



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
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Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



April 15, 2009

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

Administrative Order NSL-6026

Re: Goodnight 35 Federal Well No. 2H
API No. 30-015-36373
Unit M, Section 35-23S-29E
Eddy County, New Mexico

Dear Mr. Stewart:

Reference is made to the following:

(a) your application (**administrative application reference No. pKAA09-08350247**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on March 24, 2009, and

(b) the Division's records pertinent to this request.

OXY USA, Inc. (OXY) [OGRID 16696] has requested to drill the above-referenced well as a horizontal oil well in the Bone Spring formation, at a location that will be unorthodox under Division Rule 16.14.B(2). The proposed surface location, point of penetration, and terminus of the well are as follows:

Surface Location: 180 feet from the South line and 490 feet from the West line
(Unit M) of Section 35, Township 23S, Range 29E, NMPM
Eddy County, New Mexico

Point of Penetration: same as surface location

Terminus 330 feet from the North line and 660 feet from the West line
(Unit D) of said Section 35



The W/2 W/2 of Section 35 will be dedicated to the proposed well to form a project area comprising four standard 40-acre oil spacing units in the undesignated Cedar Canyon Bone Spring Pool (11520). This pool is governed by statewide Rule 15.9.A, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is unorthodox because a portion of the producing interval will be less than feet 330 from the southern boundary of the project area, and therefore outside the producing area.

Your application has been duly filed under the provisions of Division Rules 15.13 and 4.12.A(2).

It is our understanding that you are seeking this location for engineering reasons, in order to penetrate the maximum amount of the targeted producing zone within the horizontal shaft of the well.

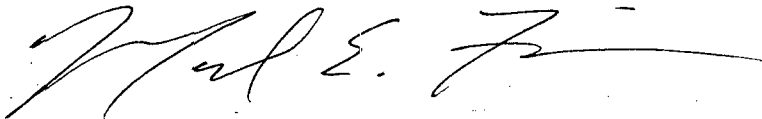
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9.

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

Sincerely,

A handwritten signature in dark ink, appearing to read 'Mark E. Fesmire', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
United States Bureau of Land Management - Carlsbad