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Case 13323

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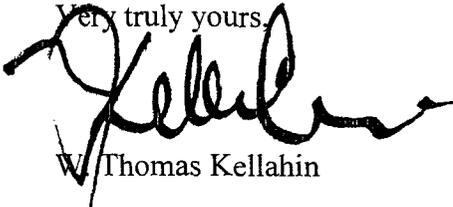
Mr. Mark E. Fesmire, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Dymes State Com. Well No. 1 (Unit K)
Dedication: W/2 of Irregular Section 19, T18S, R28E
Application of OXY USA WTP LP
for compulsory pooling,
Eddy County, New Mexico

Dear Mr. Fesmire:

On behalf of OXY USA WTP LP, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for August 19, 2004. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: OXY USA WTP LP
Attn: David Evans

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF OXY USA WTP LP
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 13323

APPLICATION

OXY USA WTP LP ("OXY") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the W/2 of Irregular Section 19, T18S, R28E, NMPM, Eddy County, New Mexico, forming a standard 333.8-acre gas spacing and proration unit for any production for any and all formations/pools developed on 320-acre spacing within that vertical extent, including but not limited to the North Illinois Cam-Morrow Gas Pool. This unit is to be dedicated to its Dymes State Com Well No. 1 that is to be drilled at a standard well location Unit K of this section. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well.

In support of its application OXY states:

- (1) OXY is a working interest ownership in the oil and gas minerals underlying the SE/4NW/4 and SW/4 of Section 19, T18S, R28E, NMPM, Eddy County, New Mexico, to be dedicated as a standard 333.8-acre gas proration and spacing unit consisting of the W/2 of this section for its Dymes State Com Well No. 1 located in Unit K of this section.
- (2) On July 9, 2004, OXY sent to all working interest owners its written well proposal, including an AFE, for its Dymes State Com Well No. 1 to be drilled at a standard well location in Unit K of Section 19, T18S, R28E, Eddy County, New Mexico and dedicated to the W/2 of this section.

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- (3) Despite reasonable efforts, OXY was unable to conclude a voluntary agreement with those parties listed on Exhibit "A"
- (4) Pursuant to Commission Order R-11992, effective August 15, 2003, OXY requests that the 200% risk charge be applied.
- (5) This spacing unit is within 1 mile of the North Illinois Camp-Morrow Gas Pool and subject, among other things, to Division Rule 104 providing for standard 320-acre spacing unit.
- (6) Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, OXY needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.
- (7) In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for August 19, 2004.

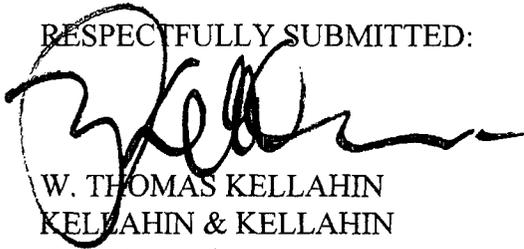
WHEREFORE, OXY, as applicant, requests that this application be set for hearing on August 19, 2004 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

- (1) OXY USA WTP LP be named operator.
- (2) Provisions for applicant and all working interest owners to participate in the costs of re-entering, completing, equipping and operating the well;
- (3) In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;

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- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



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EXHIBIT "A"

Headington Royalty, Inc.
7557 Rambler Road, Suite 1150
Dallas, Texas 75231

Chuza
P. O. Box 51010
Midland, Texas 79710
Attn: Jim Chandler

Chuza is the successor in interest to James Ray Collier, 955 Pine #35, San Francisco, CA 94108