

CASE _____:

Application of OXY U.S.A., Inc. to rescind
Division Order R-4808, to place said project
under Order A-261, for assignment of
allowables, and for procedures concerning
underproduction, Eddy County, New
Mexico.

Applicant, in the above-styled cause, seeks

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

W. THOMAS KELLAHIN
KAREN AUBREY

CANDACE HAMANN CALLAHAN

JASON KELLAHIN
OF COUNSEL

May 7, 1991

Mr. William J. LeMay
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

RECEIVED

Re: Application of OXY U.S.A., Inc.
to Rescind Division Order R-4808,
to Place Said Project under Order
A-261, for Assignment of Allowables,
and for Procedures Concerning
Underproduction, Eddy County,
New Mexico

OIL CONSERVATION DIVISION

Dear Mr. LeMay

On behalf of OXY U.S.A., Inc. please set the enclosed application for hearing at the next available Examiner's docket now set for May 30, 1991.

By copy of this letter and application sent certified mail, return-receipt requested, we are notifying each of the operators of the pool of their right to appear at the hearing either in support of or in opposition to this application.

Should any party desire more information about this matter or about the procedures for hearing this application, they may call the Division or the undersigned.

Very truly yours,



W. Thomas Kellahin

WTK/tic
Enclosure

William J. LeMay
May 7, 1991
Page 2

cc: Richard Foppiano
OXY U.S.A., Inc.
Post Office Box 50250
Midland, Texas 79710

Certified return-receipt
All parties listed on
Exhibit "A" of application

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE
APPLICATION OF OXY U.S.A., INC.
TO RESCIND DIVISION ORDER R-4808,
TO PLACE SAID PROJECT UNDER ORDER
A-261, FOR ASSIGNMENT OF ALLOWABLES,
AND FOR PROCEDURES CONCERNING
UNDERPRODUCTION,
EDDY COUNTY, NEW MEXICO.

CASE NO.

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OIL CONSERVATION DIVISION

A P P L I C A T I O N

OXY U.S.A. INC., ("OXY"), by and through its attorneys,
Kellahin, Kellahin & Aubrey, applies to the New Mexico Oil
Conservation Division for a Order affecting its Citgo Empire-
Abo Pressure Maintenance Project comprising the following
acreage in Eddy County, New Mexico:

Township 17 South, Range 27 East, N.M.P.M.
Section 35: SE/4, E/2SW/4, SW/4SW/4

Township 18 South, Range 27 East, N.M.P.M.
Section 2: NW/4NE/4, NE/4NW/4

containing approximately 360-acres.

OXY requests the Oil Conservation Division grant the
following relief:

(1) To rescind Division Order R-4808, effective May 1, 1988;

(2) To place the Citgo Empire Abo Unit under the provisions of Division Order A-261, statewide oil proration order effective May 1, 1988;

(3) That each well in the current unit that is capable of production be assigned an allowable pursuant to Order A-261 effective as of May 1, 1988;

(4) That all underproduction accumulated on each well identified in item (3) above during each monthly proration period, beginning May 1, 1988 to the present, be reinstated effective the first month following the issuance of an order in this case;

(5) That OXY be granted an exception from Rule 502 and be provided a period of time not to exceed two years to make up the underproduction referenced in item (4) above;

(6) That any well that is overproduced after the reinstatement of said allowable be shut-in until the overproduction is made up; and

(7) The Division approve the combining of the proration and spacing units within the Citgo Empire Abo Unit area pursuant to Rule 507 and OXY be afforded the flexibility to

produce the allowable attributable to the wells within the unitized area from any well or wells or combinations thereof.

In support of this application states:

1. OXY operated the Citgo Empire-Abo Pressure Maintenance Project pursuant to Division Order R-4808 dated June 11, 1974 in the Empire-Abo Pool until March, 1988 at which time it ceased the re-injection of gas in to the project area.

2. OXY determined that as of April 1, 1988, it was no longer economically feasible to continue the re-injection of gas into the project area.

3. Because of the economic situation which necessitated the ceasing of re-injection, OXY was forced to obtain a market for this gas, and this prevented OXY from producing its allowable for at lease twelve months even though its wells were capable of doing so. Therefore, OXY should be allowed to carry forward allowable that was canceled after May 1, 1988.

4. OXY has further determined that Division Order R-4808, dated June 11, 1974, is outdated, adversely affects the ability of OXY to compete with other operators in the pool, is no longer necessary.

5. In the interests of prevention of waste and protection of correlative rights, Order R-4808 should be

terminated using a procedure to provide an efficient transition from the pressure maintenance provisions and rules to rules applied to other operators in the Empire Abo Pool who are not subject to pressure maintenance procedures.

6. OXY seeks a procedure to replace the current pressure maintenance oil well production allowables with the same allowable limitations as the other operators of non-pressure maintenance projects are using in the Empire Abo Pool.

7. OXY seeks a procedure whereby allowables would be assigned on a unit basis to afford OXY the ability to produce the low GOR wells to maximize liquid recovery and thereby avoid the waste of hydrocarbons.

8. In order to provide an equitable transition from pressure maintenance rules to pool rules and to avoid impairing OXY's correlative rights, OXY seeks a procedure to carry forward any underproduction that might be canceled by rescinding Order R-4808 and placing the unit under the operation of Division Order A-261.

9. OXY seeks the continuation of the unit approved by Division Order R-4791 to allow, among other things, the effective and efficient management of the unit hydrocarbon under unit recovery operations so that high GOR wells can be

shut-in and low GOR wells produced thereby increasing ultimate recovery underlying the unit;

10. A copy of this application and request for a hearing on May 30, 1991 are being sent certified mail return-receipt requested to the parties shown on Exhibit "A" as Pool Operators.

WHEREFORE OXY hereby requests that the New Mexico Oil Conservation Division set a hearing before a Division Examiner on May 30, 1991 for OXY to present its data concerning the operations of its Citgo Empire-Abo Pressure Maintenance Project, the evidence in support of its request and that after notice and hearing, the Division enter its order approving this application and entering such provisions as are necessary to grant the relief requested.

Respectfully submitted,

KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285
Attorneys for OXY USA, Inc.

EMPIRE-ABO POOL

Operator List

ARCO OIL AND GAS CO. - Division of Atlantic Richfield Co.
P. O. BOX 1610
Midland, Texas 79701

OXY USA Inc.
P. O. BOX 50250
Midland, Texas 79710

DURHAM, INC.
505 N. Big Spring St.
Midland, Texas 79702

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P. O. BOX 755
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Box 304
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May 7, 1991

Mr. William J. LeMay
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

Re: Application of OXY U.S.A., Inc.
to Rescind Division Order R-4808,
to Place Said Project under Order
A-261, for Assignment of Allowables,
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OIL CONSERVATION DIVISION

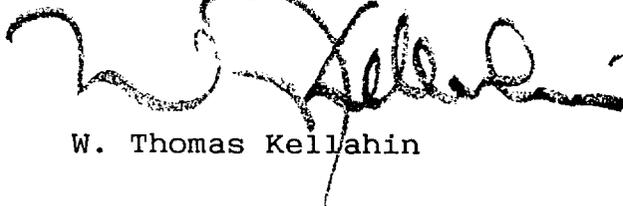
Dear Mr. LeMay

On behalf of OXY U.S.A., Inc. please set the enclosed application for hearing at the next available Examiner's docket now set for May 30, 1991.

By copy of this letter and application sent certified mail, return-receipt requested, we are notifying each of the operators of the pool of their right to appear at the hearing either in support of or in opposition to this application.

Should any party desire more information about this matter or about the procedures for hearing this application, they may call the Division or the undersigned.

Very truly yours,



W. Thomas Kellahin

WTK/tic
Enclosure

William J. LeMay
May 7, 1991
Page 2

cc: Richard Foppiano
OXY U.S.A., Inc.
Post Office Box 50250
Midland, Texas 79710

Certified return-receipt
All parties listed on
Exhibit "A" of application

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE
APPLICATION OF OXY U.S.A., INC.
TO RESCIND DIVISION ORDER R-4808,
TO PLACE SAID PROJECT UNDER ORDER
A-261, FOR ASSIGNMENT OF ALLOWABLES,
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UNDERPRODUCTION,
EDDY COUNTY, NEW MEXICO.

CASE NO.

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A P P L I C A T I O N

OXY U.S.A. INC., ("OXY"), by and through its attorneys,
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acreage in Eddy County, New Mexico:

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containing approximately 360-acres.

OXY requests the Oil Conservation Division grant the
following relief:

(1) To rescind Division Order R-4808, effective May 1, 1988;

(2) To place the Citgo Empire Abo Unit under the provisions of Division Order A-261, statewide oil proration order effective May 1, 1988;

(3) That each well in the current unit that is capable of production be assigned an allowable pursuant to Order A-261 effective as of May 1, 1988;

(4) That all underproduction accumulated on each well identified in item (3) above during each monthly proration period, beginning May 1, 1988 to the present, be reinstated effective the first month following the issuance of an order in this case;

(5) That OXY be granted an exception from Rule 502 and be provided a period of time not to exceed two years to make up the underproduction referenced in item (4) above;

(6) That any well that is overproduced after the reinstatement of said allowable be shut-in until the overproduction is made up; and

(7) The Division approve the combining of the proration and spacing units within the Citgo Empire Abo Unit area pursuant to Rule 507 and OXY be afforded the flexibility to

produce the allowable attributable to the wells within the unitized area from any well or wells or combinations thereof.

In support of this application states:

1. OXY operated the Citgo Empire-Abo Pressure Maintenance Project pursuant to Division Order R-4808 dated June 11, 1974 in the Empire-Abo Pool until March, 1988 at which time it ceased the re-injection of gas in to the project area.

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3. Because of the economic situation which necessitated the ceasing of re-injection, OXY was forced to obtain a market for this gas, and this prevented OXY from producing its allowable for at lease twelve months even though its wells were capable of doing so. Therefore, OXY should be allowed to carry forward allowable that was canceled after May 1, 1988.

4. OXY has further determined that Division Order R-4808, dated June 11, 1974, is outdated, adversely affects the ability of OXY to compete with other operators in the pool, is no longer necessary.

5. In the interests of prevention of waste and protection of correlative rights, Order R-4808 should be

terminated using a procedure to provide an efficient transition from the pressure maintenance provisions and rules to rules applied to other operators in the Empire Abo Pool who are not subject to pressure maintenance procedures.

6. OXY seeks a procedure to replace the current pressure maintenance oil well production allowables with the same allowable limitations as the other operators of non-pressure maintenance projects are using in the Empire Abo Pool.

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9. OXY seeks the continuation of the unit approved by Division Order R-4791 to allow, among other things, the effective and efficient management of the unit hydrocarbon under unit recovery operations so that high GOR wells can be

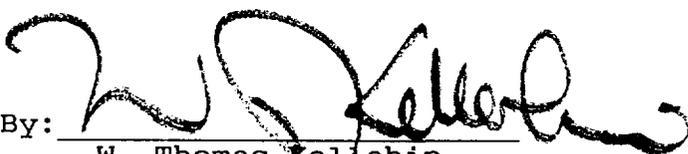
shut-in and low GOR wells produced thereby increasing ultimate recovery underlying the unit;

10. A copy of this application and request for a hearing on May 30, 1991 are being sent certified mail return-receipt requested to the parties shown on Exhibit "A" as Pool Operators.

WHEREFORE OXY hereby requests that the New Mexico Oil Conservation Division set a hearing before a Division Examiner on May 30, 1991 for OXY to present its data concerning the operations of its Citgo Empire-Abo Pressure Maintenance Project, the evidence in support of its request and that after notice and hearing, the Division enter its order approving this application and entering such provisions as are necessary to grant the relief requested.

Respectfully submitted,

KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285
Attorneys for OXY USA, Inc.

EMPIRE-ABO POOL

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OXY USA Inc.
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MARBOB ENERGY CORP.
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4001 Penbrook
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May 7, 1991

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Post Office Box 2088
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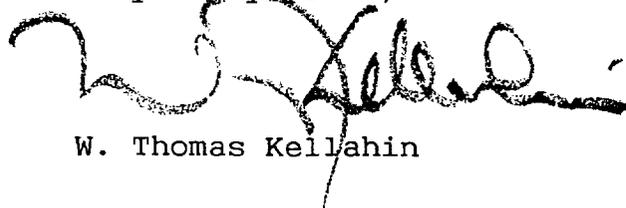
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WTK/tic
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William J. LeMay
May 7, 1991
Page 2

cc: Richard Foppiano
OXY U.S.A., Inc.
Post Office Box 50250
Midland, Texas 79710

Certified return-receipt
All parties listed on
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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE
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CASE NO.

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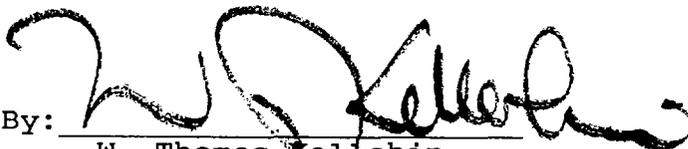
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Respectfully submitted,

KELLAHIN, KELLAHIN & AUBREY

By: 

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Post Office Box 2265
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(505) 982-4285
Attorneys for OXY USA, Inc.

EMPIRE-ABO POOL

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12377 Merit Drive, Suite 1600
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PHILLIPS PETROLEUM CO.
4001 Penbrook
Odessa, Texas 79762

CASE _____:

Application of Arco Oil & Gas for a show cause
hearing, Eddy County, New Mexico.



Applicant, in the above-styled cause, seeks a hearing to require OXY U.S.A. Inc. to appear and show cause why its Citigo Empire-Abo Unit should not be shut-in until all overproduction is made up and until it is in full compliance with all Division Orders.

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY
ANNIE-LAURIE COOGAN

JEFFERSON PLACE
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SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

April 23, 1991

HAND-DELIVERED

RECEIVED

APR 23 1991
OIL CONSERVATION DIVISION

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

Re: In the Matter of the Application of ARCO Oil and Gas Company for a
Show Cause Hearing, Eddy County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Application of ARCO Oil and Gas Company in the above-referenced case. ARCO Oil and Gas Company respectfully requests that this matter be placed on the docket for the Examiner hearings scheduled on May 30, 1991.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosures

cc w/enc.: Ron Sponberg, Esq.
Gary Smallwood
W. Thomas Kellahin, Esq.

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF ARCO OIL & GAS COMPANY FOR
A SHOW CAUSE HEARING,
EDDY COUNTY, NEW MEXICO.

RECEIVED
APR 25 1991
CASE NO. _____
OIL CONSERVATION DIVISION

APPLICATION

ARCO OIL & GAS COMPANY ("ARCO"), makes application to the New Mexico Oil Conservation Division for a hearing to require OXY U.S.A. Inc. to appear and show cause why its Citgo Empire-Abo Unit should not be shut-in until all overproduction is made up and until it is in full compliance with all Division Orders approving this Unit and operations therein, and in support of this application states:

1. ARCO Oil & Gas Company is the operator of the Empire-Abo Unit which contains approximately 11,339 acres located in Townships 17 and 18 South, Ranges 27, 28 and 29 East, N.M.P.M. Eddy County, New Mexico in which it conducts pressure maintenance operations pursuant to Division Order No. R-4549 entered on June 15, 1973.
2. OXY U.S.A. Inc. operates the Citgo Empire-Abo Unit which is comprised of the following acreage in Eddy County, New Mexico:

Township 17 South, Range 27 East, N.M.P.M.
Section 35: SE/4, E/2 SW/4, SW/4 SW/4

Township 18 South, Range 27 East, N.M.P.M.
Section 2: NW/4 NE/4, NE/4 NW/4

containing approximately 360-acres.

3. The OXY U.S.A. Inc. Citgo Empire-Abo Unit was approved by Division Order No. R-4791 dated May 28, 1974 and, by Order No. R-4808 dated June 11, 1974, the Division authorizes pressure maintenance operations in the unit and promulgated Special Rules and Regulations For The Citgo Empire-Abo Pressure Maintenance Project.

4. The Citgo Empire-Abo Unit and the ARCO Empire-Abo Unit share a common boundary in the Abo formation and are in communication with each other.

5. ARCO has discovered information which causes it to believe that the operator of the Citgo Empire-Abo Unit has not complied with the provisions of the Division Orders and Special Rules and Regulations governing the operation of the Citgo Empire-Abo Unit.

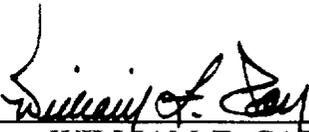
6. ARCO's data demonstrates that the failure of the operator of the Citgo Empire-Abo Unit to comply with these Orders and Special Rules and Regulations of the Division has resulted in the Citgo Empire-Abo Unit being substantially overproduced thereby draining reserves from the ARCO Empire-Abo Unit, impairing the correlative rights of ARCO and other interest owners in the ARCO Empire-Abo Unit and causing the waste of hydrocarbons.

WHEREFORE, ARCO Oil & Gas Company hereby requests that the New Mexico Oil Conservation Division set a hearing before a Division Examiner on May 30, 1991, (1) for ARCO to present its data concerning the operations of the Citgo Empire-Abo Unit, (2) requiring OXY U.S.A. Inc., to show cause why the Citgo Empire-Abo Unit should not be shut-in until all overproduction is made up, and (3) making such other provisions as are necessary to assure that all future operations of the Citgo Empire-Abo Unit fully

comply with the Division's Orders which authorize OXY's operation of this unit and the Special Rules and Regulations governing these operations.

Respectfully submitted,

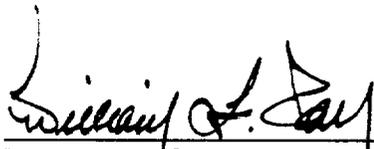
CAMPBELL & BLACK, P.A.

By: 
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Telephone: (505) 988-4421

ATTORNEYS FOR ARCO
OIL & GAS COMPANY

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing pleading was served on W. Thomas Kellahin, Esq., Kellahin, Kellahin & Aubrey, Post Office Box 2265, Santa Fe, New Mexico 87504, by depositing same in the United States mail, first-class postage prepaid, this 23rd day of April, 1991.


William F. Carr

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF ARCO OIL & GAS COMPANY FOR
A SHOW CAUSE HEARING,
EDDY COUNTY, NEW MEXICO.

RECEIVED
APR 11 1981
OIL CONSERVATION DIVISION
CASE NO. _____

APPLICATION

ARCO OIL & GAS COMPANY ("ARCO"), makes application to the New Mexico Oil Conservation Division for a hearing to require OXY U.S.A. Inc. to appear and show cause why its Citgo Empire-Abo Unit should not be shut-in until all overproduction is made up and until it is in full compliance with all Division Orders approving this Unit and operations therein, and in support of this application states:

1. ARCO Oil & Gas Company is the operator of the Empire-Abo Unit which contains approximately 11,339 acres located in Townships 17 and 18 South, Ranges 27, 28 and 29 East, N.M.P.M. Eddy County, New Mexico in which it conducts pressure maintenance operations pursuant to Division Order No. R-4549 entered on June 15, 1973.
2. OXY U.S.A. Inc. operates the Citgo Empire-Abo Unit which is comprised of the following acreage in Eddy County, New Mexico:

Township 17 South, Range 27 East, N.M.P.M.
Section 35: SE/4, E/2 SW/4, SW/4 SW/4

Township 18 South, Range 27 East, N.M.P.M.
Section 2: NW/4 NE/4, NE/4 NW/4

containing approximately 360-acres.

3. The OXY U.S.A. Inc. Citgo Empire-Abo Unit was approved by Division Order No. R-4791 dated May 28, 1974 and, by Order No. R-4808 dated June 11, 1974, the Division authorizes pressure maintenance operations in the unit and promulgated Special Rules and Regulations For The Citgo Empire-Abo Pressure Maintenance Project.

4. The Citgo Empire-Abo Unit and the ARCO Empire-Abo Unit share a common boundary in the Abo formation and are in communication with each other.

5. ARCO has discovered information which causes it to believe that the operator of the Citgo Empire-Abo Unit has not complied with the provisions of the Division Orders and Special Rules and Regulations governing the operation of the Citgo Empire-Abo Unit.

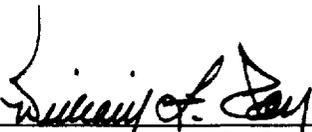
6. ARCO's data demonstrates that the failure of the operator of the Citgo Empire-Abo Unit to comply with these Orders and Special Rules and Regulations of the Division has resulted in the Citgo Empire-Abo Unit being substantially overproduced thereby draining reserves from the ARCO Empire-Abo Unit, impairing the correlative rights of ARCO and other interest owners in the ARCO Empire-Abo Unit and causing the waste of hydrocarbons.

WHEREFORE, ARCO Oil & Gas Company hereby requests that the New Mexico Oil Conservation Division set a hearing before a Division Examiner on May 30, 1991, (1) for ARCO to present its data concerning the operations of the Citgo Empire-Abo Unit, (2) requiring OXY U.S.A. Inc., to show cause why the Citgo Empire-Abo Unit should not be shut-in until all overproduction is made up, and (3) making such other provisions as are necessary to assure that all future operations of the Citgo Empire-Abo Unit fully

comply with the Division's Orders which authorize OXY's operation of this unit and the Special Rules and Regulations governing these operations.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

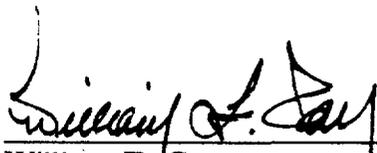
By: 

WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR ARCO
OIL & GAS COMPANY

CERTIFICATE OF SERVICE

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William F. Carr

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF ARCO OIL & GAS COMPANY FOR
A SHOW CAUSE HEARING,
EDDY COUNTY, NEW MEXICO.

RECEIVED
APR 11 1973
OIL CONSERVATION DIVISION
CASE NO. _____

APPLICATION

ARCO OIL & GAS COMPANY ("ARCO"), makes application to the New Mexico Oil Conservation Division for a hearing to require OXY U.S.A. Inc. to appear and show cause why its Citgo Empire-Abo Unit should not be shut-in until all overproduction is made up and until it is in full compliance with all Division Orders approving this Unit and operations therein, and in support of this application states:

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Section 35: SE/4, E/2 SW/4, SW/4 SW/4

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Section 2: NW/4 NE/4, NE/4 NW/4

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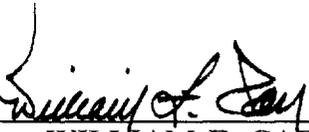
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comply with the Division's Orders which authorize OXY's operation of this unit and the Special Rules and Regulations governing these operations.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR ARCO
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William F. Carr

Case 10356

ILLEGIBLE

EMPIRE - GAS continued:

AMCO OIL & GAS continued:

Empire Gas Unit B

341 P	27-17-20	SI
37 W	26-17-20	SI
38 W	-	-
39 D	-	-
40 P	-	-
41 W	25-17-20	SI
42 W	-	-
43 D	-	-
44 P	-	-
26 C	32-17-20	SI
27 W	32-17-20	SI
28 A	-	-
30 C	31-17-20	SI
31 B	-	-
32 A	-	-
33 B	34-17-20	SI
34 C	-	-
35 B	-	-
36 A	-	-
37 A	-	-
38 A	-	-
39 A	-	-
37 B	35-17-20	SI
37 C	-	-
37 D	-	-
37 E	-	-
37 F	-	-
37 G	-	-
37 H	-	-
37 I	-	-
37 J	-	-
37 K	-	-
37 L	-	-
37 M	-	-
37 N	-	-
37 O	-	-
37 P	-	-
37 Q	-	-
37 R	-	-
37 S	-	-
37 T	-	-
37 U	-	-
37 V	-	-
37 W	-	-
37 X	-	-
37 Y	-	-
37 Z	-	-

Empire Gas Unit E

22 F	31-17-20	SI
23 E	32-17-20	SI
26 F	-	-
27 G	-	-
28 H	-	-
29 E	33-17-20	SI
30 F	-	-
31 G	33-17-20	SI
32 H	-	-
32 I	-	-
32 J	-	-
32 K	-	-
32 L	-	-
32 M	-	-
32 N	-	-
32 O	-	-
32 P	-	-
32 Q	-	-
32 R	-	-
32 S	-	-
32 T	-	-
32 U	-	-
32 V	-	-
32 W	-	-
32 X	-	-
32 Y	-	-
32 Z	-	-

Empire Gas Unit F

40 W	26-17-20	SI
45 E	36-17-20	SI
46 F	-	-
47 G	36-17-20	SI
48 H	-	-
49 E	29-17-20	SI
34 E	27-17-20	SI
35 J	-	-
36 I	-	-
37 L	26-17-20	SI
38 K	-	-
39 J	-	-
40 I	-	-
41 L	25-17-20	SI
42 K	-	-
43 J	-	-
44 I	-	-
45 L	30-17-20	SI
46 M	-	-
47 J	-	-
49 L	29-17-20	SI
50 E	-	-
33 M	27-17-20	SI
34 N	-	-
35 P	-	-

EMPIRE - GAS

Top Altimeter 147

Top Combustion Gas Limit 704 MCF

AMCO OIL & GAS CO. - DIVISION OF ALLIANTIC RICHFIELD CO.

R 4549

Empire Gas Pressure Maintenance Project

Increase Allowable Formula:

704 x 147 = 103,128

Empire Gas Unit B

40 W	26-17-20	SI
45 E	36-17-20	SI
46 F	-	-
47 G	36-17-20	SI
48 H	-	-
49 E	29-17-20	SI

Empire Gas Unit C

34 E	27-17-20	SI
35 J	-	-
36 I	-	-
37 L	26-17-20	SI
38 K	-	-
39 J	-	-
40 I	-	-
41 L	25-17-20	SI
42 K	-	-
43 J	-	-
44 I	-	-

Empire Gas Unit D

33 M	27-17-20	SI
34 N	-	-
35 P	-	-

EMERG - ABO UNIT continue:

ARCO OIL & GAS CO. (CO. TRIMMERS)

Esquire Abo Unit	18	F	10	18	27	SI
Esquire Abo Unit	4	T	0	18	27	SI
Esquire Abo Unit	5	C	0	18	27	SI
Esquire Abo Unit	6	K				SI
Esquire Abo Unit	7	J				SI
Esquire Abo Unit	8	I				SI
Esquire Abo Unit	9	L	10	18	27	SI
Esquire Abo Unit	4	P	0	18	27	SI
Esquire Abo Unit	5	M	9	18	27	SI
Esquire Abo Unit	6	N				SI
Esquire Abo Unit	7	D				SI
Esquire Abo Unit	8	P				SI
Esquire Abo Unit	9	H	10	18	27	SI
Esquire Abo Unit	5	B	16	18	27	SI
Esquire Abo Unit	6	C				SI
Esquire Abo Unit	7	B				SI
Esquire Abo Unit	8	A				SI
Esquire Abo Unit	9	B	15	18	27	SI
Esquire Abo Unit	5	G	17	18	27	SI
Esquire Abo Unit	6	M				SI
Esquire Abo Unit	5	E	16	18	27	SI
Esquire Abo Unit	6	F				SI
Esquire Abo Unit	7	G				SI
Esquire Abo Unit	8	M				SI
Esquire Abo Unit	2	Y	17	18	27	SI
Esquire Abo Unit	3	J				SI
Esquire Abo Unit	5	L	16	18	27	SI
Esquire Abo Unit	6	K				SI
Esquire Abo Unit	7	J				SI
Esquire Abo Unit	8	I				SI
Esquire Abo Unit	6	M	16	18	27	SI
Esquire Abo Unit	7	O	16	18	27	SI

Durham, Inc.
(State M 19) 1 M 2 18-27 25 10000

SIDNEY LAMBLER
State 19 (14) 2 M 19 17 29 M 1577
State 5-19 3 J 2 SI
State 19 (16) 4 O M 1500

HANCOCK ENERGY CORP.
Hancock St. (5) 2 P 28 17 28 M 4100

1011 USA INC.
[City, Engage, Abo, Pressure, Maintenance, Projects]
Capacity Allowable
Cities Engage Abo
Tr. 1 10 O 15 17 27
Tr. 2 13 P
Tr. 3 5 C 2 18 27
Tr. 1 11 M 25 17 27 10001

WYOMING OIL CO., L.P.
Belt & St. (14) 1 O 5 17 28 M 18643

PULLIPS PHARM (L.P.)
State E (116) 1 E 5 18 28 M 8776
State M (118) 2 M 6 18 28 M 1125

ILLEGIBLE

case file

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW
EL PATIO BUILDING
117 NORTH GUADALUPE
POST OFFICE BOX 2285
SANTA FE, NEW MEXICO 87504-2285

TELEPHONE (505) 982-4885
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN
KAREN AUBREY

JASON KELLAHIN
OF COUNSEL

FAX COVER SHEET

DATE: 7/19/91

NUMBER OF PAGES: 4
(including cover)

TIME:

TO: Michael Stogner

FROM: W. Thomas Kellahin

OF: Oil Conservation Division

OF: K K & A

FAX # (505) 827-5741

FAX # (505) 982-2047

RE: NMOCD Case No. 10356

SPECIAL INSTRUCTIONS:

Confidential

URGENT

Please Reply

FYI

MESSAGE:

Letter to Michael Stogner from W. Thomas Kellahin dated July 19, 1991.

Hard copy to follow via U.S. Mail.

JUL-19-91 FRI 15:11

P.01

with
- I think both PRD's & OZ's
cases should be set for the
hearing on the 22nd of Aug.
(at least Friday, to actually hear
the case).
- now ideas on the request for an
8/19/91 Pre Hearing conf. 7 good ideas
cc: President Bush *good idea*

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047W. THOMAS KELLAHIN
KAREN AUBREYJASON KELLAHIN
OF COUNSEL

July 19, 1991

Mr. Michael E. Stogner
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

TELECOPY: (505) 827-5741

Re: Application of OXY USA, Inc.
for an Order Affecting its
Citgo Empire-Abo Pressure
Maintenance Project,
NMOCD Case No. 10356

Dear Mr. Stogner:

Our firm represents OXY USA, Inc. and has filed the referenced application which is now set for hearing on your docket for July 25, 1991.

On June 5, 1991, representatives of OXY and ARCO and their respective attorneys met with you and representatives of the Division concerning the docketing of previously submitted applications by both companies raising issues against each other concerning their respective Empire Abo projects.

The Division advised that it was unwilling to docket the ARCO show cause application against OXY and visa-versa. As a result of the Division suggestions at that meeting, we amended our application to include additional issues concerning these projects.

Mr. Michael E. Stogner
July 19, 1991
Page 2

By letter dated July 12, 1991, but not received by me until July 16, 1991, Mr. Carr, on behalf of ARCO, again seeks to docket what amounts to another show cause application against OXY. Mr. Carr's letter contains certain erroneous contentions which he submits to you as statements of fact. In addition, the ARCO application is predicated upon unsupported allegations which OXY believes to substantially misrepresent the OXY operations.

At OXY's request, two meetings have been held with ARCO personnel since the June 5th Division meeting. At the first meeting, OXY presented calculations contesting ARCO's allegations of unit overproduction. Despite this, ARCO has refused on both occasions to even discuss the basis of their allegations, much less make any reasonable attempts to reach a mutually satisfactory solution.

ARCO continues to frustrate OXY's ability to try to resolve these questions, even though the Division has suggested that the parties settle the disputes. In addition, ARCO continues to request more and more data from OXY. I have just received another letter from Mr. Carr dated July 17th in which he has a two page list of additional data requests.

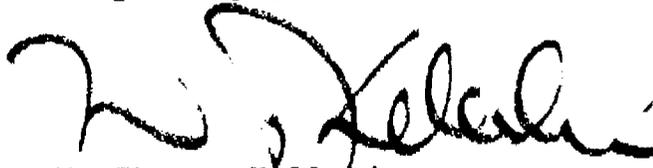
Accordingly, as a result of ARCO continued unwillingness to co-operate, OXY is unable to properly prepare for hearing on July 25, 1991. Therefore, OXY hereby moves the Division to continue the OXY case until August 23, 1991 and to dismiss with prejudice the ARCO application filed by letter of July 12, 1991.

Further, OXY requests that a pre-hearing conference be docketed on August 8, 1991 to have the Division establish the procedures for hearing of this matter including determining what data will be produced and when the data for all parties will be exchanged.

Mr. Michael E. Stogner
July 19, 1991
Page 3

I anticipate that it will take an entire day to present this case to the Division and request that this case appear on a supplemental docket for Division hearing on Friday, August 23, 1991.

Very truly yours,



W. Thomas Kellanin

WTK/ept

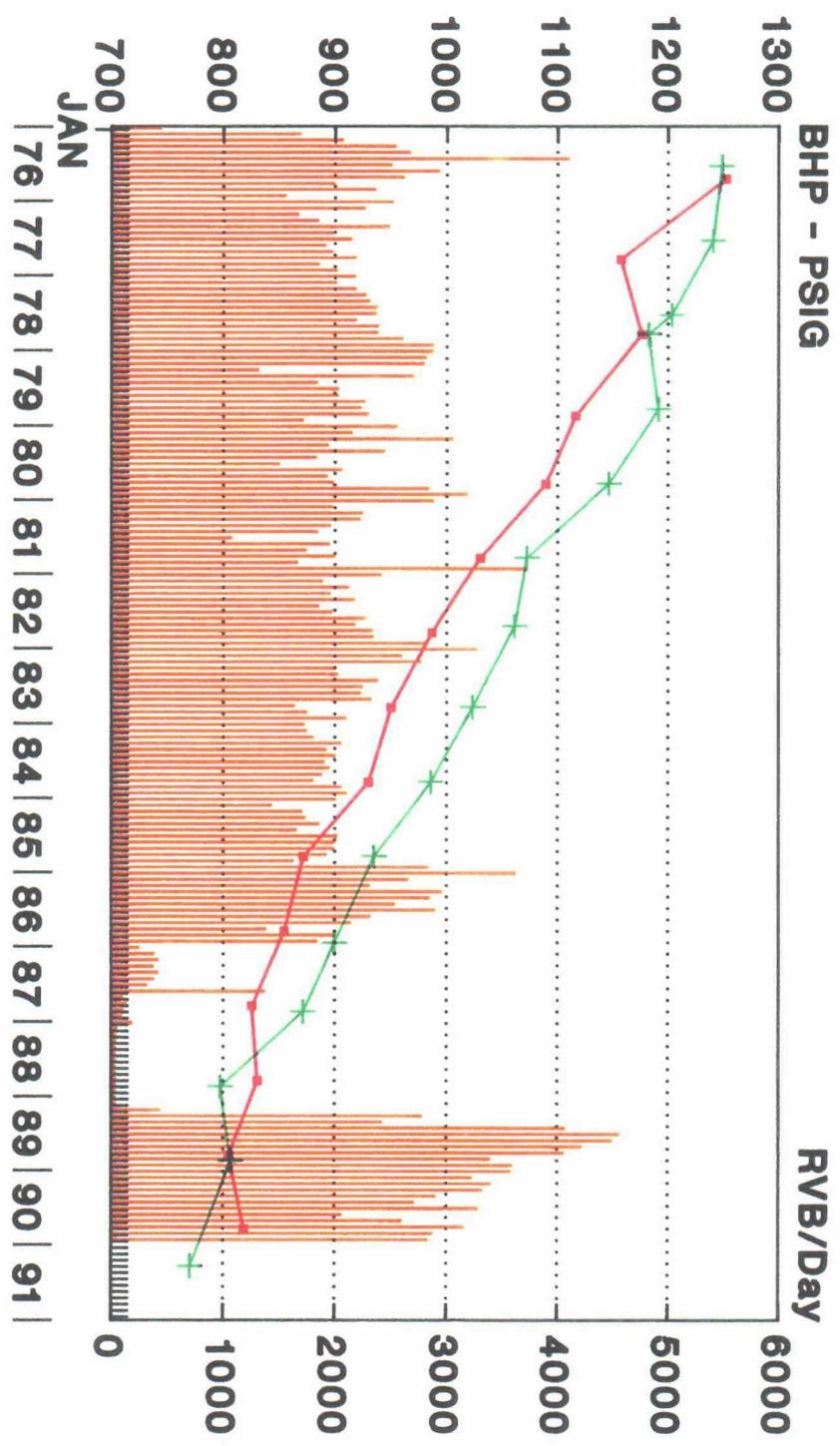
cc: Mr. Richard Foppiano
OXY USA, Inc.
Post Office Box 50250
Midland, Texas 79710

Copy Hand Delivered to William F. Carr.

1641/1trt719.009

**ARCO VS OXY BHP
COMMON BOUNDARY WELLS - ALL WELLS**

Handwritten signature/initials



—●— ARCO —+— OXY ■ OXY RES. VOID/DAY

BEFORE EXAMINER MORROW

Oil Conservation Division

Oxy Exhibit No. 17

Case No. 10356

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

W. THOMAS KELLAHIN
KAREN AUBREY

CANDACE HAMANN CALLAHAN

JASON KELLAHIN
OF COUNSEL

May 7, 1991

HAND DELIVERED

William J. LeMay
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
310 Oil Santa Fe Trail
Santa Fe, New Mexico 87501

RECEIVED

MAY 9 1991
OIL CONSERVATION DIVISION

Case 10356
Re: ARCO Oil & Gas Company for
a Show Cause Hearing,
Eddy County, New Mexico

Dear Mr. LeMay

On behalf of OXY U.S.A., Inc., I request that the Oil Conservation Division issue the enclosed Subpoena to ARCO Oil & Gas Company.

OXY U.S.A., Inc. is the operator of the Citgo Empire-Abo Pressure Maintenance Project Area of which ARCO complains in the referenced show cause application. In order to have an adequate opportunity to prepare for this case brought against OXY by ARCO, OXY requires certain data in the possession of ARCO.

This case is currently scheduled for hearing on May 30, 1991 before the Division. If we receive the information covered by this subpoena, we will need at least two weeks to review this data and prepare our case. We, therefore, request that the documents be produced at the Division Examiner hearing now set on May 16, 1991.

Mr. William J. LeMay
May 7, 1991
Page 2

Your attention to this request is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style. The signature is positioned above the printed name.

W. Thomas Kellahin

WTK/tic
Enclosure

cc: Mr. Richard Foppiano
OXY U.S.A., Inc.
Post Office Box 50250
Midland, Texas 79710

William F. Carr, Esq.
Campbell & Black, P.A.
Post Office Box 2208
Santa Fe, New Mexico 87504

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
BEFORE THE OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
ARCO OIL & GAS COMPANY FOR A SHOW
CAUSE HEARING, EDDY COUNTY

CASE NO.

Case 10356

SUBPOENA DUCES TECUM

RECEIVED

TO: ARCO Oil & Gas Company
c/o William F. Carr, Esq.
Campbell & Black, P.A.
110 North Guadalupe
Santa Fe, New Mexico 87501

OIL CONSERVATION DIVISION

Pursuant to the power vested in this Division, you are commanded to produce at 8:15 A.M., May 16, 1991, to the offices of the Oil Conservation Division, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico 87501 and make available for copying, all the following documents under the possession or control of Arco Oil & Gas Company:

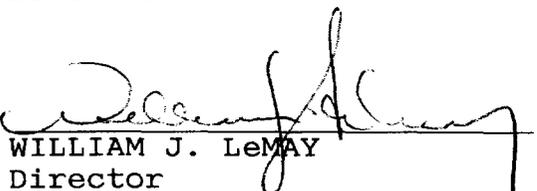
See Exhibit "A" attached hereto and incorporated herein.

INSTRUCTIONS

This Subpoena Duces Tecum seeks all information available to you or in your possession, custody or control from any source, wherever situated, including but not limited to information from any files, records, documents, employees, former employees, counsel and former counsel. It is directed to each person to whom such information is a matter of personal knowledge.

When used herein, "you" or "your" refers to the person or entity to whom this Subpoena Duces Tecum is addressed to include all of his or its attorneys, officers, agent, employees, directors, representatives, officials, departments, divisions, subdivisions, subsidiaries, or predecessors.

NEW MEXICO OIL CONSERVATION
DIVISION


WILLIAM J. LEMAY
Director

ISSUED THIS _____ day of _____, 1991, at
Santa Fe, New Mexico.

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
BEFORE THE OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
ARCO OIL & GAS COMPANY FOR A SHOW
CAUSE HEARING, EDDY COUNTY

CASE NO.

CERTIFICATE OF SERVICE

I hereby certify that I have caused to be served
the original Subpoena Duces Tecum to ARCO Oil & Gas
Company, c/o William F. Carr, Esq., Campbell & Black,
P.A., 110 North Guadalupe, Santa Fe, New Mexico 87501,
on this _____ day of _____, 1991.

PROCESS SERVER

SUBSCRIBED AND SWORN to before me this _____ day
of _____, 1991.

Notary Public

My Commission Expires:

DATA REQUEST
ARCO'S EMPIRE ABO UNIT

The wells referenced below are identified using ARCO's well numbers for wells in its Empire Abo Unit Pressure Maintenance Project in Township 17 South, Range 27 East, and Township 17 South, Range 28 East, Eddy County, New Mexico.

1. Pressures on all Empire Abo Unit wells that offset OXY's Citgo Empire Unit. These wells include EAU # G-17, H-12, H-17, I-12, I-13, I-16, I-17, J-13, J-14, and J-15. Data to be supplied should be raw data which includes all measured data (i.e. gradients, shut-in time, dead weight surface pressure, and measured BHP.)
2. Any and all raw historical bottom hole pressure data on the following wells: EAU # G-17, G-18, H-12, H-17, H-18, I-11, I-12, I-13, I-16, I-17, I-18, J-12, J-13, J-14, J-15, J-17, K-13, K-131, K-14, K-142, K-143, K-15, and K-16.
3. Copies of all Division Forms C-124 (Reservoir Pressure Report) for this project.
4. Any and all gas analyses on the following wells: EAU # G-17, G-18, H-12, H-17, H-18, I-11, I-12, I-13, I-16, I-17, I-18, J-12, J-13, J-14, J-15, J-17, K-13, K-131, K-14, K-142, K-143, K-15, and K-16.

EXHIBIT "A"

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285

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KAREN AUBREY

CANDACE HAMANN CALLAHAN

JASON KELLAHIN
OF COUNSEL

May 7, 1991

HAND DELIVERED

William J. LeMay
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
310 Oil Santa Fe Trail
Santa Fe, New Mexico 87501

RECEIVED

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Re: ARCO Oil & Gas Company for
a Show Cause Hearing,
Eddy County, New Mexico

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This case is currently scheduled for hearing on May 30, 1991 before the Division. If we receive the information covered by this subpoena, we will need at least two weeks to review this data and prepare our case. We, therefore, request that the documents be produced at the Division Examiner hearing now set on May 16, 1991.

Mr. William J. LeMay
May 7, 1991
Page 2

Your attention to this request is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. Thomas Kellahin

WTK/tic
Enclosure

cc: Mr. Richard Foppiano
OXY U.S.A., Inc.
Post Office Box 50250
Midland, Texas 79710

William F. Carr, Esq.
Campbell & Black, P.A.
Post Office Box 2208
Santa Fe, New Mexico 87504

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
BEFORE THE OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
ARCO OIL & GAS COMPANY FOR A SHOW
CAUSE HEARING, EDDY COUNTY

CASE NO.

SUBPOENA DUCES TECUM

TO: ARCO Oil & Gas Company
c/o William F. Carr, Esq.
Campbell & Black, P.A.
110 North Guadalupe
Santa Fe, New Mexico 87501

RECEIVED

OIL CONSERVATION DIVISION

Pursuant to the power vested in this Division, you are commanded to produce at 8:15 A.M., May 16, 1991, to the offices of the Oil Conservation Division, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico 87501 and make available for copying, all the following documents under the possession or control of Arco Oil & Gas Company:

See Exhibit "A" attached hereto and incorporated herein.

INSTRUCTIONS

This Subpoena Duces Tecum seeks all information available to you or in your possession, custody or control from any source, wherever situated, including but not limited to information from any files, records, documents, employees, former employees, counsel and former counsel. It is directed to each person to whom such information is a matter of personal knowledge.

When used herein, "you" or "your" refers to the person or entity to whom this Subpoena Duces Tecum is addressed to include all of his or its attorneys, officers, agent, employees, directors, representatives, officials, departments, divisions, subdivisions, subsidiaries, or predecessors.

NEW MEXICO OIL CONSERVATION
DIVISION


WILLIAM J. LEMAY
Director

ISSUED THIS _____ day of _____, 1991, at
Santa Fe, New Mexico.

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
BEFORE THE OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
ARCO OIL & GAS COMPANY FOR A SHOW
CAUSE HEARING, EDDY COUNTY

CASE NO.

CERTIFICATE OF SERVICE

I hereby certify that I have caused to be served
the original Subpoena Duces Tecum to ARCO Oil & Gas
Company, c/o William F. Carr, Esq., Campbell & Black,
P.A., 110 North Guadalupe, Santa Fe, New Mexico 87501,
on this _____ day of _____, 1991.

PROCESS SERVER

SUBSCRIBED AND SWORN to before me this _____ day
of _____, 1991.

Notary Public

My Commission Expires:

DATA REQUEST
ARCO'S EMPIRE ABO UNIT

The wells referenced below are identified using ARCO's well numbers for wells in its Empire Abo Unit Pressure Maintenance Project in Township 17 South, Range 27 East, and Township 17 South, Range 28 East, Eddy County, New Mexico.

1. Pressures on all Empire Abo Unit wells that offset OXY's Citgo Empire Unit. These wells include EAU # G-17, H-12, H-17, I-12, I-13, I-16, I-17, J-13, J-14, and J-15. Data to be supplied should be raw data which includes all measured data (i.e. gradients, shut-in time, dead weight surface pressure, and measured BHP.)
2. Any and all raw historical bottom hole pressure data on the following wells: EAU # G-17, G-18, H-12, H-17, H-18, I-11, I-12, I-13, I-16, I-17, I-18, J-12, J-13, J-14, J-15, J-17, K-13, K-131, K-14, K-142, K-143, K-15, and K-16.
3. Copies of all Division Forms C-124 (Reservoir Pressure Report) for this project.
4. Any and all gas analyses on the following wells: EAU # G-17, G-18, H-12, H-17, H-18, I-11, I-12, I-13, I-16, I-17, I-18, J-12, J-13, J-14, J-15, J-17, K-13, K-131, K-14, K-142, K-143, K-15, and K-16.

EXHIBIT "A"

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW
EL PATIO BUILDING
117 NORTH GUADALUPE
POST OFFICE BOX 2265
SANTA FE, NEW MEXICO 87504-2265

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

W. THOMAS KELLAHIN
KAREN AUBREY

CANDACE HAMANN CALLAHAN

JASON KELLAHIN
OF COUNSEL

May 7, 1991

Mr. William J. LeMay
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

RECEIVED

Re: Application of ARCO Oil & Gas Company for a Show Cause Hearing,
Eddy County, New Mexico

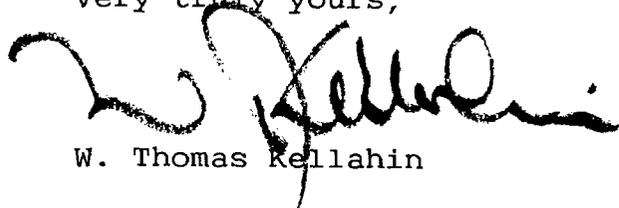
OIL CONSERVATION DIVISION

Case 10356
Dear Mr. LeMay:

On behalf of OXY USA, Inc. please find enclosed our Motion to Dismiss Show Cause Application for the referenced case.

OXY requests that the Motion be heard at the next available Division Hearing Docket now scheduled for May 30, 1990.

Very truly yours,



W. Thomas Kellahin

WTK/tic

cc: Mr. Richard Foppiano
OXY USA, Inc.
Post Office Box 50250
Midland, Texas 79710

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE
APPLICATION OF ARCO OIL & GAS
COMPANY FOR A SHOW CAUSE HEARING,
EDDY COUNTY, NEW MEXICO.

OIL CONSERVATION DIVISION CASE NO.

Case 10356

MOTION OF OXY U.S.A., INC.
TO DISMISS SHOW CAUSE APPLICATION

COMES NOW OXY U.S.A., INC. ("OXY"), by and through its attorneys, Kellahin, Kellahin & Aubrey, and moves the New Mexico Oil Conservation Division to dismiss the application of ARCO Oil & Gas Company ("ARCO") to cause OXY to appear and show cause why its Citgo Empire-Abo Unit Pressure Maintenance Project, authorized by Division Order R-4808 should not be shut in, and as grounds therefore states:

1. OXY operates the Citgo Empire-Abo Pressure Maintenance Project pursuant to Division Order R-4808 dated June 11, 1974 in the Empire-Abo Pool.

2. ARCO operates its Empire-Abo Unit Pressure Maintenance Project subject to the terms and conditions of Division Order R-4549, as amended.

3. OXY and ARCO projects share a common boundary in the Abo formation and are in communication with each other.

4. The issues of concern to ARCO about the OXY project have been discussed between OXY and ARCO at various times, including various dates in March and April, 1991.

5. On April 5, 1991, ARCO represented to OXY that ARCO desired to negotiate a resolution of this issue and suggested alternatives to a complete shut-in of the Citgo Empire-Abo Unit.

6. On April 5, 1991, prior to ARCO filing its Show Cause application, OXY submitted these issues to the New Mexico Oil Conservation Division, and a copy to ARCO, for an interpretation, copy attached as Exhibit "A."

7. On April 9, 1991, pursuant to the discussion on April 5, 1991, OXY proposed by letter to ARCO a method to resolve this dispute.

8. On April 23, 1991, without prior notice to OXY, ARCO, unilaterally changed its position and abruptly, without justification, filed for the Show Cause Hearing seeking for the first time a total shut-in of production from the OXY project.

9. A Show Cause hearing is premature at this time and should be dismissed.

10. There is no evidence to support the contention of ARCO that the OXY project is draining reserves from the ARCO project.

11. From a correlative rights standpoint, ARCO has not been damaged by any operations of OXY because OXY has underproduced its allowable on a cumulative basis since gas injection ceased in March, 1988.

12. Dismissal of the Show Cause application would still afford to ARCO an opportunity at a later date to request a hearing before the Division in event the resolution of this matter is not acceptable to ARCO.

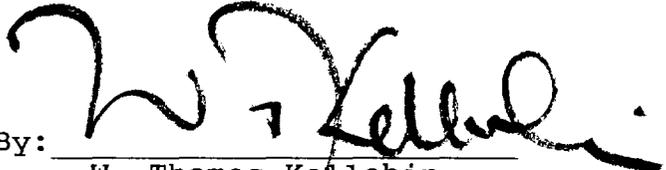
13. ARCO's unwarranted allegations unnecessarily have required OXY to expend time, money and effort in this matter for which OXY should be compensated.

WHEREFORE, OXY requests that the Show Cause Application be Dismissed and that it be awarded its costs, expenses and attorney's fees in this matter.

Very truly yours,

KELLAHIN, KELLAHIN & AUBREY

By:


W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on ARCO Oil & Gas Company, Attn: Ron Sponberg, Attorney, Post Office Box 1610, Midland, Texas by depositing same in the United States mail, and by hand delivery to William F. Carr, local attorney for ARCO, 110 North Guadalupe, Santa Fe, New Mexico 87501 on this 8th day of May, 1991.





OXY USA INC.
Box 50250, Midland, TX 79710

April 5, 1991

State of New Mexico
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Attention: Mr. David R. Catanach

**Re: OXY-Operated Citgo Empire
Abo Unit, Eddy County, New
Mexico.**

Dear Mr. Catanach:

We have discovered an error in our voidage calculations that are shown on the Pressure Maintenance Project Operator's Report for the above referenced Unit. Consequently, OXY presents the corrected voidage calculations as shown on the attached summary sheet. The numbers have been recalculated back to March 1988, when we ceased injection. The mistake was made in the Bg (gas formation volume factor) that was used to convert produced volumes of gas and liquids to reservoir volumes. As you can see from the attached table, the inaccuracy was very small in 1988, but grew larger as the difference between the Bg our program was using and the correct Bg ballooned. Another correction we would like to make to the Project Operator's Report concerns the existence of the gas bank, which is described in Rule 9 of our pool rules. At the behest of ARCO, our offset operator, we reviewed the status of the gas bank in light of the cessation of injection operations on our Unit. We now conclude that the existence of a gas bank against which credit may be drawn to allow overproduction of the daily allowable may not be appropriate at this time.

This puts us in a gray area concerning future operations. If one assumes that allowable that was not used during one month may be carried forward to succeeding months, then we are currently underproduced by almost 250,000 reservoir barrels since March 1988. Our pool rules are completely silent on this aspect of proration; obviously "blowdown" was not contemplated in the drafting of these rules. On the other hand, if no allowable can be carried forward from month to month, we have accumulated enough overproduction that it would take almost a full year's shutdown to make it up. We do not believe that this is a fair interpretation, since unused allowable was carried forward as long as there was injection (i.e. the gas bank). Also, Rule 5 of ARCO's pool rules for their Empire-Abo Unit allow for the carryforward of overproduction, albeit in limited amounts. From a correlative rights standpoint, we do not believe that we have damaged ARCO because we have underproduced our allowable on a cumulative basis since we ceased injection.

In order to resolve this matter and provide some guidance for the

future operation of our Unit, OXY respectfully requests that the OCD accept our interpretation that carryforward of unused allowable is permissible under our pool rules. If the OCD declines to accept this interpretation, then we request that a hearing be docketed on OXY's application to:

- * carryforward and/or re-instate allowable that was canceled after March 1, 1988;
- * amend the pool rules to allow underage and overage to be carried forward in the same manner allowed in Order No. R-8170 for prorated gas pools in Southeast New Mexico;
- * make any other amendments to our pool rules as may be necessary for future operations to protect correlative rights and prevent waste.

OXY will produce no more than our maximum daily project allowable of 2213 reservoir barrels until this matter is resolved. By copy of this letter we are notifying our offset operator, ARCO, of our intentions.

We are also sending a copy of this letter and attachments to the OCD office in Artesia to correct the past reports. If the OCD would like to have additional information to correct the record, please advise.

OXY sincerely regrets the inconvenience caused by our mistake. I assure you it was unintentional, and we stand ready to take whatever action the OCD deems appropriate to resolve this problem.

Sincerely,

Richard E. Foppiano

Richard E. Foppiano
Western Region Regulatory Affairs Advisor

XC: ARCO Oil and Gas Company
P. O. Box 1610
Midland, Texas 79702
Attention: Mr. Gary Smallwood

NMOCD District II Office
P. O. Drawer DD
Artesia, New Mexico 88210

↳ hand delivered 4/5/91 + sent regular mail.

*REF
4-5-91*

**CITGO EMPIRE ABO UNIT
RESERVOIR VOIDAGE CORRECTIONS
(RESERVOIR BARRELS)**

MONTH/YR	ORIGINAL VOIDAGE	CORRECTED VOIDAGE	ALLOW-ABLE	OVER/UNDER	CUM OVER/UNDER
MAR 88	217	217	68603	-68386	-68386
APR 88	450	450	66390	-65940	-134326
MAY 88	372	403	68603	-68200	-202526
JUN 88	450	480	66390	-65910	-268436
JUL 88	310	310	68603	-68293	-336729
AUG 88	4278	4433	68603	-64170	-400899
SEP 88	270	270	66390	-66120	-467019
OCT 88	465	465	68603	-68138	-535157
NOV 88	480	480	66390	-65910	-601067
DEC 88	434	496	68603	-68107	-669174
TOTAL 88	7726	8004	677178	-669174	

JAN 89	403	465	68603	-68138	-737312
FEB 89	476	532	61964	-61432	-798744
MAR 89	10881	12338	68603	-56265	-855009
APR 89	70350	79740	66390	13350	-841659
MAY 89	61101	69347	68603	744	-840915
JUN 89	102990	116940	66390	50550	-790365
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JAN 90	91605	103788	68603	35185	-462065
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MAR 90	87017	98890	68603	30287	-399858
APR 90	84990	96600	66390	30210	-369648
MAY 90	74214	84320	68603	15717	-353931
JUN 90	69120	78510	66390	12120	-341811
JUL 90	84165	95604	68603	27001	-314810
AUG 90	52545	59768	68603	-8835	-323645
SEP 90	66210	75240	66390	8850	-314795
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NOV 90	66960	83460	66390	17070	-274661
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KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

W. THOMAS KELLAHIN
KAREN AUBREY

CANDACE HAMANN CALLAHAN

JASON KELLAHIN
OF COUNSEL

May 7, 1991

Mr. William J. LeMay
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

RECEIVED
MAY 11 1991
OIL CONSERVATION DIVISION

Re: Application of ARCO Oil & Gas
Company for a Show Cause Hearing,
Eddy County, New Mexico

Dear Mr. LeMay:

On behalf of OXY USA, Inc. please find
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OXY requests that the Motion be heard at the
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Very truly yours,



W. Thomas Kellahin

WTK/tic

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OXY USA, Inc.
Post Office Box 50250
Midland, Texas 79710

1641/1trt507.009

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED

IN THE MATTER OF THE
APPLICATION OF ARCO OIL & GAS
COMPANY FOR A SHOW CAUSE HEARING,
EDDY COUNTY, NEW MEXICO.

10/11/74
OIL CONSERVATION DIVISION
CASE NO.

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TO DISMISS SHOW CAUSE APPLICATION

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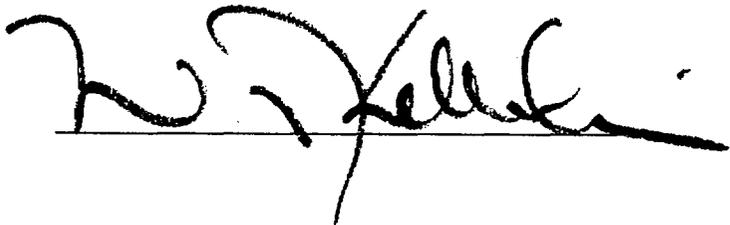
KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on ARCO Oil & Gas Company, Attn: Ron Sponberg, Attorney, Post Office Box 1610, Midland, Texas by depositing same in the United States mail, and by hand delivery to William F. Carr, local attorney for ARCO, 110 North Guadalupe, Santa Fe, New Mexico 87501 on this 8th day of May, 1991.





OXY USA INC.
Box 50250, Midland, TX 79710

April 5, 1991

State of New Mexico
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

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Sincerely,

Richard E. Foppiano

Richard E. Foppiano
Western Region Regulatory Affairs Advisor

XC: ARCO Oil and Gas Company
P. O. Box 1610
Midland, Texas 79702
Attention: Mr. Gary Smallwood

NMOCD District II Office
P. O. Drawer DD
Artesia, New Mexico 88210

↳ hand delivered 4/5/91 + sent regular mail.

*REF
4-5-91*

CITGO EMPIRE ABO UNIT
RESERVOIR VOIDAGE CORRECTIONS
(RESERVOIR BARRELS)

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ATTORNEYS AT LAW
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W. THOMAS KELLAHIN
KAREN AUBREY

CANDACE HAMANN CALLAHAN

SANTA FE, NEW MEXICO 87504-2265

JASON KELLAHIN
OF COUNSEL

May 7, 1991

Mr. William J. LeMay
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

RECEIVED

MAY 07 1991

Re: Application of ARCO Oil & Gas Company for a Show Cause Hearing,
Eddy County, New Mexico

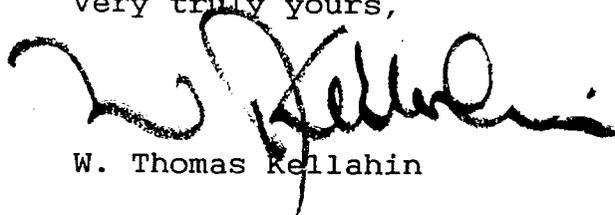
OIL CONSERVATION DIVISION

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W. Thomas Kellahin

WTK/tic

cc: Mr. Richard Foppiano
OXY USA, Inc.
Post Office Box 50250
Midland, Texas 79710

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED

IN THE MATTER OF THE
APPLICATION OF ARCO OIL & GAS
COMPANY FOR A SHOW CAUSE HEARING,
EDDY COUNTY, NEW MEXICO.

OIL CONSERVATION DIVISION
CASE NO.

MOTION OF OXY U.S.A., INC.
TO DISMISS SHOW CAUSE APPLICATION

COMES NOW OXY U.S.A., INC. ("OXY"), by and through its attorneys, Kellahin, Kellahin & Aubrey, and moves the New Mexico Oil Conservation Division to dismiss the application of ARCO Oil & Gas Company ("ARCO") to cause OXY to appear and show cause why its Citgo Empire-Abo Unit Pressure Maintenance Project, authorized by Division Order R-4808 should not be shut in, and as grounds therefore states:

1. OXY operates the Citgo Empire-Abo Pressure Maintenance Project pursuant to Division Order R-4808 dated June 11, 1974 in the Empire-Abo Pool.

2. ARCO operates its Empire-Abo Unit Pressure Maintenance Project subject to the terms and conditions of Division Order R-4549, as amended.

3. OXY and ARCO projects share a common boundary in the Abo formation and are in communication with each other.

4. The issues of concern to ARCO about the OXY project have been discussed between OXY and ARCO at various times, including various dates in March and April, 1991.

5. On April 5, 1991, ARCO represented to OXY that ARCO desired to negotiate a resolution of this issue and suggested alternatives to a complete shut-in of the Citgo Empire-Abo Unit.

6. On April 5, 1991, prior to ARCO filing its Show Cause application, OXY submitted these issues to the New Mexico Oil Conservation Division, and a copy to ARCO, for an interpretation, copy attached as Exhibit "A."

7. On April 9, 1991, pursuant to the discussion on April 5, 1991, OXY proposed by letter to ARCO a method to resolve this dispute.

8. On April 23, 1991, without prior notice to OXY, ARCO, unilaterally changed its position and abruptly, without justification, filed for the Show Cause Hearing seeking for the first time a total shut-in of production from the OXY project.

9. A Show Cause hearing is premature at this time and should be dismissed.

10. There is no evidence to support the contention of ARCO that the OXY project is draining reserves from the ARCO project.

11. From a correlative rights standpoint, ARCO has not been damaged by any operations of OXY because OXY has underproduced its allowable on a cumulative basis since gas injection ceased in March, 1988.

12. Dismissal of the Show Cause application would still afford to ARCO an opportunity at a later date to request a hearing before the Division in event the resolution of this matter is not acceptable to ARCO.

13. ARCO's unwarranted allegations unnecessarily have required OXY to expend time, money and effort in this matter for which OXY should be compensated.

WHEREFORE, OXY requests that the Show Cause Application be Dismissed and that it be awarded its costs, expenses and attorney's fees in this matter.

Very truly yours,

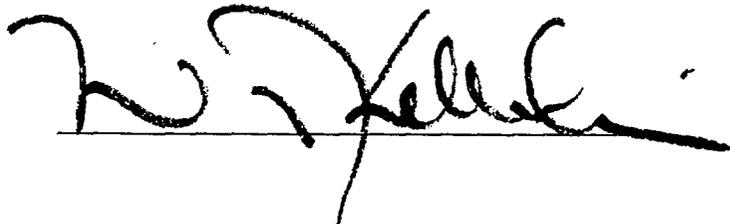
KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on ARCO Oil & Gas Company, Attn: Ron Sponberg, Attorney, Post Office Box 1610, Midland, Texas by depositing same in the United States mail, and by hand delivery to William F. Carr, local attorney for ARCO, 110 North Guadalupe, Santa Fe, New Mexico 87501 on this 8th day of May, 1991.





OXY USA INC.
Box 50250, Midland, TX 79710

April 5, 1991

State of New Mexico
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Attention: Mr. David R. Catanach

Re: OXY-Operated Citgo Empire
Abo Unit, Eddy County, New
Mexico.

Dear Mr. Catanach:

We have discovered an error in our voidage calculations that are shown on the Pressure Maintenance Project Operator's Report for the above referenced Unit. Consequently, OXY presents the corrected voidage calculations as shown on the attached summary sheet. The numbers have been recalculated back to March 1988, when we ceased injection. The mistake was made in the Bg (gas formation volume factor) that was used to convert produced volumes of gas and liquids to reservoir volumes. As you can see from the attached table, the inaccuracy was very small in 1988, but grew larger as the difference between the Bg our program was using and the correct Bg ballooned. Another correction we would like to make to the Project Operator's Report concerns the existence of the gas bank, which is described in Rule 9 of our pool rules. At the behest of ARCO, our offset operator, we reviewed the status of the gas bank in light of the cessation of injection operations on our Unit. We now conclude that the existence of a gas bank against which credit may be drawn to allow overproduction of the daily allowable may not be appropriate at this time.

This puts us in a gray area concerning future operations. If one assumes that allowable that was not used during one month may be carried forward to succeeding months, then we are currently underproduced by almost 250,000 reservoir barrels since March 1988. Our pool rules are completely silent on this aspect of proration; obviously "blowdown" was not contemplated in the drafting of these rules. On the other hand, if no allowable can be carried forward from month to month, we have accumulated enough overproduction that it would take almost a full year's shutdown to make it up. We do not believe that this is a fair interpretation, since unused allowable was carried forward as long as there was injection (i.e. the gas bank). Also, Rule 5 of ARCO's pool rules for their Empire-Abo Unit allow for the carryforward of overproduction, albeit in limited amounts. From a correlative rights standpoint, we do not believe that we have damaged ARCO because we have underproduced our allowable on a cumulative basis since we ceased injection.

In order to resolve this matter and provide some guidance for the

future operation of our Unit, OXY respectfully requests that the OCD accept our interpretation that carryforward of unused allowable is permissible under our pool rules. If the OCD declines to accept this interpretation, then we request that a hearing be docketed on OXY's application to:

- * carryforward and/or re-instate allowable that was canceled after March 1, 1988;
- * amend the pool rules to allow underage and overage to be carried forward in the same manner allowed in Order No. R-8170 for prorated gas pools in Southeast New Mexico;
- * make any other amendments to our pool rules as may be necessary for future operations to protect correlative rights and prevent waste.

OXY will produce no more than our maximum daily project allowable of 2213 reservoir barrels until this matter is resolved. By copy of this letter we are notifying our offset operator, ARCO, of our intentions.

We are also sending a copy of this letter and attachments to the OCD office in Artesia to correct the past reports. If the OCD would like to have additional information to correct the record, please advise.

OXY sincerely regrets the inconvenience caused by our mistake. I assure you it was unintentional, and we stand ready to take whatever action the OCD deems appropriate to resolve this problem.

Sincerely,

Richard E. Foppiano

Richard E. Foppiano
Western Region Regulatory Affairs Advisor

XC: ARCO Oil and Gas Company
P. O. Box 1610
Midland, Texas 79702
Attention: Mr. Gary Smallwood

NMOCD District II Office
P. O. Drawer DD
Artesia, New Mexico 88210

↳ hand delivered 4/5/91 + sent regular mail.

REF
4-5-91

CITGO EMPIRE ABO UNIT
RESERVOIR VOIDAGE CORRECTIONS
(RESERVOIR BARRELS)

MONTH/YR	ORIGINAL VOIDAGE	CORRECTED VOIDAGE	ALLOW-ABLE	OVER/UNDER	CUM OVER/UNDER
MAR 88	217	217	68603	-68386	-68386
APR 88	450	450	66390	-65940	-134326
MAY 88	372	403	68603	-68200	-202526
JUN 88	450	480	66390	-65910	-268436
JUL 88	310	310	68603	-68293	-336729
AUG 88	4278	4433	68603	-64170	-400899
SEP 88	270	270	66390	-66120	-467019
OCT 88	465	465	68603	-68138	-535157
NOV 88	480	480	66390	-65910	-601067
DEC 88	434	496	68603	-68107	-669174
TOTAL 88	7726	8004	677178	-669174	

JAN 89	403	465	68603	-68138	-737312
FEB 89	476	532	61964	-61432	-798744
MAR 89	10881	12338	68603	-56265	-855009
APR 89	70350	79740	66390	13350	-841659
MAY 89	61101	69347	68603	744	-840915
JUN 89	102990	116940	66390	50550	-790365
JUL 89	115289	131006	68603	62403	-727962
AUG 89	113739	129239	68603	60636	-667326
SEP 89	106770	121320	66390	54930	-612396
OCT 89	102641	116622	68603	48019	-564377
NOV 89	85980	97650	66390	31260	-533117
DEC 89	91977	104470	68603	35867	-497250
TOTAL 89	862597	979669	807745	171924	

JAN 90	91605	103788	68603	35185	-462065
FEB 90	82600	93884	61964	31920	-430145
MAR 90	87017	98890	68603	30287	-399858
APR 90	84990	96600	66390	30210	-369648
MAY 90	74214	84320	68603	15717	-353931
JUN 90	69120	78510	66390	12120	-341811
JUL 90	84165	95604	68603	27001	-314810
AUG 90	52545	59768	68603	-8835	-323645
SEP 90	66210	75240	66390	8850	-314795
OCT 90	80631	91667	68603	23064	-291731
NOV 90	66960	83460	66390	17070	-274661
DEC 90	82181	82181	68603	13578	-261083
TOTAL 90	922238	1043912	807745	236167	

JAN 91	83545	83545	68603	14942	-246141
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CASE _____:

Application of Oxy U.S.A., Inc. for a show cause hearing, Eddy County, New Mexico.

Applicant, in the above-styled cause, seeks a hearing to require Arco Oil & Gas Company to appear and show cause why it should not be ordered to conduct new bottomhole pressure surveys, witnessed by the OCD and OXY, on the following wells in its Empire-Abo Unit Pressure Maintenance Project.

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW
EL PATIO BUILDING
117 NORTH GUADALUPE
POST OFFICE BOX 2265

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

W. THOMAS KELLAHIN
KAREN AUBREY
CANDACE HAMANN CALLAHAN

SANTA FE, NEW MEXICO 87504-2265

JASON KELLAHIN
OF COUNSEL

May 7, 1991

Mr. William J. LeMay
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

RECEIVED

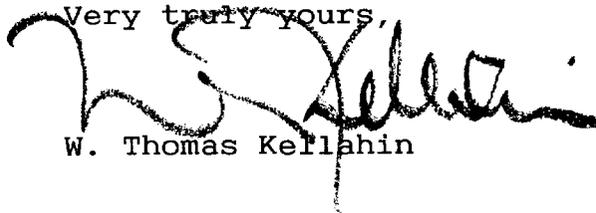
Re: Application of OXY USA, Inc.
for a Show Cause Hearing,
Eddy County, New Mexico

OIL CONSERVATION DIVISION

Dear Mr. LeMay:

On behalf of OXY USA, Inc. please find enclosed our Application for a Show Cause Hearing which we request be set for hearing on the next available Examiner's docket now scheduled for May 30, 1991.

Very truly yours,



W. Thomas Kellahin

WTK/tic

cc: Mr. Richard Foppiano
OXY USA, Inc.
Post Office Box 50250
Midland, Texas 79710

William F. Carr, Esq.
Campbell & Black, P.A.
110 North Guadalupe
Santa Fe, New Mexico 87501

Certified mail return receipt
Ron Sponberg, Esq.
ARCO Oil & Gas Company
Post Office Box 1610
Midland, Texas 79701

1641/1trt507c.009

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE
APPLICATION OF OXY U.S.A., INC.
FOR A SHOW CAUSE HEARING,
EDDY COUNTY, NEW MEXICO.

CASE NO.

A P P L I C A T I O N

OXY U.S.A. INC., ("OXY"), by and through its attorneys, Kellahin, Kellahin & Aubrey, makes application to the New Mexico Oil Conservation Division for a hearing to require ARCO Oil & Gas Company ("ARCO") to appear and show cause why its Empire-Abo Unit Pressure Maintenance Project, authorized by Division Order R-4549, as amended, should not be terminated and "blow-down" of the unit should not be immediately commenced, and in support of this application states:

1. OXY operates the Citgo Empire-Abo Pressure Maintenance Project pursuant to Division Order R-4808 dated June 11, 1974 in the Empire-Abo Pool.

2. ARCO operates its Empire-Abo Unit Pressure Maintenance Project subject to the terms and conditions of Division Order R-4549, as amended.

3. OXY and ARCO projects share a common boundary in the Abo formation and are in communication with each other.

4. OXY has discovered data which causes it to believe that ARCO has not complied with the provisions of Division orders and the special rules and regulations governing the operation of its Empire-Abo Pressure Maintenance Project, including but not limited to the following:

(1) continued the re-injection of gas into the project area after it no longer remained economic to do so;

(2) unauthorized procedure of carrying forward unused allowable and using this accumulated allowable to offset subsequent overproduction.

WHEREFORE OXY hereby requests that the New Mexico Oil Conservation Division set a hearing before a Division Examiner on May 30, 1991 (1) for OXY to present its data concerning the operations of the ARCO Empire-Abo Pressure Maintenance Project, (2) require ARCO to show cause why its Empire-Abo Pressure Maintenance Project should not stop reinjection of gas and immediately commence "blow-down of the project," (3) preclude ARCO from carrying forward unused allowable month to month, and (4) make

such other provisions as are necessary to terminate Order R-4549, as amended.

Respectfully submitted:

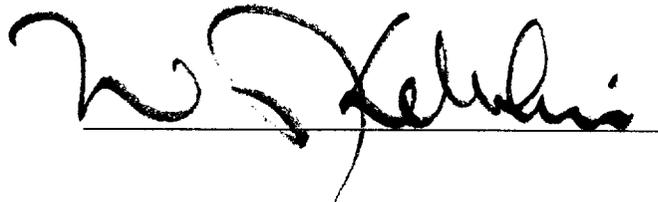
KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on ARCO Oil & Gas Company, Attn: Ron Sponberg, Attorney, Post Office Box 1610, Midland, Texas by depositing same in the United States mail, certified mail prepaid, return receipt requested, and by hand delivery to William F. Carr, local attorney for ARCO, 110 North Guadalupe, Santa Fe, New Mexico 87501 on this 8 day of May, 1991.



KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW
EL PATIO BUILDING
117 NORTH GUADALUPE
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W. THOMAS KELLAHIN
KAREN AUBREY

CANDACE HAMANN CALLAHAN

JASON KELLAHIN
OF COUNSEL

SANTA FE, NEW MEXICO 87504-2265

May 7, 1991

Mr. William J. LeMay
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

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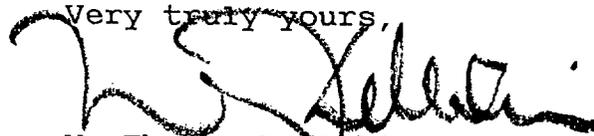
Re: Application of OXY USA, Inc.
for a Show Cause Hearing,
Eddy County, New Mexico

RECORDS SECTION

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Very truly yours,



W. Thomas Kellahin

WTK/tic

cc: Mr. Richard Foppiano
OXY USA, Inc.
Post Office Box 50250
Midland, Texas 79710

William F. Carr, Esq.
Campbell & Black, P.A.
110 North Guadalupe
Santa Fe, New Mexico 87501

Certified mail return receipt
Ron Sponberg, Esq.
ARCO Oil & Gas Company
Post Office Box 1610
Midland, Texas 79701

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STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE
APPLICATION OF OXY U.S.A., INC. RECEIVED
FOR A SHOW CAUSE HEARING,
EDDY COUNTY, NEW MEXICO.

CASE NO.

OIL CONSERVATION DIVISION

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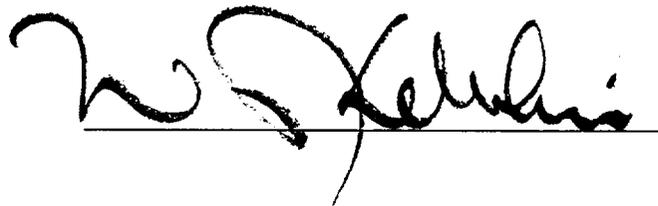
Respectfully submitted:

KELLAHIN, KELLAHIN & AUBREY

By: 
W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
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CERTIFICATE OF SERVICE

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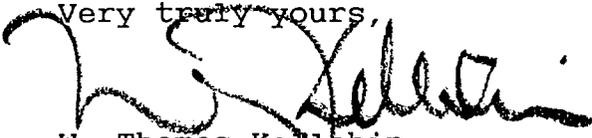
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ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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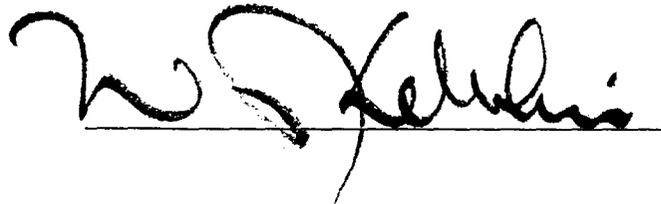
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CASE _____:

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OF COUNSEL

May 7, 1991

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OIL CONSERVATION DIVISION

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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE
APPLICATION OF OXY U.S.A., INC.
FOR A SHOW CAUSE HEARING,
EDDY COUNTY, NEW MEXICO.

CASE NO.

APPLICATION

OXY U.S.A., INC., ("OXY"), by and through its attorneys, Kellahin, Kellahin & Aubrey, makes application to the New Mexico Oil Conservation Division for a hearing to require ARCO Oil & Gas Company ("ARCO") to appear and show cause why it should not be ordered to conduct new bottom hole pressure surveys, witnessed by the OCD and OXY, on the following wells in its Empire-Abo Unit Pressure Maintenance Project:

Unit Wells:	H-12, Unit P, Sec 34, T17S, R27E
	H-17, Unit M, Sec 36, T17S, R27E
	I-12, Unit A, Sec 3, T18S, R27E
	I-13, Unit D, Sec 2, T18S, R27E
	I-16, Unit A, Sec 2, T18S, R27E
	I-17, Unit D, Sec 1, T18S, R27E
	J-13, Unit E, Sec 2, T18S, R27E
	J-14, Unit F, Sec 2, T18S, R27E
	J-15, Unit G, Sec 2, T18S, R27E
	G-17, Unit L, Sec 36, T17S, R27E

and in support thereof would show:

1. OXY operates the Citgo Empire-Abo Unit and Pressure Maintenance Project, Eddy County, New Mexico.

2. ARCO is the operator of its Empire Abo Pressure Maintenance Project, Eddy County, New Mexico.

3. Both projects share a common boundary in the Abo formation and are in pressure communication with each other.

4. On April 23, 1991, ARCO filed an application before the New Mexico Oil Conservation Division seeking a show cause hearing directed against OXY concerning OXY's operations in its project area and contending that OXY's practices were draining reserves from the ARCO Empire-Abo Unit.

5. OXY has made a search for pressure data on the ARCO Empire Abo Unit wells which adjoin the OXY project but are unable to find that ARCO has taken and reported current bottom hole pressure surveys required by Division Rules.

6. In order for OXY to have a reasonable opportunity to investigate the accuracy of the allegations made by ARCO, it is necessary that the Division require ARCO to conduct accurate bottom hole pressure surveys on its referenced wells, witnessed by

OCD personnel and OXY and to make that data available to OXY for study.

7. In the alternative, OXY seeks the dismissal of the ARCO Show Case Application.

WHEREFORE, OXY hereby requests that the New Mexico Oil Conservation Division set a hearing before a Division Examiner on May 30, 1991 for ARCO to appear and show cause why it should not be ordered to conduct the requested Bottom Hole Pressure Surveys.

Respectfully submitted,

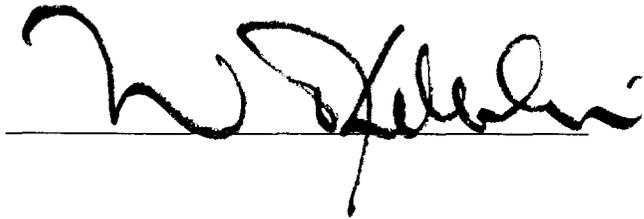
KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on ARCO Oil & Gas Company, Attn: Ron Sponberg, Attorney, Post Office Box 1610, Midland, Texas by depositing same in the United States mail, certified mail prepaid, return receipt requested, and by hand delivery to William F. Carr, local attorney for ARCO, 110 North Guadalupe, Santa Fe, New Mexico 87501 on this 8th day of May, 1991.

A handwritten signature in black ink, appearing to read "W. Sponberg", is written over a horizontal line. The signature is cursive and somewhat stylized.

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW
EL PATIO BUILDING
117 NORTH GUADALUPE
POST OFFICE BOX 2265

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

W. THOMAS KELLAHIN
KAREN AUBREY

CANDACE HAMANN CALLAHAN

SANTA FE, NEW MEXICO 87504-2265

JASON KELLAHIN
OF COUNSEL

May 7, 1991

Mr. William J. LeMay
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

RECEIVED

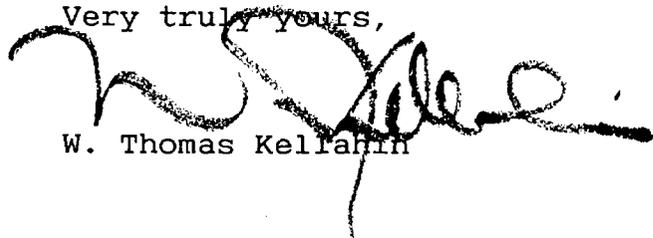
Re: Application of OXY USA, Inc.
for a Show Cause Hearing,
Eddy County, New Mexico

OIL CONSERVATION DIVISION

Dear Mr. LeMay:

On behalf of OXY USA, Inc. please find enclosed our Application for a Show Cause Hearing which we request be set for hearing on the next available Examiner's docket now scheduled for May 30, 1991.

Very truly yours,



W. Thomas Kellahin

WTK/tic

cc: Mr. Richard Foppiano
OXY USA, Inc.
Post Office Box 50250
Midland, Texas 79710

William F. Carr, Esq.
Campbell & Black, P.A.
110 North Guadalupe
Santa Fe, New Mexico 87501

Certified mail return receipt
Ron Sponberg, Esq.
ARCO Oil & Gas Company
Post Office Box 1610
Midland, Texas 79701

1641/1trt507a.009

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE
APPLICATION OF OXY U.S.A., INC.
FOR A SHOW CAUSE HEARING,
EDDY COUNTY, NEW MEXICO.

CASE NO.

APPLICATION

OXY U.S.A., INC., ("OXY"), by and through its attorneys, Kellahin, Kellahin & Aubrey, makes application to the New Mexico Oil Conservation Division for a hearing to require ARCO Oil & Gas Company ("ARCO") to appear and show cause why it should not be ordered to conduct new bottom hole pressure surveys, witnessed by the OCD and OXY, on the following wells in its Empire-Abo Unit Pressure Maintenance Project:

Unit Wells: H-12, Unit P, Sec 34, T17S, R27E
H-17, Unit M, Sec 36, T17S, R27E
I-12, Unit A, Sec 3, T18S, R27E
I-13, Unit D, Sec 2, T18S, R27E
I-16, Unit A, Sec 2, T18S, R27E
I-17, Unit D, Sec 1, T18S, R27E
J-13, Unit E, Sec 2, T18S, R27E
J-14, Unit F, Sec 2, T18S, R27E
J-15, Unit G, Sec 2, T18S, R27E
G-17, Unit L, Sec 36, T17S, R27E

and in support thereof would show:

1. OXY operates the Citgo Empire-Abo Unit and Pressure Maintenance Project, Eddy County, New Mexico.

2. ARCO is the operator of its Empire Abo Pressure Maintenance Project, Eddy County, New Mexico.

3. Both projects share a common boundary in the Abo formation and are in pressure communication with each other.

4. On April 23, 1991, ARCO filed an application before the New Mexico Oil Conservation Division seeking a show cause hearing directed against OXY concerning OXY's operations in its project area and contending that OXY's practices were draining reserves from the ARCO Empire-Abo Unit.

5. OXY has made a search for pressure data on the ARCO Empire Abo Unit wells which adjoin the OXY project but are unable to find that ARCO has taken and reported current bottom hole pressure surveys required by Division Rules.

6. In order for OXY to have a reasonable opportunity to investigate the accuracy of the allegations made by ARCO, it is necessary that the Division require ARCO to conduct accurate bottom hole pressure surveys on its referenced wells, witnessed by

OCD personnel and OXY and to make that data available to OXY for study.

7. In the alternative, OXY seeks the dismissal of the ARCO Show Case Application.

WHEREFORE, OXY hereby requests that the New Mexico Oil Conservation Division set a hearing before a Division Examiner on May 30, 1991 for ARCO to appear and show cause why it should not be ordered to conduct the requested Bottom Hole Pressure Surveys.

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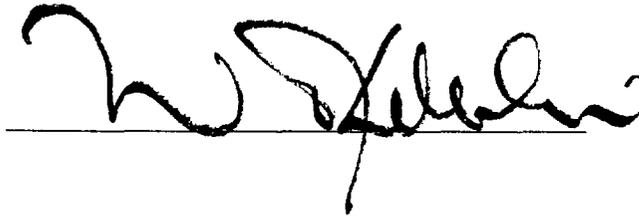
KELLAHIN, KELLAHIN & AUBREY

By: 

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SANTA FE, NEW MEXICO 87504-2265

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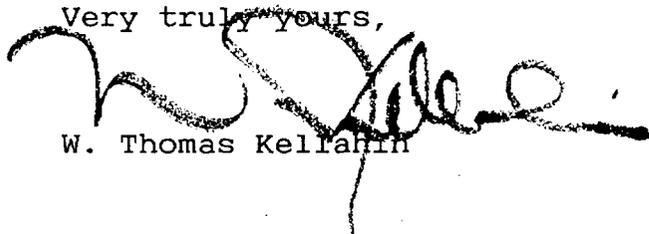
Mr. William J. LeMay
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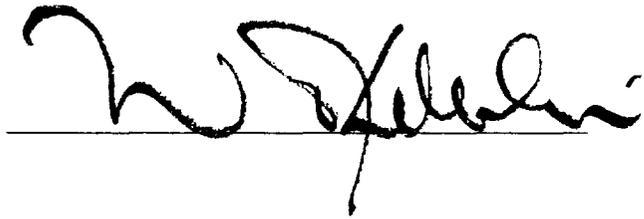
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