

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

RECEIVED

JAN 28 1996

CASE NO. 11455 Oil Conservation Division

APPLICATION OF OXY USA INC. FOR
AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by OXY USA INC. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

ATTORNEY

Oxy USA Inc.
P. O. Box 50250
Midland, Texas 79710
Attn: Richard E. Foppiano
(915) 685-5913

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

STATEMENT OF CASE

APPLICANT

OXY is a working interest owner in the W/2 of Section 11, T20S, R28E and the proposed operator for the Government Nbfd Unit Well No. 1 to be drilled at an unorthodox gas well location 660 feet from the South line and 330 feet from the West line (Unit M) of said Section 11.

Based upon 3-D seismic analysis, Oxy has identified a structural feature the approximate center of which underlies the intersection of Sections 10, 11, 14 and 15 which is prospective as to some seven different hydrocarbon bearing

Pre-Hearing Statement

Case No. 11455

Page 2

formations below the top of the Wolfcamp and which is not capable of being produced by any existing wellbore in this area. Because of this unusual circumstance, it is necessary to drill the subject well at its proposed unorthodox well location in order to prevent waste.

Oxy proposes to drill its Government Nbfd Unit Well No. 1 to test for production from the top of the Wolfcamp formation including but not limited to the North Burton Flat-Wolfcamp Gas Pool, the Winchester-Morrow Gas Pool, the Winchester-Strawn Gas Pool, the North Burton Flat-Atoka Gas Pool and the Burton Flat-Morrow Gas Pool which provide for 320 acre gas spacing and proration units.

The proposed location is necessary in order to have the optimum location at which to drill this well in order to use a single wellbore to test all of these potential producing formations within this structural feature.

It is reasonable to expect that if the subject well is capable of production below the top of the Wolfcamp formation, it may be the only well necessary in order to adequately and efficiently develop all of the formations within this structural feature. All of the potential "deep gas" productive formations in this structural feature are very risky and cannot be justified by drilling a separate well at a standard "deep gas" well location in Section 10, 11, 14 or 15.

In order to protect correlative rights, Oxy proposes to utilize an Equity Agreement in which all of the working interest, royalty interest and overriding royalty interest owners in the W/2 of Section 11, the E/2 of Section 10, the N/2 of Section 14 and the N/2 of Section 15 ("the Equity Area") will participate in the subject well and in any production below the top of the Wolfcamp despite the fact the well is actually located in and to be dedicated to a spacing unit contained within the W/2 of Section 11.

All of the oil & gas leases within the Equity Area are federal leases subject to the jurisdiction of the Bureau of Land Management ("BLM") which has been requested to approve Oxy's Equity Agreement.

Because the subject well is to be located within the same gas spacing and proration unit (W/2 of Section 11) currently dedicated to two other existing gas

wells currently capable of production from two non-prorated gas pools, it will be necessary for the Division to approve that this 320-acre spacing unit can be:

(a) simultaneously dedicated to any Wolfcamp production from the subject well with Wolfcamp production from its existing Government AB Well No. 1 located 1980 feet from the West and South lines of said Section 11; and

(b) simultaneously dedicated to any Morrow production from the subject well with Morrow production from its existing Government AB Well No. 5 located 660 feet from the West line and 1980 feet from the North line of said Section 11.

PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Bob Doty (geologist)	45-60 Min	est. 12
Mike Kovarik (PE)	30-45 Min	est. 10
Kent Woolley (landman)	30 Min.	est. 5

PROCEDURAL MATTERS

None at this time.

KELLAHIN AND KELLAHIN

By: 
W. Thomas Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504