

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

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Mark Fesmire

Division Director

Oil Conservation Division



November 29, 2010

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

Administrative Order NSL-6266-A

**Re: Lost Tank 10 Federal Well No. 5
 API No. 30-015-37924
 200 feet FSL & 250 feet FEL
 Unit P, Section 3-22S-31E
 Eddy County, New Mexico**

Dear Mr. Stewart:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW10-31251385**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on August 25, 2010, and

(b) the Division's records pertinent to this request, including the Division's records pertaining to original Order NSL-6266, issued on September 17, 2010.

OXY USA, Inc. [OGRID 16696] (OXY) has requested approval of the as-drilled location of the above-referenced well, a directional well in the Delaware formation, at a location that is unorthodox under Division Rule 16.14.B(2). The surface location, point of penetration and terminus of the well are as follows:

Surface Location: 200 feet from the South line and 250 feet from the East line
 (Unit P) of Section 3, Township 22S, Range 31E, NMPM,
 Eddy County, New Mexico

Point of Penetration: 664 feet from the North line and 291 feet from the East line
 (Unit A) of Section 10 in said township and range

Oil Conservation Division

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Terminus 1547 feet from the North line and 331 feet from the East line
 (Unit H) of Section 10, in said township and range

The N/2 and SE/4 of the NE/4 and the NE/4 of the NW/4 of Section 10 will be dedicated to the proposed well to form a project area consisting of four standard spacing units in the West Lost Tank-Delaware Pool (96582). 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 portions of the producing interval will be outside the producing area.

The penetration point is in the SE/4 SE/4 of Section 3, which is outside the project area. This approval is **CONDITIONED UPON** the well being completed only within the designated project 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 approval because this well, as drilled, encroaches upon the prescribed setbacks to the east, which was not contemplated in your original application.

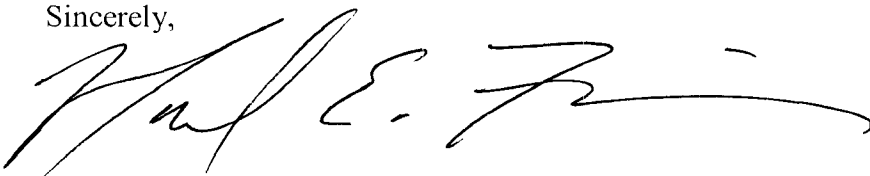
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

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 black ink, appearing to read 'Mark E. Fesmire', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Acting Director

MEF/db

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