18, 2000

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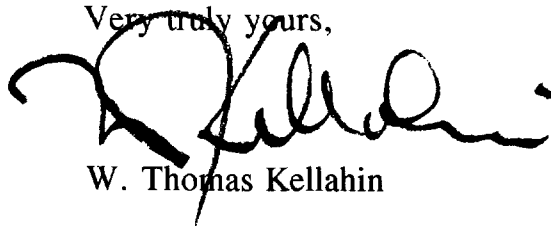
Mr. Mark Ashley, Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: NMOCD Case 12447
Application of OXY USA Inc.
to rescind North Burton Flats-Wolfcamp Pool Rules,
Lea County, New Mexico

Dear Mr. Ashley:

On behalf of OXY USA Inc., please find enclosed our proposed order for your consideration in the referenced case. Also enclosed is a word perfect 5.1 diskette containing the draft order.

Very truly yours,



W. Thomas Kellahin

cc: OXY USA Inc.
Attn: Rick Foppiano

**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. 12447

**APPLICATION OF OXY USA INC. TO RESCIND
DIVISION ORDER R-4949 WHICH ADOPTED THE
SPECIAL POOL RULES FOR THE NORTH
BURTON FLATS-WOLFCAMP GAS POOL,
EDDY COUNTY, NEW MEXICO.**

**APPLICANTS' PROPOSED
ORDER OF THE DIVISION**

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 13, 2000, at Santa Fe, New Mexico, before Examiner Mark Ashley.

NOW, on this ____ day of July, 2000, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due Public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, OXY USA Inc. is an operator and working interest owner in the North Burton Flats-Wolfcamp Gas Pool, Eddy County, New Mexico and seeks an order abolishing the Special Rules and Regulations for the North Burton Flats-Wolfcamp Gas Pool ("the Pool") so that the well locations and infill well requirements of Division Rule 104 apply to the Pool.

(3) The special pool rules for this Pool were requested by Cities Service Oil Company, now OXY USA Inc, and established by Division Order R-4949 dated January 23, 1975, and made effective February 1, 1975. The order further adopted temporary special rules for the Pool which provided for 320-acre spacing units with standard well locations not closer than 1980 feet to the end boundary of the unit nor nearer than 660 feet to the side boundary. In addition, a maximum gas allowable of 1.5 MMCFPD per unit was adopted. On February 17, 1976, the Division issued Order R-4949-A which made these rules permanent.

(4) The adoption of a maximum gas allowable of 1.5 MMCFPD was based upon data which demonstrated that:

(a) this is a retrograde gas condensate reservoir in which the producing wells were producing at or above the dew point of the reservoir;

(b) a gas limit would provide an opportunity to control the gas withdrawals and thereby prolong the period when maximum volume of condensate could be produced; and

(c) provide an opportunity to determine if pressure maintenance would be economically feasible.

(5) The horizontal limits of the Pool have been extended several times by orders of the Division.

(6) In support of its application to terminate these special rules, OXY USA Inc. presented evidence which demonstrates that:

operators:

(a) there are 14 wells currently producing in the pool with OXY operating 6 wells;

(b) OXY balloted the other 3 operators in the pool and was advised that Vision Energy, Inc. Yates Petroleum Corporation and Chi Operating, Inc. had no objection to rescinding the special rules for the Pool;

gas allowable:

(c) none of the 31 wells in the Pool ever demonstrated the capacity to produce gas in excess of the maximum gas allowable of 1.5 MMCFPD for

any significant period of time;

(d) after more than 26 years of production from the Pool, the remaining 14 producing wells are producing on average less than 300 MCFPD;

(e) there have been substantial changes in the temperature and pressure in the reservoir and in the rates at which these wells can be produced such that it is too late in the life of this pool to initiate pressure maintenance and increasing recovery by limiting gas withdrawals;

well density and well locations:

(f) by Division Order R-10546 entered in Case 11455 on February 21, 1996, OXY was authorized to "infill drill" its Government NBFD Unit Well No. 1 in Unit M of Section 11, T20S, R28E, at a location among four existing wells: the Government AB Well No. 1 in Unit K of Section 11, the Government T Com Well No. 1 in Unit C of Section 14, the Government AB Well No. 2 in Unit I of Section 10 and the Government Com Well No. 2 in Unit G of Section 15;

(g) this resulted in a well spacing pattern comparable to the pattern which could develop if the special rules are terminated so that the current Division Rule 104 apply;

(h) the Government NBFD Unit Well No. 1 was approved at an unorthodox location 660 feet from the south line and 330 feet from the west line of its spacing unit;

(i) production from the Government NBFD Unit Well No. 1 did not adversely affect the offsetting production and has resulted in production of gas and condensate which could not have been produced by the other 4 wells;

(i) correspondingly, the location of the Government NBFD Unit Well No. 1 demonstrated that:

1. conforming well location requirements to the current Division Rule 104 requirements will not have an adverse effect on existing wells; and

2. recovery from the pool can be increased by increasing well density from one well per 320 acres to 2 wells per 320 acres.

(j) production from the Wolfcamp formation in the Pool is from many separate stringers which vary greatly in areal extent, porosity and thickness;
See Case 11455

(k) these stringers are not continuous across the Pool;

Increased recovery:

(l) there are recoverable gas and condensate reserves underlying the spacing units which might not otherwise be recovered unless greater flexibility is provided for standard well locations and provision is made for increasing the density to greater than one well per 320-acre spacing unit.

(m) termination of special rules for the Pool will result in increased ultimate recovery from the pool thereby preventing waste.

(7) No other operator and/or interest owner appeared at the hearing in opposition to the application.

(8) Approval of this application will afford the applicants and all affected interest owners the opportunity to produce their just and equitable share of the hydrocarbons in the Wolfcamp formation and will otherwise prevent waste and protect correlative rights.

(9) Approval of OXY USA Inc.'s request will allow the interest owners the opportunity to economically recover their share of the oil and gas in the subject pool, will not reduce ultimate recovery from the subject pool, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of OXY USA Inc. seeking an order rescinding Division Order R-4949 and thereby terminating the special rules for the North Burton Flats-Wolfcamp Gas Pool, Eddy County, New Mexico is hereby granted effective July 1, 2000.

(2) Effective July 1, 1996, all allowables established for the Pool, including any accumulated under or over production shall be canceled and shall be null and of no effect.

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY
Director

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