

**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. 13775
ORDER NO. R-12643

**APPLICATION OF OXY USA WTP LIMITED PARTNERSHIP FOR
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 28, 2006, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 10th day of October, 2006, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Oxy USA WTP Limited Partnership ("applicant"), seeks an order pooling all uncommitted mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 13, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico, in the following manner:

the E/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools spaced on 320 acres within this vertical extent, which presently include but are not necessarily limited to the Undesignated North Illinois Camp-Morrow Gas Pool, the Undesignated Scoggin Draw-Strawn Gas Pool, and the Red Lake Atoka-Morrow Gas Pool;

the SE/4 to form a standard 160-acre spacing and proration unit for any and all formations and/or pools spaced on 160 acres within this vertical extent;

the W/2 SE/4 to form a standard 80-acre spacing and proration unit for any and all formations and/or pools spaced on 80 acres within this vertical extent; and

the SW/4 SE/4 to form a standard 40-acre spacing and proration unit for any and all formations and/or pools spaced on 40 acres within this vertical extent.

(3) The above-described spacing and proration units (the "Units") are to be dedicated to the applicant's OXY Whiptail State Com Well No. 1 (API No. 30-015-34323) which has been drilled at a standard location 950 feet from the South line and 1900 feet from the East line (Unit O) of Section 13.

(4) Subsequent to the hearing it was determined that neither the subject well nor the proposed 80-acre spacing unit is located at or within one mile of a Division-designated pool spaced on 80 acres. Consequently, that portion of the application seeking to pool a standard 80-acre unit comprising the W/2 SE/4 of Section 13, to be dedicated to the OXY Whiptail State Com Well No. 1 should be dismissed.

(5) Two or more separately owned tracts are embraced within the Units, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Units that are separately owned.

(6) Applicant is an owner of an oil and gas working interest within the Units. Applicant has the right to drill and has drilled its OXY Whiptail State Com Well No. 1 at a standard well location within the SW/4 SE/4 of Section 13 to test the Morrow, Atoka and Strawn formations.

(7) All of the working interests in the Units have been voluntarily consolidated. However, there are owners of overriding royalty interest within the proposed Units that the applicant has been unable to locate. Consequently, these interest owners have not agreed to pool their interest.

(8) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Units the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Units.

(9) The applicant should be designated the operator of the subject well and of the Units.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Oxy USA WTP Limited Partnership, all uncommitted mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 13, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico, are hereby pooled in the following manner:

the E/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools spaced on 320 acres within this vertical extent, which presently include but are not necessarily limited to the Undesignated North Illinois Camp-Morrow Gas Pool, the Undesignated Scoggin Draw-Strawn Gas Pool, and the Red Lake Atoka-Morrow Gas Pool;

the SE/4 to form a standard 160-acre spacing and proration unit for any and all formations and/or pools spaced on 160 acres within this vertical extent; and

the SW/4 SE/4 to form a standard 40-acre spacing and proration unit for any and all formations and/or pools spaced on 40 acres within this vertical extent.

(2) The above-described spacing and proration Units shall be dedicated to the applicant's OXY Whiptail State Com Well No. 1 (API No. 30-015-34323) which has been drilled at a standard location 950 feet from the South line and 1900 feet from the East line (Unit O) of Section 13.

(3) Oxy USA WTP Limited Partnership is hereby designated the operator of the subject well and of the Units.

(4) All proceeds from production from the well that are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. The operator shall notify the Division of the name and address of the escrow agent within 30 days from the date of first deposit with the escrow agent.

(5) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(6) The operator of the well and Units shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(7) That portion of the application seeking to pool a standard 80-acre unit comprising the W/2 SE/4 of Section 13, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico, to be dedicated to the OXY Whiptail State Com Well No. 1, is hereby dismissed.

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

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, PE
Director