

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

March 13, 2001

HAND DELIVERED

Ms. Lori Wrottenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Case 12630

01 MAR 13 PM 4:17

OIL CONSERVATION DIV

**Re: Bug State Well No. 1
W/2 Section 21, T17S, R28E
Application of OXY USA WTP Limited Partnership
for Compulsory Pooling
Eddy County, New Mexico**

Dear Ms. Wrottenbery:

On behalf of OXY USA WTP Limited Partnership, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for April 5, 2001. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: OXY USA WTP Limited Partnership
Attn: Richard Foppiano
Douglas W. Hurlbut

CASE 12630: Application of OXY USA WTP Limited Partnership for compulsory pooling, Eddy County, New Mexico. Applicant, in accordance with Division Rule 1207.A(1)(b), seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the W/2 Section 21, T17S, R28E, NMPM, Eddy County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools spaced on 320-acre spacing, including but not limited to the Empire Pennsylvanian Gas Pool. This unit is to be dedicated to its Bug State Well No. 1 which was drilled and completed at a standard well location in Unit N of this section. This unit is located approximately 11 miles east from Artesia, New Mexico. **IN THE ABSENCE OF OBJECTION THIS MATTER WILL BE TAKEN UNDER ADVISEMENT**

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

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

CASE NO. 12630

A P P L I C A T I O N

OXY USA WTP Limited Partnership ("OXY") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) and Division Rule 1207.A(1)(b), applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the W/2 Section 21, T17S, R28E, NMPM, Eddy County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools spaced on 320-acre spacing, including but not limited to the Empire-Pennsylvanian Gas Pool. This unit is to be dedicated to its Bug State Well No. 1 which was drilled and completed at a standard well location in Unit N of this section.

In support of its application, OXY states:

1. OXY has a working interest ownership in the oil and gas minerals from the surface to the base of the Morrow formation underlying the W/2 of Section 9, T17S, R28E, NMPM, Eddy County, New Mexico.
2. This well will be located within one mile of the Empire-Pennsylvanian Gas Pool.
3. This well was drilled at a standard well location in the SE/4NW/4 (Unit N) of Section 21 to test any and all formations in the pooled interval from the surface to the base of the Morrow formation.
4. OXY has the voluntary agreement of 100% of the working interest ownership of the oil & gas minerals from the surface to the base of the Morrow formation underlying the various possible spacing units within this unit.

5. The W/2 of Section 21 consists of three tracts:

Tract 1 is a federal lease covering the SW/4NW/4

Tract 2 is a federal lease covering the N/2NW/4 and SW/4NW/4

Tract 3 is a state lease covering the SW/4

6. Walter Granberry, Jr. is one of the record title owners of Tract 1 and Tract 3 and has a 6.25% ORR covering the NE/4SW/4. He has no working interest in the spacing unit.

7. Because the spacing unit consists of multiple leases, a communitization agreement is necessary to consolidate the interests.

8. OXY, despite its good faith effort, has been unable to obtain Walter Granberry, Jr.'s ratification of the communitization agreement. See Exhibit "A".

9. 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.

10. OXY requests that this application be processed in accordance with Division Rule 1207.A(1)(b) and at the time of hearing will submit the data required by this rule.

11. 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 "B" 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 April 5, 2001.

WHEREFORE, OXY USA, Inc., as applicant, requests that this application be set for hearing on April 5, 2001 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 units for the drilling of the this well at a standard well location upon terms and conditions which include:

(1) OXY USA, Inc. be named operator;

NMOCD Application
Oxy USA, Inc.
Page 3

- (2) Provisions for pooling Walter Granberry, Jr.'s interest in this spacing unit
- (3) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

NAME AND LAST KNOWN ADDRESS

Walter Granberry, Jr.
3801 24th Street
Lubbock, Texas 79410