



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

February 1, 1999

Lori Wrotenbery
Director
Oil Conservation Division

Kerr-McGee Oil & Gas Onshore, L.L.C.
c/o **James Bruce**
P. O. Box 1056
Santa Fe, New Mexico 87504

RE: *Administrative application of Kerr-McGee Oil & Gas Onshore, L.L.C. ("Kerr-McGee") dated August 11, 2000 to amend Division Administrative Order NSL-4386 (SD), which order: (i) authorized Kerr-McGee to drill its Conoco State Gas Com. Well No. 6 (API No. 30-015-30925) as a second-infill gas well at an unorthodox location 2250 feet from the North line and 1500 feet from the East line (Unit G) of irregular Section 2, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico; (ii) acknowledged the simultaneous dedication of all gas production from the Indian Basin-Upper Pennsylvanian Gas Pool within the existing 674.28-acre gas spacing and proration unit ("GPU") comprising all of irregular Section 2 to Kerr-McGee's: (a) existing Conoco State Gas Com. Well No. 1 (API No. 30-015-10619), located at a standard gas well location 1775 feet from the North line and 1980 feet from the West line (Unit F) of Section 2; (b) existing Conoco State Gas Com. Well No. 2 (API No. 30-015-28510), located at an unorthodox infill gas well location (approved by Division Order No. R-10359, issued in Case No. 11189 dated May 2, 1995) 800 feet from the South and West lines (Unit M) of Section 2; and (c) the above-described Conoco State Gas Com. Well No. 6; and (iii) applied a 38% production penalty (0.62 acreage factor) against this GPU, which was originally applied by Order No. R-11231) to this GPU.*

Dear Mr. Bruce:

In light of recent concerns over the Division's gas prorationing system in prorated gas pools in southeast New Mexico that have no restricts as to number of wells on a single GPU, I will consider your application only after notice to all offset operators. Please provide me a land plat that identifies all offset operators to this GPU and a copy of your notice. Upon receipt of this information I will hold the application for 20 days pending objection.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/kv

cc: New Mexico Oil Conservation Division - Artesia
Ms. Lori Wrotenbery, Director - NMOCD, Santa Fe
Ms. Lyn Hebert, Legal Counsel - NMOCD, Santa Fe