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

**AMENDED APPLICATION OF OXY USA INC.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 20447

OXY'S PRE-HEARING STATEMENT

This pre-hearing statement is submitted by OXY USA Inc. ("OXY") as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

OXY USA Inc.

ATTORNEY

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Attorneys for OXY USA Inc.

STATEMENT OF THE CASE

OXY seeks an order pooling all uncommitted interests in the Bone Spring formation (Red Tank; Bone Spring, East [Pool Code 51687]) from a depth of 9,100 feet to a depth of 10,591 feet within a proposed 640-acre, more or less, horizontal spacing unit comprised of the W/2 of Sections 30 and 31, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico. This spacing unit will be dedicated to following proposed wells:

- **Avogato 30 31 State Com 11H Well**, which will be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 30 to a standard bottom hole location in the SW/4 SW/4 (Unit M) of Section 31;
- **Avogato 30 31 State Com 12H Well**, which will be horizontally drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 30 to a standard bottom hole location in the SE/4 SW/4 (Unit N) of Section 31; and
- **Avogato 30 31 State Com 13H Well** which will be horizontally drilled from a surface location in the NW/4 NE/4 (Unit B) of Section 30 to a standard bottom hole location in the SE/4 SW/4 (Unit N) of Section 31.

Pursuant to NMAC 19.15.16.15(B)(1)(b), OXY will incorporate the W/2 W/2 of Sections 30 and 31 into its horizontal spacing unit. Incorporating the proximity tracts, the completed interval for the **Avogato 30 31 State Com 12H Well** is at an orthodox well location pursuant to the Statewide rules for oil wells.

A depth severance exists in the Bone Spring formation within the proposed horizontal spacing unit. Accordingly, OXY seeks to pool only a portion of the Red Tank; Bone Spring, East Pool [Pool Code 51687] from a depth of 9,100 feet to a depth of 10,591 feet. The top of the pool is at a stratigraphic equivalent of 8,785 feet measured depth and the bottom of the pool is at a stratigraphic equivalent of 12,088 feet measured depth, as defined in the Red Tank 31 State 5H Pilot (API No. 30-025-41885). OXY will provide notice of this hearing to the vertical offset parties within the pool who are not subject to this pooling application. Concurrently with this application, OXY also is seeking to pool the portion of this pool below this depth severance in a separate application for compulsory pooling, which has been assigned Case No. 20448.

Since the proposed wells will be simultaneously drilled and completed, OXY requests an extension of the time period to drill and complete the initial well from 120 days to 365 days.

APPLICANT'S PROPOSED EVIDENCE

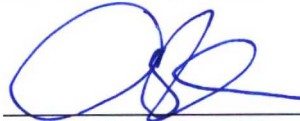
WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Amber Delach, Landman	Via Affidavit	Approx. 5
Kathryn Fry, Geologist	Via Affidavit	Approx. 4

PROCEDURAL MATTERS

If this application is unopposed, OXY will present this case by affidavit.

Respectfully submitted,

HOLLAND & HART LLP



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