



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

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

December 12, 1997

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

*Administrative Order NSL-3914*

Dear Mr. Foppiano:

Reference is made to the following: (i) an application filed by OXY USA, Inc. ("OXY") dated November 3, 1997; (ii) a letter of objection filed by Yates Petroleum Corporation dated November 13, 1997; and, (iii) the Division records in Santa Fe.

**The Division Director Finds That:**

(1) OXY, as operator, proposes to drill its OXY Cougar Federal Well No. 1 (API No. 30-015-29950) at an unorthodox gas well location 660 feet from the North line and 990 feet from the East line (Unit A) of Section 35, Township 18 South, Range 29 East, NMPM, Eddy County, New Mexico, to a depth sufficient to test the Morrow formation.

(2) Pursuant to OXY's request, the primary zone of interest for this well is the Morrow interval, however it is the operator's intent to test all intervals from the top of the Wolfcamp formation to the base of the Morrow formation for gas production;

(3) Rules governing these intervals within said vertical extent for the proposed well location are as follows:

(a) Wolfcamp: the Turkey Track-Wolfcamp (Oil) Pool comprising the NW/4 equivalent of Section 2, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico, is an oil pool, and is currently subject to Division statewide Rule 104.C(1), which requires 40-acre spacing and proration units with wells to be located no closer then 330 feet to any boundary of such 40-acre tract;

(b) Upper-Pennsylvanian interval (Cisco and Canyon formations):

(i) the Palmillo-Cisco Gas Pool comprising Section 28 and the N/2 of Section 33,

Township 18 South, Range 29 East, NMPM, Eddy County, New Mexico, is currently subject to Division statewide Rule 104.C(2)(b), which requires 320-acre spacing and proration units with wells to be located no closer then 660 feet to the nearest side (long) boundary of the dedicated tract nor closer than 1650 feet from the nearest end (short) boundary nor closer than 330 feet from any quarter-quarter section or subdivision inner boundary; and,

(ii) the South Sand Dunes-Upper Pennsylvanian (Oil) Pool comprising the E/2 of Section 34, Township 18 South, Range 29 East, NMPM, Eddy County, New Mexico, is also an oil pool, and that is currently subject to Division statewide Rule 104.C(1), which requires 40-acre spacing and proration units with wells to be located no closer then 330 feet to any boundary of such 40-acre tract;

(c) Atoka: the Turkey Track-Atoka Gas Pool comprising all or portions of Sections 16, 21, 22, 27, 28, 34, and 35, Township 18 South, Range 29 East, NMPM, and Sections 1, 2, 3, 10, 11, 14, 15, and 16, Township 19 South, Range 29 East, NMPM, all in Eddy County, New Mexico, is currently subject to Division statewide Rule 104.C(2)(b), which requires 320-acre spacing and proration units with wells to be located no closer then 660 feet to the nearest side (long) boundary of the dedicated tract nor closer than 1650 feet from the nearest end (short) boundary nor closer than 330 feet from any quarter-quarter section or subdivision inner boundary; and,

(d) Morrow: all of Section 35, Township 18 South, Range 29 East, NMPM, Eddy County, New Mexico, is included within the boundary of the North Turkey Track-Morrow Gas Pool, which is also subject to Division statewide Rule 104.C(2)(b), which requires 320-acre spacing and proration units with wells to be located no closer then 660 feet to the nearest side (long) boundary of the dedicated tract nor closer than 1650 feet from the nearest end (short) boundary nor closer than 330 feet from any quarter-quarter section or subdivision inner boundary.

(4) The subject location is considered to be a standard oil well location within a standard 40-acre drilling tract comprising the NE/4 NE/4 (Unit A) of said Section 35 for both the Undesignated Turkey Track-Wolfcamp and the Undesignated South Sand Dunes-Upper Pennsylvanian Pools; however, the subject location is considered to be unorthodox for all formations and or pools within said vertical extent developed on 320-acre spacing regardless of the orientation (stand-up or lay-down) of the dedicated acreage.

(5) At this time OXY is seeking:

(i) to dedicate to said well the N/2 of said Section 35, being a standard 320-acre gas spacing and proration unit, for all gas bearing intervals within the vertical extent from the top of the Wolfcamp formation to the base of the Morrow formation, with the exception of the Atoka formation, that is currently being developed on 320-acre spacing and proration units; and,

(ii) that gas production from the Undesignated Turkey Track-Atoka Gas Pool within the proposed well be dedicated to either the N/2 or E/2 of said Section 35.

(6) This uncertainty as to the acreage dedication is caused by an existing Turkey Track-Atoka gas well, the Empire "35" Federal Com Well No. 1 (API No. 30-015-23449) located 1980 feet from the South and West lines (Unit K) of said Section 35, which is currently operated by Sabre Operating, Inc. (Sabre), is dedicated to the W/2 of said Section 35. At this time it is our understanding that OXY is negotiating with Sabre to have this well abandoned in order for OXY to operate the N/2 of said Section 35 within the Atoka interval with its proposed OXY Cougar Federal Well No. 1. Should this not be accomplished OXY proposes to dedicate the Atoka production to a stand-up E/2 dedication.

(7) By letter dated November 13, 1997 Yates Petroleum Corporation, an offset operator to the north in Section 26, Township 18 South, Range 29 East, NMPM, Eddy County, New Mexico, objected to this application on the basis of OXY's uncertainty as to the orientation of the dedicated acreage (stand-up 320 or lay-down 320) for Atoka gas production. Since this orientation uncertainty of the proration unit is specific to the Atoka interval only, OXY's request to include the Undesignated Turkey Tract-Atoka Gas Pool is hereby denied.

(8) The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location into the Morrow formation will be at a more favorable geologic position within the Morrow formation than a well drilled at a location considered to be standard.

(9) 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.

(10) The subject application, which serves to prevent waste and being in the best interest of conservation, should be approved only for the Undesignated Palmillo-Cisco Gas Pool and North Turkey Track-Morrow Gas Pool at this time.

**The Division Director Finds That:**

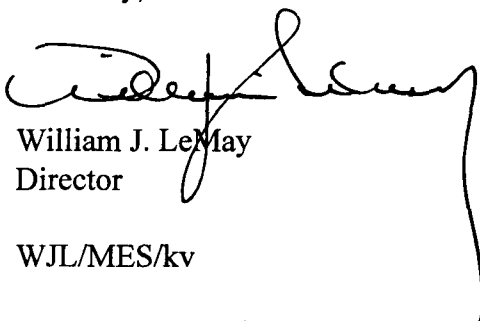
(1) OXY USA, Inc. ("OXY") is hereby authorized to drill its proposed OXY Cougar Federal Well No. 1 (API No. 30-015-29950) at an unorthodox gas well location 660 feet from the North line and 990 feet from the East line (Unit A) of Section 35, Township 18 South, Range 29 East, NMPM, Eddy County, New Mexico, in order to test both the Undesignated Palmillo-Cisco Gas Pool and the North Turkey Track-Morrow Gas Pool.

(2) The N/2 of said Section 35 is to be dedicated to said well to form a standard 320-acre gas spacing and proration unit for both pools.

(3) OXY's request to dedicate to said well either the E/2 or N/2 of said Section 35 for gas production from the Undesignated Turkey Track-Atoka Gas Pool is hereby denied at this time.

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

Sincerely,



William J. LeMay  
Director

WJL/MES/kv

cc: New Mexico Oil Conservation Division - Artesia  
U. S. Bureau of Land Management - Carlsbad  
Yates Petroleum Corporation (Attn: Douglas W. Hurlbut) - Artesia  
William F. Carr - Santa Fe  
W. Thomas Kellahin - Santa Fe