

**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.12629

**APPLICATION OF OXY USA WTP Limited Partnership
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

**AFFIDAVITS OF DOUGLAS W. HURLBUT
AND GARY WOMACK**

**STATE OF NEW MEXICO)
) ss.
COUNTY OF TEXAS)**

Before me, the undersigned authority, personally appeared Douglas W. Hurlbut and Gary Womack, who being duly sworn, stated:

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

Douglas W. Hurlbut
certified petroleum landman
contract landman for OXY USA WTP Limited Partnership

Gary Womack
Petroleum Engineer employed by OXY USA WTP Limited Partnership
major: petroleum engineering
minor: petroleum geology

We are over the age of majority and am competent to make this Affidavit.

**BEFORE THE
OIL CONSERVATION DIVISION**
Case No.12629 Exhibit No. 1
Submitted By:
OXY USA, Inc.
Hearing Date: April 5, 2001

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 New Mexico Oil Conservation Division Rule 1207.A(1)(b).

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

CHRONOLOGICAL SUMMARY OF SIGNIFICANT EVENTS

1. OXY USA, Inc. ("OXY") has a working interest ownership in the oil and gas minerals underlying the S/2 of Section 2, T18S, R25E, NMPM, Eddy County, New Mexico.

2. OXY proposes to drill and complete its Trombone Well No. 1 at a standard gas well location in Unit P 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 & gas title opinion, OXY believes that the following individuals and entities are owners of an unleased mineral interest in the subject spacing unit in the following percentages:

NAME	PERCENTAGE
Kemp Lumber Company	12.5 % (1/2 of 1/4)
Billy James VanWinkle	0.0695 % (1/2 x 1/15 x 1/48)

4. Kemp Lumber Company is a defunct New Mexico corporation which dissolved in 1965 but failed to file Articles of Dissolution to reflect the existing shareholders at that time.

5. Despite its good faith efforts, OXY has been unable to obtain locate either Billy James Van Winkle or the shareholders of Kemp Lumber Company.

6. The maximum 200% risk factor penalty is appropriate in this case because the only two potentially productive formations are the Morrow ("B") and the Cisco both of which are very risky. For example,

Morrow risk: the Merit well in Unit I of Section 2 which is now plugged may have drained the Morrow within spacing unit; the N/S Morrow channel is lenticular and discontinuous and with low permeability; there is no well control to the south and west; a substantial number of the wells in the area have been uneconomic in the Morrow or the zone has been absent.

Cisco risk: the Merit well in Unit I of Section 2 which is now plugged, and only produced 300,000 MCF from the Cisco within spacing unit; the location is on the extreme southern end of the Cisco production of the Eagle Creek Permo-Penn Pool.

7. 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.

8. In accordance with Division Rule 1207.A(1)(b) attached are the following statements and exhibits in support of this case:

- (i) no opposition for hearing is expected because the parties to be pooled cannot be located after a diligent search.
- (ii) **Exhibit 1** map: (a) outlining the spacing unit(s) to be pooled which is the S/2; SE/4 and SE/4SE/4 of Section 2, T18S, R25E and (b) showing the well location, and (c) percentage of ownership interest.
- (iii) **Exhibit 2** a portion of an October 12, 2000 title opinion listing of the names and last known addresses of all parties to be pooled with the nature and percent of their interest;

- (iv) **Exhibit 3:** as to Kemp Lumber Company. I attest that a diligent search has been conducted of all public records in the county where the well is to be located and of phone directories, including computer searches
- (v) **Exhibit 4:** Section 53-16-24 NMSA (1978)
- (vi) **Exhibit 5:** as to Billy James VanWinkle. I attest that a diligent search has been conducted of all public records in the county where the well is to be located and of phone directories, including computer searches
- (vii) **Exhibit 6:** the names of the formations and pools to be pooled.
- (viii) the pooled unit is for gas and/or oil
- (ix) **Exhibits 7-9** geologic isopachs of the Morrow "B" and the Cisco formations to be tested which forms the basis for the opinion that the maximum 200% risk factor penalty is justified
- (x) **Exhibit 10** a copy of Ernest & Young average well costs overhead rates of \$5,500/mo drilling and \$550/mo producing well rates which we request be authorized for this case.
- (xi) **Exhibit 11** copy of APD and Division form C-102 showing the well location and the proposed depth of the well
- (xii) **Exhibit 12** copy of the AFE in the amount of \$851,129 completed well costs for this well which we conclude is fair reasonable and current for wells of this type in this area.

9. We recommend that a compulsory pooling order be entered which provides that:

- (a) OXY USA, Inc. be named operator;
- (b) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (c) In the event a 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
- (d) Provision for overhead rates of \$5,500 per month drilling and \$550 per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;

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


- (1) That OXY is unable to locate all of the owners of interest to be pooled.
- (2) That approval of OXY's application in this case is necessary in order to consolidate the interest ownership within this spacing unit for the drilling, completing and producing 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 all mineral interests from the surface to the base of the Morrow formation underlying the S/2, the SE/4 and the SE/4SE/4 of Section 2, T18S, R25E, NMPM, Eddy County, New Mexico, forming a standard 40-acre, 160-acre and 320-acre spacing and proration units for any and all formations and/or pools developed on those spacing units
- (4) to dedicate these pooled units to its Trombone Well No. 23 to be drilled and completed at a standard well location within said spacing unit including 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 applicant as the operator of the well and a 200 % charge for risk involved in drilling and completing said well.

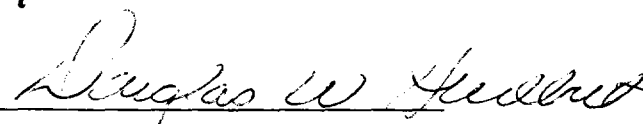
NMOCD Case No. 12629

Affidavit

Page 6

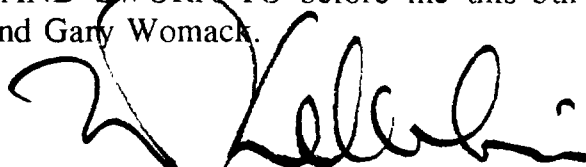
FURTHER AFFIANTS SAYETH NOT:


Name


Name

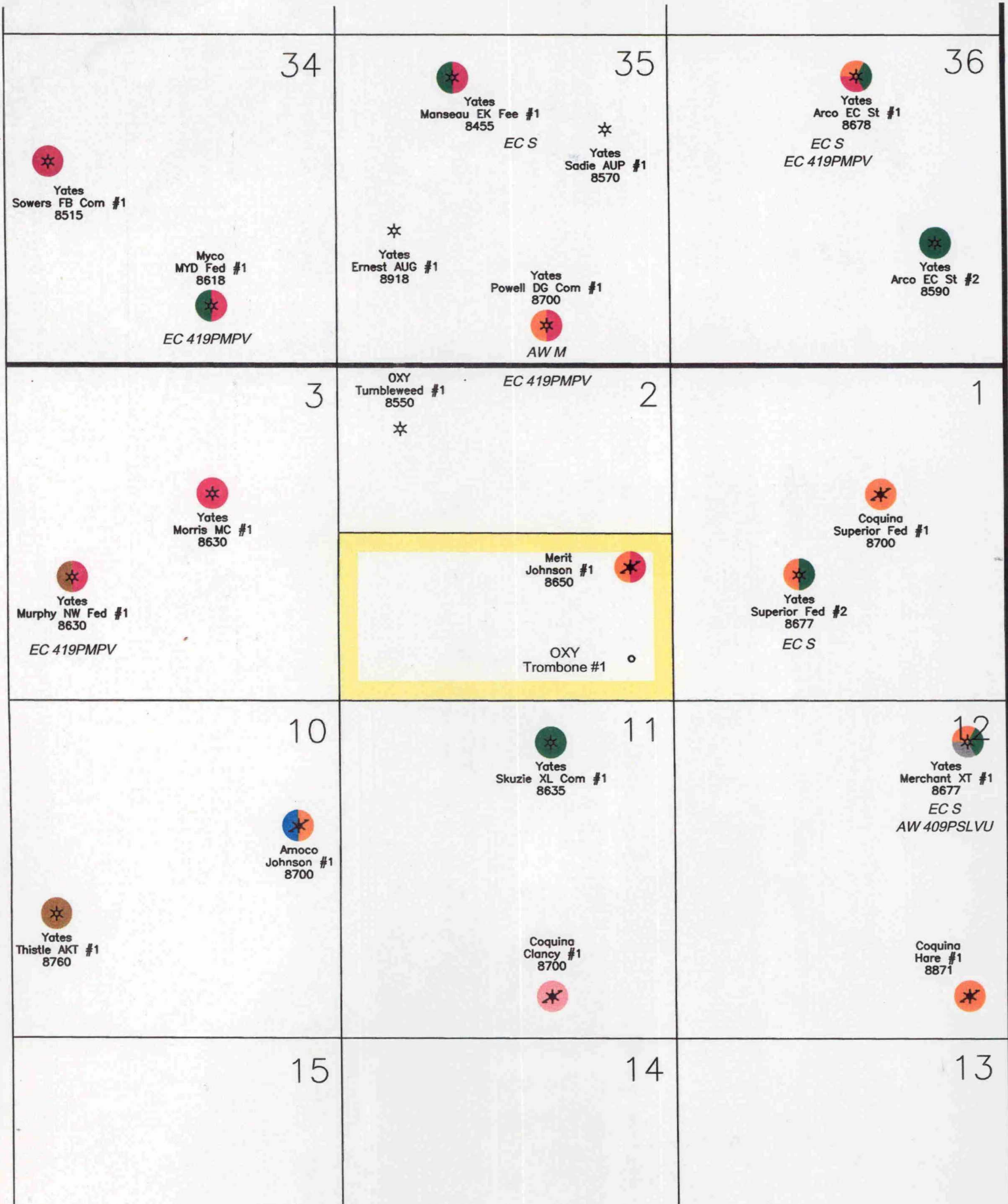
State of New Mexico)
) SS
County of Santa Fe)

SUBSCRIBED AND SWORN TO before me this 5th day of April, 2001 by
Douglas W. Hurlbut and Gary Womack.


Notary Public

(SEAL)

My Commission Expires April 17, 2002



- Atoka West Morrow
- Eagle Creek Strawn
- Eagle Creek 419PMPV
- Richard Knob Morrow
- Eddy Strawn
- Atoka West Cisco
- Atoka West 409 PSLVU

AW 409PSLVU — Current Production Zone (If Active)

OXY TROMBONE #1

660' FSL & 660' FEL
Section 2 (S/2), T 18 S, R 25 E
Eddy County, Texas

ZONES OF PRODUCTION