



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

July 15, 1998

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

Administrative Order NSL-4092

Dear Mr. Stewart:

Reference is made to your application dated June 24, 1998 for an unorthodox gas well location in the South Carlsbad-Morrow Gas Pool for your proposed OXY Caboose State Well No. 1 to be drilled 1980 feet from the North line and 1650 feet from the West line (Unit F) of Section 27, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico.

The N/2 of Section 27 being a standard 320-acre gas spacing and proration unit for the South Carlsbad-Morrow Gas Pool is to be dedicated to this well.

Rules, regulations, and policies currently governing the South Carlsbad-Morrow Gas Pool include, but are not necessarily limited to, the following:

- (i) Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division");
- (ii) the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the South Carlsbad-Morrow Gas Pool*," as promulgated by Division Order No. R-8170, as amended, which includes provisions for 320-acre spacing and requirements for well locations to be no closer than 660 feet to the side boundary nor 1980 feet from the end boundary of the proration unit nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary;
- (iii) Division Order No. R-10328, issued by the New Mexico Oil Conservation Commission in Case No. 11211 on March 27, 1995, which suspended gas prorationing in the South Carlsbad-Morrow Gas Pool; and,
- (vi) Division General Rule 104.D(3), which limits the number of wells in a single spacing unit in non-prorated pools to one.

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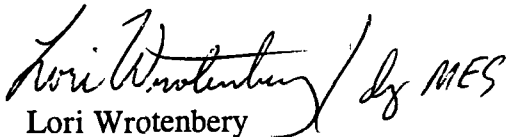
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The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Morrow formation than a well drilled at a location considered to be standard within the NW/4 of Section 27 for the South Carlsbad-Morrow Gas Pool.

By the authority granted me under the provisions of RULE 2(d) of the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the South Carlsbad-Morrow Gas Pool*," as promulgated by Division Order No. R-8170, as amended, and Division General Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery / by MES".

Lori Wrotenbery
Director

LW/MES/kv

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