



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

August 18, 1997

OXY USA, Inc.
P. O. Box 50250
Midland, Texas 79710-0250
Attn: Richard E. Foppiano

Administrative Order NSL-3856

Dear Mr. Foppiano:

Reference is made to your application dated July 25, 1997 to re-enter the plugged and abandoned Texaco Exploration & Production Inc. ("Texaco") Dow "B-33" Federal Well No. 1 (API No. 30-015-27068), located 2180 feet from the South line and 1980 feet from the East line (Unit J) of Section 33, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico, in order to test the Undesignated East Loco Hills-Atoka Gas Pool within a standard "lay-down" 320-acre gas spacing and proration unit that comprises the S/2 of said Section 33.

It is our understanding from the Division records on this well that it was originally drilled by Texaco in 1992 and completed in the East Cedar Lake-Morrow Gas Pool whereby the E/2 of said Section 33 was dedicated to said well in order to form a standard "stand-up" 320-acre gas spacing and proration unit. This location is considered to be "standard" for the original stand-up 320-acre unit. In 1995 the Morrow interval ceased producing, Texaco then attempted to recomplete the well up-hole into the Wolfcamp and Grayburg intervals. Also, an attempt to directionally drill this well under the authority of Division Administrative Order DD-107, dated August 1, 1995, was unsuccessful and the wellbore was subsequently plugged and abandoned in late 1996.

Per your application, OXY USA, Inc., at this time, intends to re-enter the wellbore, complete in the Atoka formation, and reorient the acreage dedicated to the Dow "B-33" Federal Well No. 1 to a standard 320-acre "lay-down" gas spacing and proration unit comprising the S/2 of said Section 33 and, pursuant to the applicable rules and procedures for the East Loco Hills-Atoka Gas Pool [Division General Rule 104.C(2)(b)], said location is now considered to be "unorthodox".

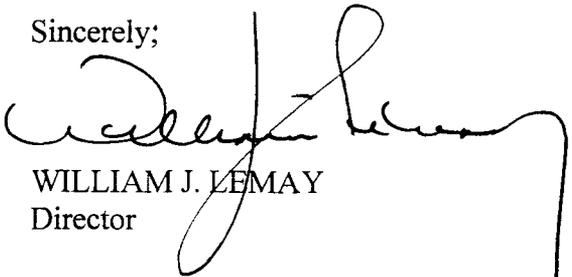
The subject application has been duly filed under the provisions of **Rule 104.F** of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division").

By the authority granted me under the provisions of Division General **Rule 104.F(2)**, the above-described unorthodox gas well location in the East Loco Hills-Atoka Gas Pool is hereby approved.

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Further, Division Administrative Order DD-107 shall be placed in abeyance until further notice.

Sincerely;



WILLIAM J. LEMAY
Director

WJL/MES/kv

cc: Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
File: DD-107