

ABOVE THIS LINE FOR DIVISION USE ONLY

## NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

### ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

#### Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]  
 [DD-Directional Drilling] [SD-Simultaneous Dedication]  
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]  
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]  
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]  
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]  
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

#### [1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Directional Drilling

☒ NSL ☐ NSP ☐ DD ☐ SD

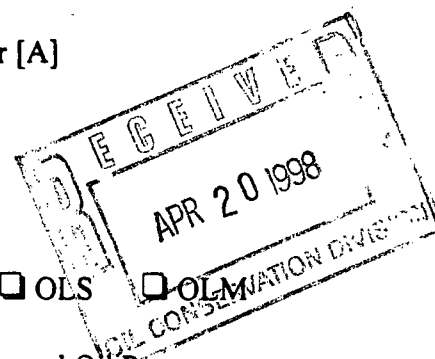
Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR



#### [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☒ Offset Operators, Leaseholders or Surface Owners, Unleased Minerals Owners, and working interest owners as applicable. (S/2 Sec 35, E/2 Sec 34)

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO

U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

#### [3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, ~~as personnel under my supervision~~, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

David Stewart

Print or Type Name

Signature

Regulatory Analyst

Title

4/17/98

Date



OXY USA Inc.

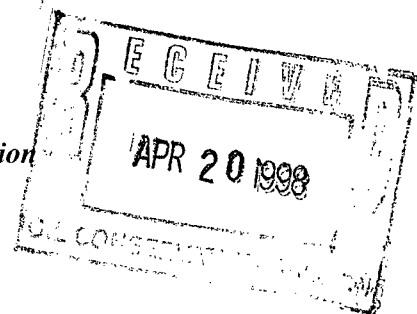
P.O. Box 50250, Midland, TX 79710-0250

April 17, 1998

New Mexico Oil Conservation Division  
2040 S. Pacheco Street  
Santa Fe, NM 87505

Attention: Mr. Michael E. Stogner

Re: ***Application of OXY USA Inc. for Unorthodox Well Location  
DWU Federal #7  
1650 FNL 660 FWL Unit E Sec 35 T19S R28E  
Eddy County, New Mexico***



Dear Mr. Stogner:

OXY USA Inc. respectfully requests administrative approval under Rule 104 (F) to drill and produce the referenced well at a non-standard gas well location for 320-acre spacing. OXY proposes to designate the north half of this section as a 320-acre spacing unit for production from all deep gas pools including the Undesignated Winchester Morrow Gas Pool, the Undesignated Winchester Atoka Gas Pool, the Winchester Strawn Gas Pool, the Undesignated Winchester Upper Pennsylvanian Gas Pool, and the Undesignated Winchester Wolfcamp Gas Pool.

The need for the unorthodox location is due to the geology of the Strawn Limestone. Attached are an east-west cross-section and porosity map which reveal the Strawn Limestone is very localized and has no porosity at the nearest legal location in the vicinity of the Dorchester DWU Federal #2 well in the NW/4 of section 35. Drilling the proposed DWU Federal #7 well west of this location affords a much greater chance of intersecting Strawn porosity, hence the need for the NSL authority.

Also attached are a lease plat, Form C-102 and a "service list" which identifies all affected parties as defined in Rule 104 (F) (3). A copy of this cover letter and lease plat have been sent certified mail, return receipt requested, to all parties on the service list. By copy of this letter they are hereby notified that if they have any objection it must be filed within twenty days from the date of this notice. A Notice of Staking will be filed on this same date with the BLM.

NMOCD approval of this request will aid in protecting OXY's correlative rights and prevent waste. If I can provide any additional information to aid in processing this request, please call me at (915) 685-5717. Thank you for consideration of our application.

Sincerely,

David Stewart  
Regulatory Analyst  
OXY USA Inc.

Attachments

CC: NMOCD – Artesia Office  
BLM – Roswell Office  
R. Foppiano – OXY USA Inc.

DISTRICT I  
P.O. Box 1980, Hobbs, NM 88240

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised February 10, 1994  
Instruction on back  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

DISTRICT II  
P.O. Drawer DD, Artesia, NM 88210

## OIL CONSERVATION DIVISION

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

### WELL LOCATION AND ACREAGE DEDICATION PLAT

|                       |                                  |   |
|-----------------------|----------------------------------|---|
| API Number<br>30-015- | Pool Code<br>87600               | Pool Name<br>Undesignated Winchester Morrow |
| Property Code         | Property Name<br>D.W.U. FEDERAL  | Well Number<br>7                            |
| OGRID No.<br>16696    | Operator Name<br>OXY U.S.A. INC. | Elevation<br>3313'                          |

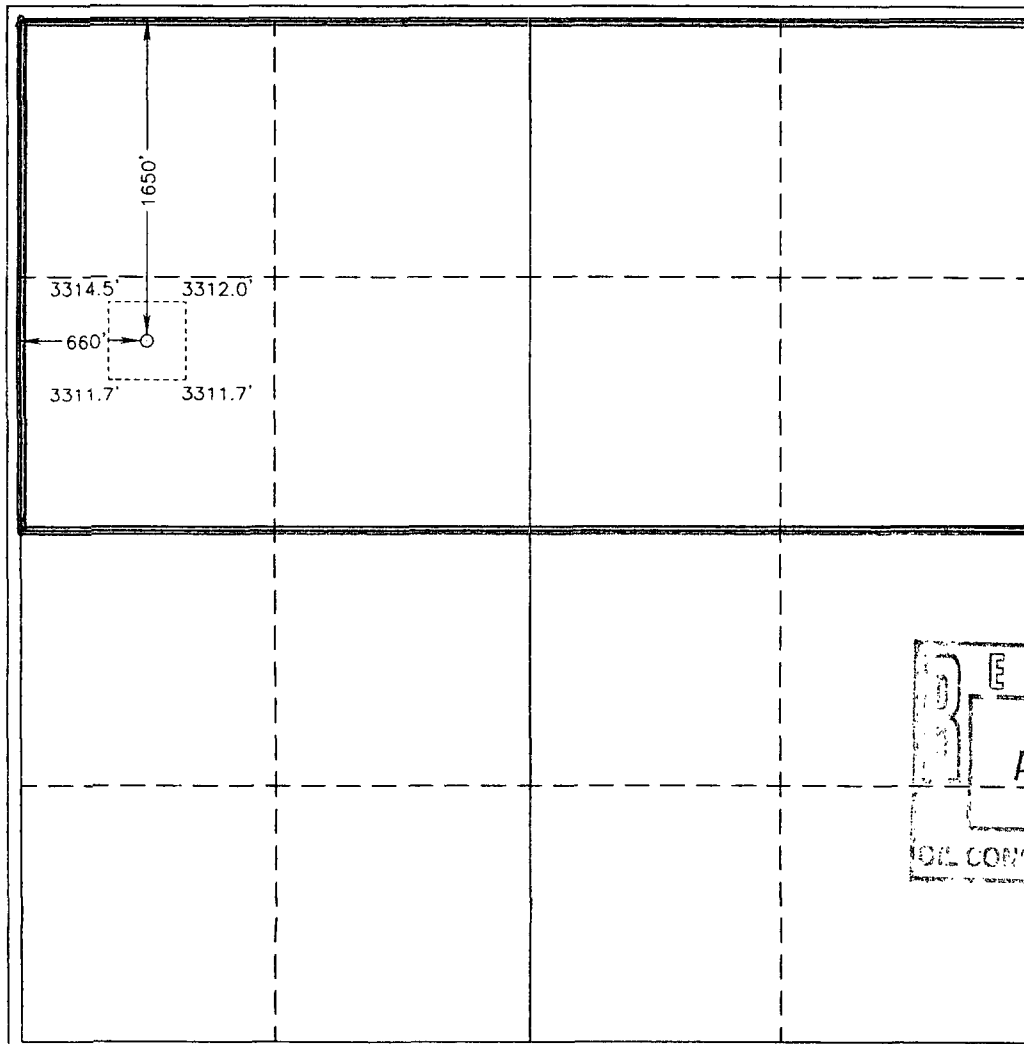
#### Surface Location

|                    |               |                  |               |         |                       |                           |                      |                        |                |
|--------------------|---------------|------------------|---------------|---------|-----------------------|---------------------------|----------------------|------------------------|----------------|
| UL or lot No.<br>E | Section<br>35 | Township<br>19 S | Range<br>28 E | Lot Idn | Feet from the<br>1650 | North/South line<br>NORTH | Feet from the<br>660 | East/West line<br>WEST | County<br>EDDY |
|--------------------|---------------|------------------|---------------|---------|-----------------------|---------------------------|----------------------|------------------------|----------------|

#### Bottom Hole Location If Different From Surface


|                        |                      |                    |           |         |               |                  |               |                |        |
|------------------------|----------------------|--------------------|-----------|---------|---------------|------------------|---------------|----------------|--------|
| UL or lot No.          | Section              | Township           | Range     | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
| Dedicated Acres<br>320 | Joint or Infill<br>N | Consolidation Code | Order No. |         |               |                  |               |                |        |

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



#### OPERATOR CERTIFICATION

I hereby certify the the information  
contained herein is true and complete to the  
best of my knowledge and belief.

  
Signature

David Stewart  
Printed Name

Regulatory Analyst  
Title

Date

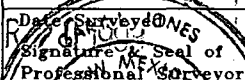
4/17/98

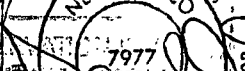
Date

#### SURVEYOR CERTIFICATION

I hereby certify that the well location shown  
on this plat was plotted from field notes of  
actual surveys made by me or under my  
supervision, and that the same is true and  
correct to the best of my belief.

February 13, 1998

  
Signature of Professional Surveyor

  
Professional Surveyor

W.O. No. 03

Professional Surveyor

Basin Surveys

SPACING UNIT - - - -

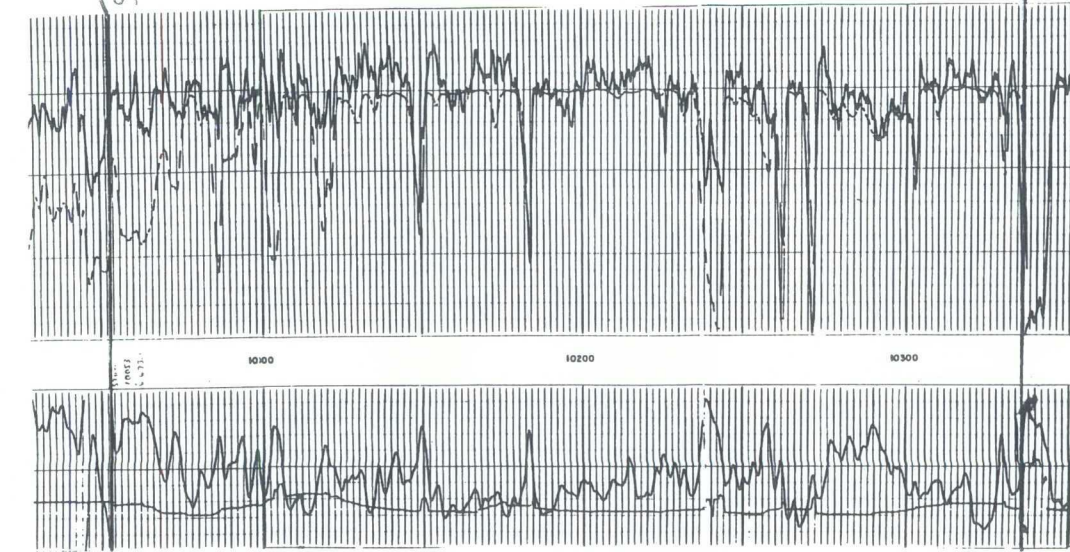




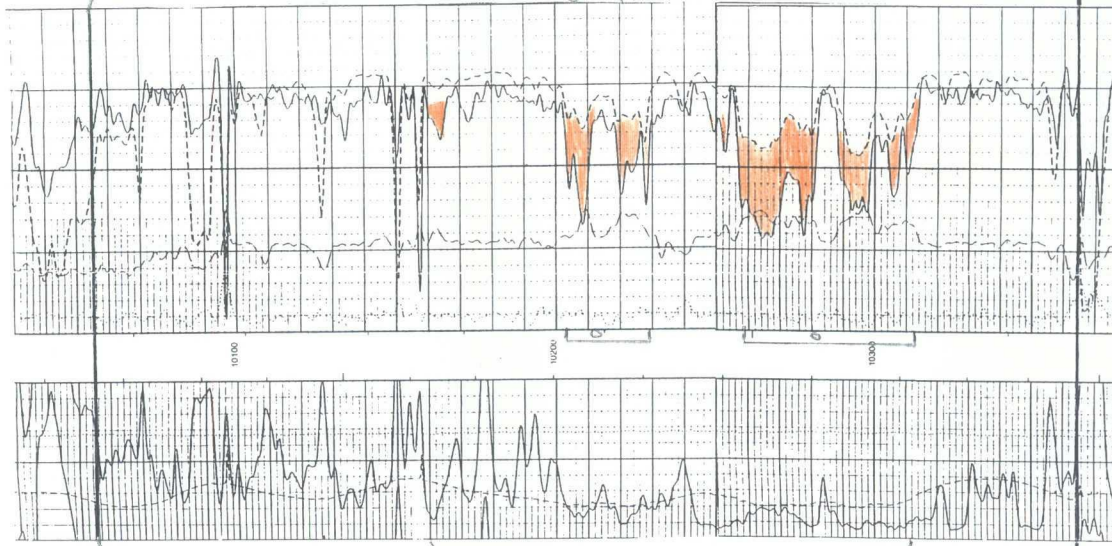
OXY DWN Fed #1  
sec 34 193 28E

OXY DWN Fed #6  
sec 34 193 28E

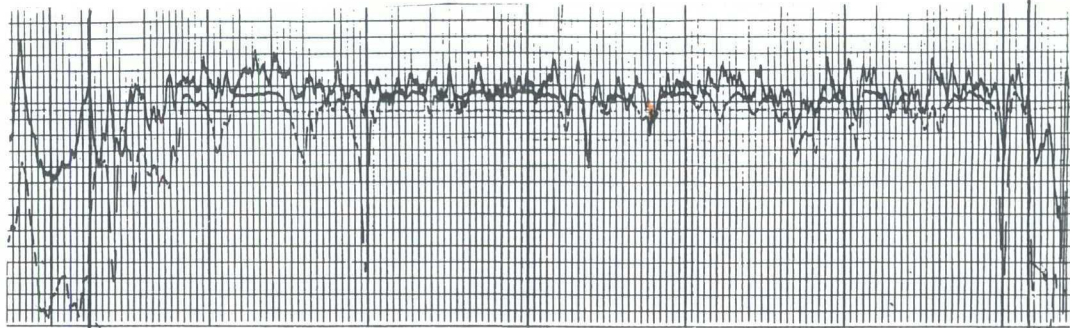
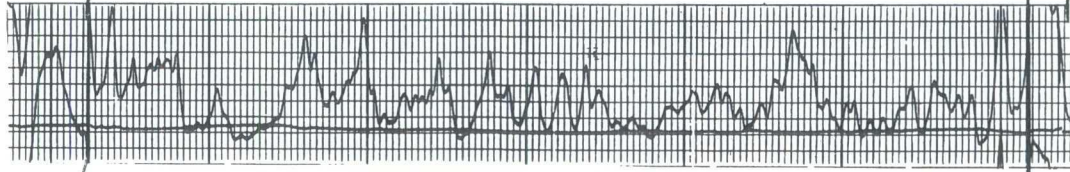
Dorchester DWN Fed #2  
sec 35 193 28E



0 ft  
of pay



62 ft  
of pay  
1010 pay  
2810 SW

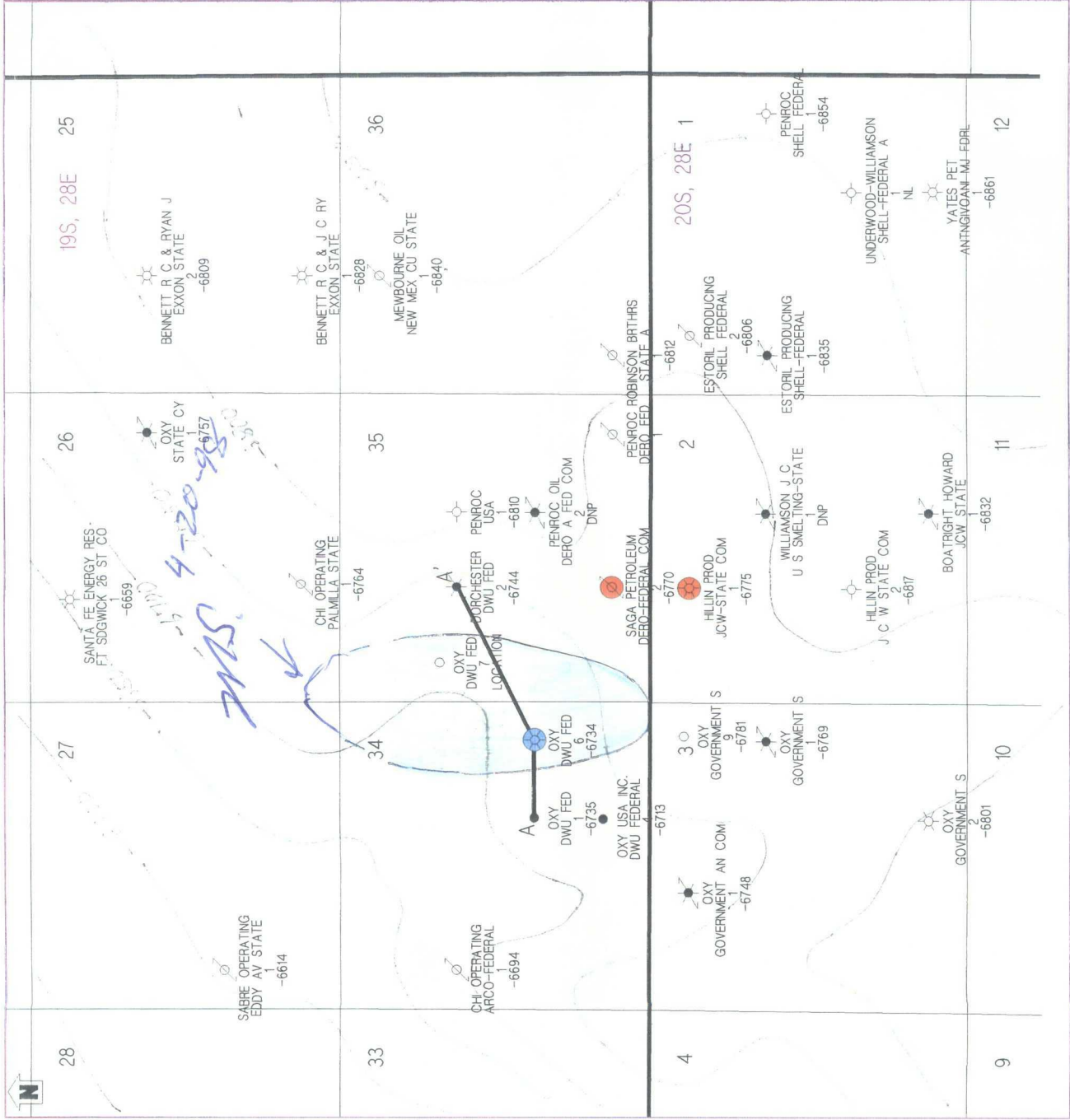


0 ft  
of pay

Stratigraphic Section A-A', Datum top of Atoka

Atoka

Atoka



**OXY USA Inc.**  
Western Region

DWJ FEDERAL NO. 7 - Proposed Location

STRAWN STRUCTURE (C.I. = 50')  
STRAWN LIMESTONE POROSITY

OUTLINE



By: Deanna Johnson  
Date: 8/20/1997 Time: 09:03:10

**SYMBOL LEGEND**

- Location Only
- Oil Well
- Abandoned Producer
- Dry Hole
- Gas Well
- Temp. Abandoned

**PIE BUBBLE DATA**



PRODUCTIVE STRAWN LIMESTONE  
PRODUCTIVE STRAWN SANDSTONE

Stacked Curves System

**SERVICE LIST  
OXY USA INC.  
DWU FEDERAL #7  
SEC 35 T19S R28E  
EDDY COUNTY, NM**

Robert K. Hillin, Jr.  
8313 Greencastle Drive  
Charlotte, NC 28210

Myrlene M. Dillon  
#4 Churchill Way  
Midland, TX 79705

John Huffman  
Attention: Jerrell Huffman  
4618 Tryon Road  
Longview, TX 75605

Sombrero Associates  
3037 NW 63<sup>rd</sup>, Ste. 240  
Oklahoma City, OK 73116

Charles Tullis  
P. O. Box 150122  
Longview, TX 75615

Raquel L. Womack  
5128 W. Storey  
Midland, TX 79703

Robert F. Haynsworth  
P. O. Box 3237  
El Paso, TX 79923

Martha Lou Hester Beaird  
5121 McKinney Ave.  
Dallas, TX 75205

Harold E. Burke  
6777 Camp Bowie, Suite 215  
Ft. Worth, TX 76116

Borden M. Coulter, Jr.  
12351 Escala Drive  
San Diego, CA 92128

Harvard Energy Partners, LP  
P. O. Box 936  
Roswell, NM 88202-0936

Russell Cranmer  
950 St. James Place  
Box 8878  
Wichita, KS 67206

Robert G. Ettelson  
3037 NW 63<sup>rd</sup>, Ste. 240  
Oklahoma City, OK 73116

Reeves County Systems, Inc.  
P. O. Box 152  
Odessa, TX 79760

Marion K. Tullis  
#43 Palisades  
Longview, TX 75605

Duer Wagner, Jr.  
3400 City Center Tower II  
301 Commerce Street  
Fort Worth, TX 76102

J. R. Hutchens, Jr.  
4420 Alturas Cr.  
Oklahoma City, OK 73120

Byrl Harris & Thelma Harris, JTWROS  
1205 Caprock  
Hobbs, NM 88240

J. Manly Bryan  
4303 Bendwood Lane  
Dallas, TX 75287

Clay Cooper  
Box 117  
Canyon, TX 79015

Force Energy Inc  
First Union Lock Box  
P. O. Box 931499  
Atlanta, GA 31193-1499

Marvin L. Holley  
2301 Stutz Place  
Midland, TX 79705

Penroc Oil Corp.  
F/A/O Betty F. Kidd  
P. O. Box 5970  
Hobbs, NM 88241

David Levens  
108 Chelsea  
Dumas, TX 79029-3324

Penroc Oil Corp.  
F/A/O Estate of John B. Meadors  
P. O. Box 5970  
Hobbs, NM 88241

J Hiram Moore, Betty Jane Moore  
Michael Harrison Moore  
As Trustees of the Moore Trust  
P. O. Box 1733  
Midland, TX 79702

J. M. White  
HC 74, Box 503  
Graham, TX 76450

La Vida Energy Corp.  
P. O. Box 2158  
Midland, TX 79702-2158

Edna Louise Miller  
1106 Cincinnati  
El Paso, TX 79902

Saga Petroleum L.L.C.  
415 W. Wall Street, Ste 835  
Midland, TX 79701-4417

Wes-Tex Drilling Co.  
P. O. Box 3739  
Abilene, TX 79604





NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

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

April 22, 1998

OXY USA, Inc.  
P. O. Box 50250  
Midland, Texas 79710-0250

Attention: Rick Foppiano

Re: *Administrative application dated April 17, 1998 for a non-standard gas well location to be applicable to any and all formations and/or pools developed on 320-acre spacing from the top of the Wolfcamp formation to the base of the Morrow formation for your proposed DWU Federal Well No. 7 to be drilled 1650 feet from the North line and 660 feet from the West line (Unit E) of Section 35, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico, in which the N/2 of said Section 35 is to be dedicated in order to form a standard 320-acre gas spacing and proration unit.*

Dear Mr. Foppiano:

As we discussed on Monday, April 20, 1998 in Santa Fe concerning my initial review of the subject application, I feel it necessary that the operator(s)/mineral interest owner(s) of the corresponding offset Undesignated Winchester-Upper Pennsylvanian Gas Pool, Undesignated Winchester-Atoka Gas Pool, and Undesignated Winchester-Morrow Gas Pool production from/within the E/2 of Section 27 Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico, are therefore affected and are therefore to be notified. Please reference Division General Rule 104.F(3).

I have attached a copy of a land plat from your application which illustrates my reasoning for this request.

The Winchester-Wolfcamp Gas Pool, since it was established in 1973, is therefore subject to Division statewide Rule 104.C(2)(a), requiring 160-acre spacing and proration units and wells to be located no closer than 660 feet to any outer boundary of the dedicated tract nor closer than 330 feet from any quarter-quarter section or subdivision inner boundary. The location of your proposed DWU Federal Well No. 7 is therefore orthodox for the standard 160-acre Wolfcamp gas spacing and proration unit that will comprise the NW/4 of said Section 35.

Should you have any questions or comments concerning this matter, please contact me in Santa Fe at (505) 827-8185. Thank you for your cooperation.

Sincerely,

Michael E. Stogner  
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia  
U. S. Bureau of Land Management - Carlsbad  
David Stewart, OXY USA, Inc. - Midland, Texas



(2) The Division Director shall have authority to grant an exception to the well location requirements of Sections 104.B and 104.C above or to the well location requirements of special pool rules without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions, archaeological conditions, topographical conditions, or the recompletion of a well previously drilled to a deeper horizon provided said well was drilled at an orthodox or approved unorthodox location for such original horizon. [1-1-82...2-1-96]

(3) Applications for administrative approval of unorthodox locations pursuant to Rule 104.F(2), above, shall be accompanied by a plat showing the subject spacing unit, its proposed unorthodox well location, the diagonal and adjoining spacing units and/or leases (whichever is applicable) and wells, and a list of affected parties. If the proposed unorthodox location is based upon topography or archaeology, the plat shall also show and describe the existent topographical or archaeological conditions. If the proposed unorthodox location is based upon geology, the application shall include appropriate geologic exhibits and a discussion of the geologic conditions which result in the necessity for the unorthodox location. [2-9-66...2-1-96]

- (a) Adjoining and diagonal spacing units shall be defined as those immediately adjacent existing spacing units in the same pool(s) as the proposed unorthodox well and towards which the unorthodox well location encroaches. [2-9-66...2-1-96]
- (b) Affected parties shall be defined as those parties who own interests in leases or operate wells on adjoining or diagonal spacing units and include:
  - (i) the designated operator of any adjoining or diagonal spacing unit producing from the same pool(s) as the proposed well;
  - (ii) in the absence of an operator, all lessees of record of any diagonal or adjoining lease owning interests in the same pool(s) as the proposed well; and
  - (iii) in the absence of an operator or lessee, all owners of record of unleased mineral interests in the same pool(s) as the proposed well. [2-9-66...2-1-96]

(4) The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Rule 104.F(3) above by certified or registered mail-return receipt in accordance with Rule 1207(A) (5) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the unorthodox location upon receipt of waivers from all said parties or if no said party has entered an objection to the unorthodox location within 20 days after the Director has received the application. [2-9-66...2-1-96]

(5) The Division Director may set any application for administrative approval of an unorthodox location for public hearing, and may require that a directional survey be run in the unorthodox well to establish the actual location of the producing interval(s). [1-1-82...2-1-96]

104.G. Whenever an exception is granted, the Division may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location. [1-1-50...2-1-96]

104.H. If the drilling tract is within an allocated oil pool or is

COUNTY

Eddy

POOL

Winchester-Wolfcamp Gas 160

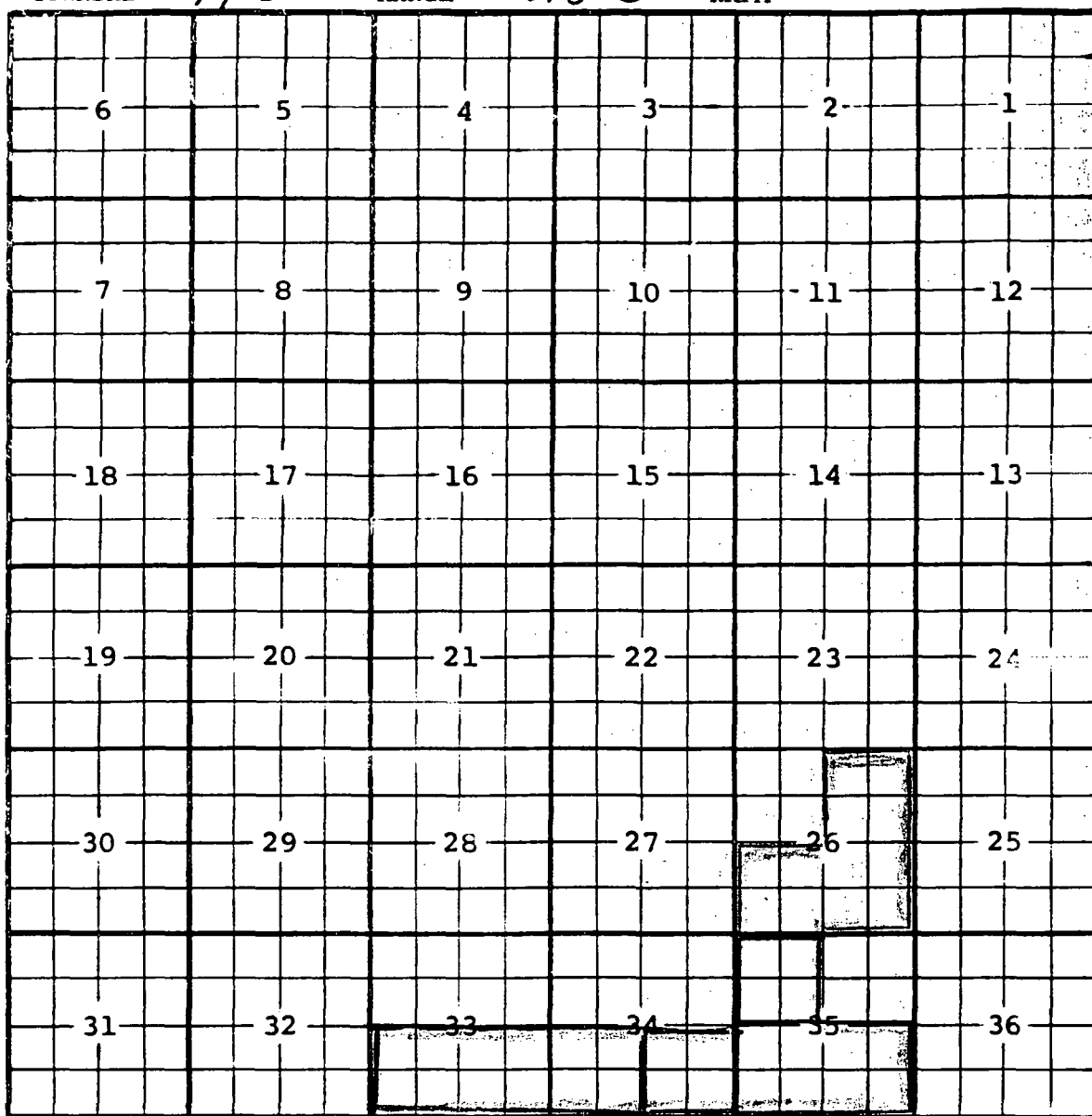
TOWNSHIP

19-5

RANGE

28 S

NMPM



Description: NW 1/4 Sec 35 (R-4664, 11-16-73)

Ext: S 1/2 Sec 35 (R-4782, 6-1-74)

Ext: E 1/2 & SW 1/4 Sec 26 (R-5376, 12-1-78) Ext: SE 1/4 Sec 34 (R-6476, 10-1-80)

Ext: S 1/2 Sec 33, SW 1/4 Sec 34 (R-10713, 11-26-96)



OXY USA Inc.

## FACSIMILE COVER SHEET

DATE

5/4/98

TO:

ADDRESSEE

Mike Stogner

COMPANY

NMOCD

ADDRESSEE'S PHONE NUMBER

ADDRESSEE'S FACSIMILE NUMBER

505-827-8177

COMMENTS:

Please see attached letter.

FROM:

ORIGINATOR

RICHARD E. FOPPIANO

ORIGINATOR PHONE NUMBER

915-685-5913

ORIGINATOR FACSIMILE NUMBER

915-685-5742

NUMBER OF PAGES (INCLUDING COVER PAGE)

(PLEASE NUMBER ALL PAGES)





OXY USA Inc.

6 Desta Drive, Suite 6000, Midland, TX 79705, P.O. Box 50250, Midland, TX 79710-0250

Telephone 915 685-5600 Fax 915 685-5754

May 4, 1998

New Mexico Oil Conservation Division  
2040 S. Pacheco Street  
Santa Fe, NM 87505

\*\*\* BY FAX \*\*\*

Attention: Mr. Michael E. Stogner

Re: *Application of OXY USA Inc. for Unorthodox Well Location*  
*DWU Federal #7*  
*1650 FNL 660 FWL Unit E Sec 35 T19S R28E*  
*Eddy County, New Mexico*

Dear Mike:

I received your letter dated 4/22/98 regarding your initial review of the subject NSL application. In it, you suggested that I review and comment on my interpretation of Division General Rule 104.F (3). Subsection (a) defines "adjoining and diagonal spacing units" so that affected parties located on this acreage get notice:

*"(a) Adjoining and diagonal spacing units shall be defined as those immediately adjacent existing spacing units in the same pool(s) as the proposed unorthodox well and towards which the unorthodox well encroaches." [Emphasis added]*

So it appears that a required ingredient of being an "adjoining" or "diagonal" spacing unit, for notice purposes, is that the proposed unorthodox well must encroach on it. In our case, I believe that the proposed unorthodox location does not encroach on any acreage in Section 27. To explain my rationale, I have constructed a plat which shows the N/2 of Section 35, our proposed unorthodox location, the orthodox "windows" per statewide spacing rules for deep gas, and offsetting Sections 27, 34 and 26. It reveals that our proposed location is 1777 feet from the closest edge of Section 27, which is no closer than the closest orthodox location in the NE/4 of the NW/4 of Section 35. Your analysis was based on an orthodox location in the SE/4 of the NW/4, which is not the closest orthodox location to Section 27.

I may be all wet here, and if so I hope you will straighten me out. I even helped author this part of the rule the last time that it was modified. I thought I understood what "encroachment" means, but you have me wondering now.

Sincerely,

A handwritten signature in cursive script, appearing to read "Rick".

Richard E. Foppiano, P.E.  
Senior Engineering Advisor

REF:ref  
Attachments

CC: David Stewart

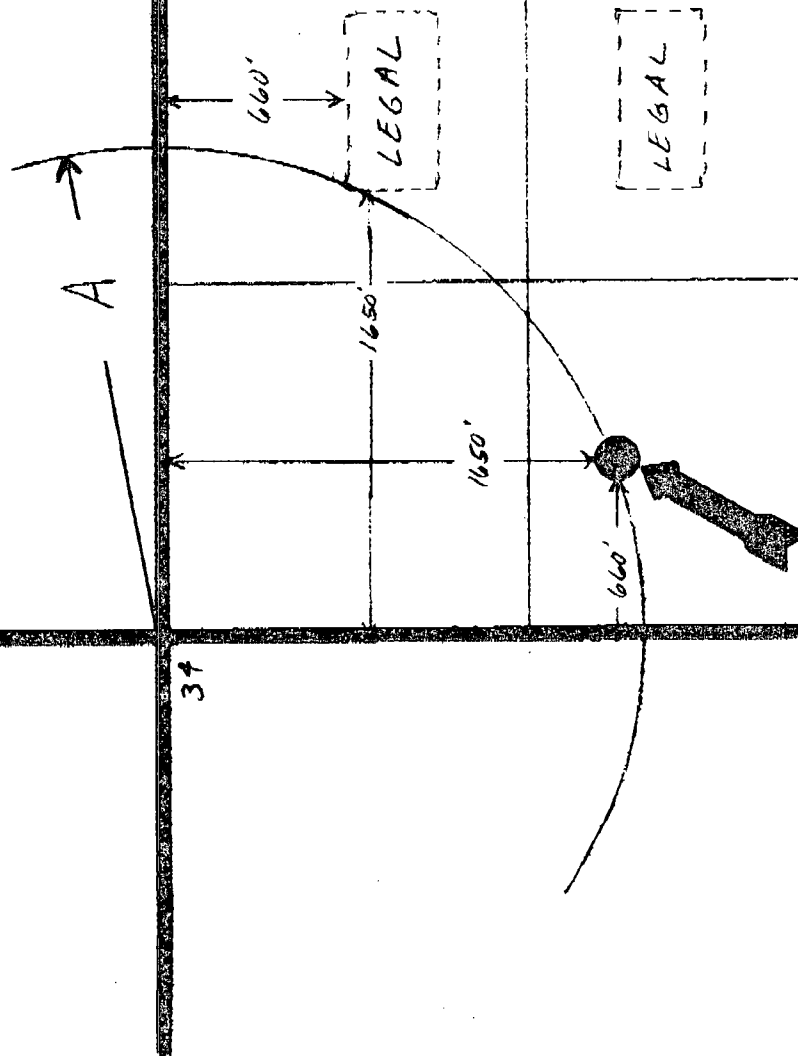
22.141 50 SHEETS  
22.142 100 SHEETS  
22.144 200 SHEETS

26

35

$$A = \sqrt{660^2 + 1650^2}$$

$$A = 1777 \text{ feet}$$



27

34

**PETROLEUM, L. L. C.**

May 14, 1998

Michael Stogner  
NM Oil Conservation Division  
2040 S. Pacheco  
Santa Fe, NM 87505

**Re: Application of OXY USA Inc. for an Unorthodox Well Location  
DWU Federal #7  
1650' FNL & 660' FWL  
Unit E, Section 35-T19S-R28E  
Eddy County, New Mexico**

Dear Mr. Stogner:

Saga Petroleum LLC respectfully requests that we be allowed to protest the above referenced application. Saga failed to protest within the 20 day time period due to erroneous information obtained in verbal discussions with OXY USA Inc.

If you have any additional questions, or need any additional information, please call me at 915-684-4293.

Sincerely,

Joe N. Clement  
Area Engineer

cc: OXY USA Inc.

415 W. Wall, Ste 835  
Office: (915) 684-4293

Midland, TX 79701  
Fax (915) 684-0829

JAMES BRUCE  
Attorney at Law  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
Telephone: (505) 982-2043  
Fax: (505) 982-2151

FAX COVER SHEET

DELIVER TO: Michael E. Stogner  
COMPANY: Oil Conservation Division  
CITY: Santa Fe, New Mexico  
FAX NUMBER: 827-8177  
NUMBER OF PAGES: 2 (Including Cover Sheet)  
DATE SENT: 5/15/98  
MEMO:

CONFIDENTIALITY NOTICE

This transmission contains information which may be confidential and/or legally privileged. The information is intended only for the above-named recipient. If you are not the intended recipient, any copying or distribution of the information is prohibited. If you have received this transmission in error, please call us at the above number and return the document by United States mail. Thank you.

NSL-4032

**JAMES BRUCE**  
ATTORNEY AT LAWPOST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504SUITE B  
612 OLD SANTA FE TRAIL  
SANTA FE, NEW MEXICO 87501(505) 982-2043  
(505) 982-2151 (FAX)

May 15, 1998

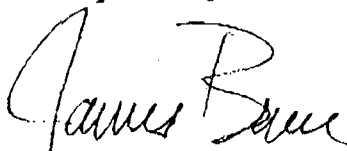
Via Fax and U.S. MailMichael E. Stogner  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: Administrative application of OXY USA Inc. for an  
unorthodox gas well location; DWU Fed. Well No. 7, 1650  
feet FNL & 660 feet FWL, N $\frac{1}{4}$  S35-19S-28E, Eddy County, New  
Mexico

Dear Mr. Stogner:

John Huffman, an offset lessee to the above proposed well, objects  
to the unorthodox well location. We understand that a separate  
objection to the location was lodged with the Division at an  
earlier date.

Very truly yours,



James Bruce

Attorney for John Huffman

cc: John Huffman  
David Stewart (OXY USA Inc.)



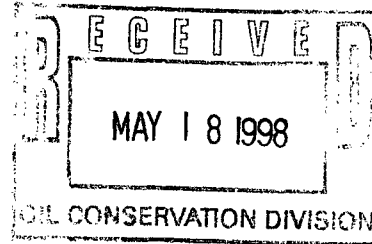
**JAMES BRUCE**

ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

SUITE B  
612 OLD SANTA FE TRAIL  
SANTA FE, NEW MEXICO 87501

(505) 982-2043  
(505) 982-2151 (FAX)



May 15, 1998

Via Fax and U.S. Mail

Michael E. Stogner  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: Administrative application of OXY USA Inc. for an  
unorthodox gas well location; DWU Fed. Well No. 7, 1650  
feet FNL & 660 feet FWL, N $\frac{1}{2}$  §35-19S-28E, Eddy County, New  
Mexico

Dear Mr. Stogner:

John Huffman, an offset lessee to the above proposed well, objects  
to the unorthodox well location. We understand that a separate  
objection to the location was lodged with the Division at an  
earlier date.

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce".

James Bruce

Attorney for John Huffman

cc: John Huffman  
David Stewart (OXY USA Inc.)



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

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

May 20, 1998

Saga Petroleum, L.L.C.  
415 W. Wall - Suite 835  
Midland, Texas 79701

Attention: Joe N. Clement

*RE: Division Administrative Order NSL-4032 issued May 11, 1998 upon the application of OXY USA, Inc. (OXY") for an unorthodox gas well location to be applicable to any and all formations and/or pools developed on 320-acre spacing from the top of the Wolfcamp formation to the base of the Morrow formation, which presently includes but not necessarily limited to the Undesignated Winchester-Upper Pennsylvanian Gas Pool, Winchester-Strawn Gas Pool, Undesignated Winchester-Atoka Gas Pool, and Undesignated Winchester-Morrow Gas Pool, for its proposed DWU Federal Well No. 7 to be drilled 1650 feet from the North line and 660 feet from the West line (Unit E) of Section 35, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Clement:

The subject application by OXY was initially filed with the Division on April 17, 1998, on May 11, 1998, 24 days later, the Division issued Administrative Order NSL-4032. Your letter of objection dated May 14, 1998 (see copy attached) was received by the Division on May 19, 1998, or 32 calendar days after the official filing date of the OXY application. Pursuant to Division General Rule 104.F(4):

*"The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Rule 104.F(3) above by certified or registered mail-return receipt in accordance with Rule 1207(A)(5) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the unorthodox location upon receipt of waivers from all said parties or if no said party has entered an objection to the unorthodox location within 20 days after the Director has received the application."*

*Saga Petroleum, L.L.C.*

*May 20, 1998*

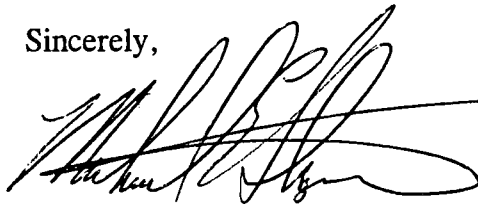
*Page 2*

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Your objection was received too late for the Division to take any action in either delaying, denying, or rescinding OXY's request.

Should you wish to pursue this matter further, an application to rescind Administrative Order NSL-4032 through the Examiner's hearing process can be filed by Saga Petroleum, L.L.C. as applicant.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal line extending to the right.

Michael E. Stogner  
Chief Hearing Officer/Engineer

MES/kv

cc: New Mexico Oil Conservation Division - Artesia  
U. S. Bureau of Land Management - Carlsbad  
OXY USA, Inc. (Attention: Richard Foppiano) - Midland, Texas  
Lori Wrotenbery - OCD Director, Santa Fe  
Rand Carroll, General Counsel - OCD, Santa Fe  
W. Thomas Kellahin, Legal Counsel for OXY USA, Inc. - Santa Fe

**PETROLEUM, L. L. C.**

May 14, 1998

Michael Stogner  
NM Oil Conservation Division  
2040 S. Pacheco  
Santa Fe, NM 87505

**Re: Application of OXY USA Inc. for an Unorthodox Well Location  
DWU Federal #7  
1650' FNL & 660' FWL  
Unit E, Section 35-T19S-R28E  
Eddy County, New Mexico**

Dear Mr. Stogner:

Saga Petroleum LLC respectfully requests that we be allowed to protest the above referenced application. Saga failed to protest within the 20 day time period due to erroneous information obtained in verbal discussions with OXY USA Inc.

If you have any additional questions, or need any additional information, please call me at 915-684-4293.

Sincerely,

Joe N. Clement  
Area Engineer

cc: OXY USA Inc.

415 W. Wall, Ste 835  
Office: (915) 684-4293

Midland, TX 79701  
Fax (915) 684-0829



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

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

May 11, 1998

OXY USA, Inc.  
P. O. Box 50250  
Midland, Texas 79710-0250  
Attention: David Stewart

*Administrative Order NSL-4032*

Dear Mr. Stewart:

Reference is made to the following: (i) your initial application to the Division dated April 17, 1998; (ii) the Division's initial response to said application by letter from Mr. Michael E. Stogner, Engineer, dated April 22, 1998; (iii) your response by faxed letter dated May 4, 1998; and, (iv) the records of the Division in Santa Fe: all of which concern OXY USA, Inc.'s ("OXY") request for a non-standard gas well location to be applicable to any and all formations and/or pools developed on 320-acre spacing from the top of the Wolfcamp formation to the base of the Morrow formation, which presently includes but is not necessarily limited to the Undesignated Winchester-Upper Pennsylvanian Gas Pool, Winchester-Strawn Gas Pool, Undesignated Winchester-Atoka Gas Pool, and Undesignated Winchester-Morrow Gas Pool, for your proposed DWU Federal Well No. 7 to be drilled 1650 feet from the North line and 660 feet from the West line (Unit E) of Section 35, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico.

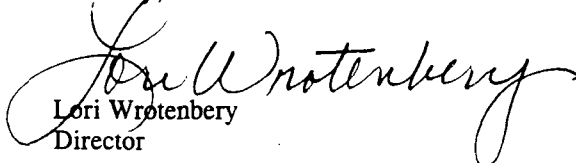
The N/2 of said Section 35 is to be dedicated to said well in order to form a standard 320-acre gas spacing and proration unit.

It is our understanding that the subject well is to be drilled to a sufficient depth in order to test the Morrow formation; however, the shallower Strawn formation is the primary zone of interest. 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 Winchester-Strawn Gas Pool than a well drilled at a location considered to be standard within the subject 320-acre gas spacing and proration unit.

The 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 within the 320-acre unit comprising the N/2 of said Section 35 for OXY's proposed DWU Federal Well No. 7 in the Undesignated Winchester-Upper Pennsylvanian, Winchester-Strawn, Undesignated Winchester-Atoka, and Undesignated Winchester-Morrow Gas Pools is hereby approved.

Sincerely,

  
Lori Wrotenberg  
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia  
U. S. Bureau of Land Management - Carlsbad





NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

NSL-4032

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

May 20, 1998

John Huffman  
c/o James Bruce  
P. O. Box 1056  
Santa Fe, New Mexico 87504

*RE: Division Administrative Order NSL-4032 issued May 11, 1998 upon the application of OXY USA, Inc. (OXY") for an unorthodox gas well location to be applicable to any and all formations and/or pools developed on 320-acre spacing from the top of the Wolfcamp formation to the base of the Morrow formation, which presently includes but not necessarily limited to the Undesignated Winchester-Upper Pennsylvanian Gas Pool, Winchester-Strawn Gas Pool, Undesignated Winchester-Atoka Gas Pool, and Undesignated Winchester-Morrow Gas Pool, for its proposed DWU Federal Well No. 7 to be drilled 1650 feet from the North line and 660 feet from the West line (Unit E) of Section 35, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Bruce:

The subject application by OXY was initially filed with the Division on April 17, 1998, on May 11, 1998, 24 days later, the Division issued Administrative Order NSL-4032. Your letter of objection on behalf of John Huffman, an offset lessee, dated May 15, 1998 (see copy attached) was received by the Division on May 15, 1998, or 28 calendar days after the official filing date of the OXY application. Pursuant to Division General Rule 104.F(4):

*"The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Rule 104.F(3) above by certified or registered mail-return receipt in accordance with Rule 1207(A)(5) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the unorthodox location upon receipt of waivers from all said parties or if no said party has entered an objection to the unorthodox location within 20 days after the Director has received the application."*

*John Huffman c/o James Bruce*

*May 20, 1998*

*Page 2*

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Your objection on behalf of John Huffman was received too late for the Division to take any action in either delaying, denying, or rescinding OXY's request.

Should you wish to pursue this matter further, an application to rescind Administrative Order NSL-4032 through the Examiner's hearing process can be filed with the Division by Mr. Huffman as the applicant.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner  
Chief Hearing Officer/Engineer

MES/kv

cc: New Mexico Oil Conservation Division - Artesia  
U. S. Bureau of Land Management - Carlsbad  
OXY USA, Inc. (Attention: Richard Foppiano) - Midland, Texas  
Lori Wrotenbery - OCD Director, Santa Fe  
Rand Carroll, General Counsel - OCD, Santa Fe  
W. Thomas Kellahin, Legal Counsel for OXY USA, Inc. - Santa Fe

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

SUTTE B  
612 OLD SANTA FE TRAIL  
SANTA FE, NEW MEXICO 87501

(505) 982-2043  
(505) 982-2151 (FAX)

May 15, 1998

Via Fax and U.S. Mail

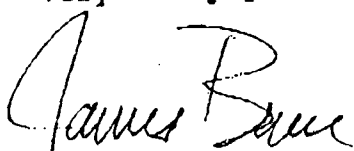
Michael E. Stogner  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

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Dear Mr. Stogner:

John Huffman, an offset lessee to the above proposed well, objects  
to the unorthodox well location. We understand that a separate  
objection to the location was lodged with the Division at an  
earlier date.

Very truly yours,



James Bruce

Attorney for John Huffman

cc: John Huffman  
David Stewart (OXY USA Inc.)



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

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

May 11, 1998

OXY USA, Inc.  
P. O. Box 50250  
Midland, Texas 79710-0250  
Attention: David Stewart

*Administrative Order NSL-4032*

Dear Mr. Stewart:

Reference is made to the following: (i) your initial application to the Division dated April 17, 1998; (ii) the Division's initial response to said application by letter from Mr. Michael E. Stogner, Engineer, dated April 22, 1998; (iii) your response by faxed letter dated May 4, 1998; and, (iv) the records of the Division in Santa Fe: all of which concern OXY USA, Inc.'s ("OXY") request for a non-standard gas well location to be applicable to any and all formations and/or pools developed on 320-acre spacing from the top of the Wolfcamp formation to the base of the Morrow formation, which presently includes but is not necessarily limited to the Undesignated Winchester-Upper Pennsylvanian Gas Pool, Winchester-Strawn Gas Pool, Undesignated Winchester-Atoka Gas Pool, and Undesignated Winchester-Morrow Gas Pool, for your proposed DWU Federal Well No. 7 to be drilled 1650 feet from the North line and 660 feet from the West line (Unit E) of Section 35, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico.

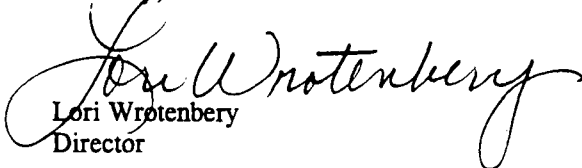
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Lori Wrotenberg  
Director

LW/MES/kv

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