



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

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Mark Fesmire

Division Director

Oil Conservation Division



August 30, 2010

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

Administrative Order NSL-6248

**Re: Lost Tank 3 Federal Well No. 19
API No. 30-015-37952
2558 feet FNL & 185 feet FWL
Unit E, Section 3-22S-31E
Eddy County, New Mexico**

Dear Mr. Stewart:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW10-23847463**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on August 26, 2010, and

(b) the Division's records pertinent to this request.

OXY USA, Inc. (OXY) has requested to drill the above-referenced well as a directional well in the Delaware formation, at a location that will be unorthodox under Division Rule 16.14.B(2). The proposed surface location, point of penetration and terminus of the well are as follows:

Surface Location: 2558 feet from the North line and 185 feet from the West line
(Unit E) of Section 3, Township 22S, Range 31E, NMPM,
Eddy County, New Mexico

Point of Penetration: same as surface location

Terminus 549 feet from the South line and 661 feet from the West line
(Unit M) of said section

Oil Conservation Division

1220 South St. Francis Drive • Santa Fe, New Mexico 87505

Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/OCD

All of Section 3 will be dedicated to the proposed well to form a project area consisting of 16 spacing units in the West Lost Tank-Delaware Pool (96582), all of which, we understand, have common ownership. This pool is governed by statewide Rule 15.9.A, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is unorthodox because portions of the producing interval will be less than 330 feet from the western boundary of the project area, and therefore outside the producing area.

Your application has been duly filed under the provisions of Division Rules 15.13 and 4.12.A(2).

It is our understanding that you are seeking this location to conform to United States Bureau of Land Management potash area drilling restrictions. It is further understood notice of this application to offsetting operators or owners is not required due to common ownership, and because the only affected operator has executed a waiver of objection, which was filed with your application.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Acting Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
United States Bureau of Land Management