



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

August 27, 1997

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

Administrative Order NSL-3861(BHL)

Dear Mr. Foppiano:

Reference is made to your application dated July 17, 1997 for a non-standard subsurface gas producing area/bottomhole gas well location, pursuant to Division General Rule 104.F and 111.C(2) to be applicable to any and all formations and/or pools developed on 320-acre spacing from the base of the Wolfcamp formation to the base of the Morrow formation, which presently includes but is not necessarily limited to the Undesignated Palmillo-Cisco Gas Pool, Undesignated North Turkey Track-Cisco Gas Pool, Undesignated Turkey Track-Strawn Gas Pool, Undesignated Palmillo Draw-Strawn Gas Pool, North Turkey Track-Atoka Gas Pool, and North Turkey Track-Morrow Gas Pool, for the existing Government "AM" Com Well No. 1 (API No. 30-015-23508), located at a standard surface location 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 33, Township 18 South, Range 29 East, NMPM, Eddy County, New Mexico. Lots 1 through 4 and the N/2 S/2 (S/2 equivalent) of said Section 33, being a standard 292.56-acre gas spacing and proration unit for said intervals, is to be dedicated to said well.

It is our understanding that said well is to be recompleted by side tracking off of the vertical portion of said wellbore and drilling directionally in order to further develop both the North Turkey Track-Atoka and North Turkey Track-Morrow Gas Pools whereby the subsurface location is to be within a producing area that is considered to be unorthodox.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the North Turkey Track-Atoka and North Turkey Track-Morrow Gas Pools than a well drilled at a location considered to be standard within the SW/4 equivalent of said Section 33.

The applicable drilling window or "producing area" within the vertical interval from the base of the Wolfcamp formation to the base of the Morrow formation for said wellbore shall include that area within the subject 292.56-acre gas spacing and proration unit comprising the S/2 equivalent of said Section 33 that is:

- (a) no closer than 660 feet to the north and south boundaries of said unit;

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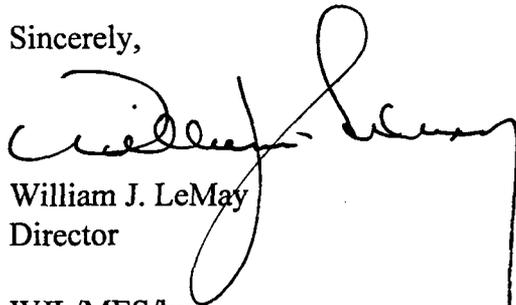
b) no closer than 1650 feet from the East line of said Section 33; and,

(c) is no closer than 660 feet from the West line of said Section 33.

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described non-standard subsurface gas producing area/bottomhole gas well location is hereby approved.

The operator shall comply with all provisions of Division General Rule 111 applicable in this matter.

Sincerely,



William J. LeMay
Director

WJL/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe