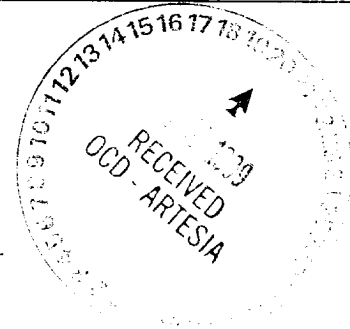




**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

August 10, 1999



**OXY USA, Inc.
P. O. Box 50250
Midland, Texas 79710-0250
Attention: David Stewart**

Administrative Order NSL-4340

Dear Mr. Stewart:

Reference is made to the following: (i) your application dated August 3, 1999; and (ii) the records of the New Mexico Oil Conservation Division in Santa Fe ("Division"): all concerning OXY USA, Inc.'s request for a non-standard gas well location to be applicable to any and all formations and/or pools from the top of the Wolfcamp to the base of the Morrow formation that are:

- (1) developed on 320-acre spacing; and
- (2) governed under the provisions of either Division Rule 104.B(1)(a) or 104.C(2)(b), which presently includes but is not necessarily limited to the Grayburg-Strawn Gas Pool, Undesignated Grayburg-Atoka Gas Pool, Undesignated Grayburg-Morrow Gas Pool and Undesignated South Empire-Morrow Gas Pool.

The S/2 of Section 33, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico is to be dedicated to this well in order to form a standard 320-acre gas spacing and proration unit. This unit is to be dedicated to the proposed OXY Bay State Well No. 1 to be drilled 1170 feet from the South line and 1650 feet from the East line (Unit O) of Section 33.

The application has been duly filed under the provisions of Division Rule 104.F.

By the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox gas well location within this 320-acre unit comprising the S/2 of Section 33 is hereby approved.

Sincerely,

Lori Wrotenberg
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe