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January 27, 2012

**VIA HAND DELIVERY**

Jami Bailey, Director  
Oil Conservation Division  
New Mexico Department of Energy  
Minerals and Natural Resources  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Case 14798  
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**Re: Application of OXY USA WTP Limited Partnership for Non-Standard Oil  
and Proration Unit and Compulsory Pooling, Eddy County, New Mexico.**

Dear Ms. Bailey:

Enclosed please find the Application for a Non-Standard Oil and Proration Unit and Compulsory Pooling by OXY USA WTP Limited Partnership, as well as a copy of the legal advertisement. Applicant requests that these matters be placed on the March 1, 2012 Examiner hearing docket.

Sincerely,

Adam G. Rankin

AGR

**Holland & Hart LLP**

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

**IN THE MATTER OF THE APPLICATION  
OF OXY USA WTP LIMITED PARTNERSHIP  
FOR A NON-STANDARD OIL AND PRORATION  
UNIT AND COMPULSORY POOLING, EDDY  
COUNTY, NEW MEXICO.**

CASE NO. 14798

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**APPLICATION**

OXY USA WTP Limited Partnership (“OXY”) through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order: (1) creating a non-standard 180-acre, more or less, oil spacing and proration unit in the Bone Spring formation, comprised of Lot 4, Section 31, Township 18 South, Range 31 East, and Lots 4, 5, 6, and 7 in Section 6, Township 19 South, Range 31 East, N.M.P.M., Eddy County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation underlying this proposed non-standard spacing and proration unit. This proposed non-standard spacing and proration unit will be the project area for the Samantha 31-6 Federal Com. No. 1H, to be horizontally drilled from a standard surface location 990 feet from the South line and 450 feet from the West line of Lot 4 of said Section 31 to a bottom-hole terminus at a location 330 feet from the South line and 660 feet from the West line of Lot 7 of said Section 6. In support of this application OXY states:

1. OXY is an interest owner in the subject lands and has the right to drill a well thereon.

2. OXY proposes to drill its Samantha 31-6 Federal Com. No. 1H to a depth sufficient to test the Bone Spring formation.

3. OXY seeks to dedicate Lot 4 of said Section 31 and Lots 4, 5, 6, and 7 of said Section 6 to the proposed well to form a non-standard 180-acre, more or less, oil spacing and proration unit (the "project area").

4. OXY has sought but been unable to obtain a voluntary agreement from all mineral interest owners in the Bone Spring formation underlying the proposed project area to participate in the drilling of the well or to otherwise commit their interests to the well.

5. Approval of the non-standard unit and the pooling of all mineral interests in the Bone Spring formation underlying the proposed project area will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, OXY requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 1, 2012, and, after notice and hearing as required by law, the Division enter its order:

- A. Creating a non-standard oil spacing and proration unit ("project area") in the Bone Spring formation comprised of Lot 4 of Section 31, Township 18 South, Range 31 East, and Lots 4, 5, 6, and 7 of Section 6, Township 19 South, Range 31 East, N.M.P.M., Eddy County, New Mexico;
- B. Pooling all mineral interests in the Bone Spring formation underlying this non-standard spacing and proration unit;
- C. Designating OXY as operator of this unit and the well to be drilled thereon;

- D. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners and authorizing OXY to recover its costs of drilling, equipping and completing the well;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

HOLLAND & HART LLP

By: 

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**ATTORNEYS FOR OXY USA WTP LIMITED  
PARTNERSHIP**

CASE 14798:

**Application of OXY USA WTP Limited Partnership for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order: (1) creating a non-standard 180-acre, more or less, oil spacing and proration unit in the Bone Spring formation, comprised of Lot 4, Section 31, Township 18 South, Range 31 East, and Lots 4, 5, 6, and 7 in Section 6, Township 19 South, Range 31 East, N.M.P.M., Eddy County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation underlying this proposed non-standard spacing and proration unit. This proposed non-standard spacing and proration unit will be the project area for the Samantha 31-6 Federal Com. No. 1H, to be horizontally drilled from a standard surface location 990 feet from the South line and 450 feet from the West line of Lot 4 of said Section 31 to a bottom-hole terminus at a location 330 feet from the South line and 660 feet from the West line of Lot 7 of said Section 6. Also to be considered will be the cost of drilling and completing said well, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of OXY USA WTP Limited Partnership as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 18 miles southeast of Locohills, New Mexico.