

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

January 5, 1996

HAND DELIVERED

Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

RECEIVED

JAN 5 1996

Oil Conservation Division

Re: Oxy 33 Federal Well No. 1
Application of Oxy USA Inc.
for an Unorthodox Gas Well Location,
Eddy County, New Mexico

11-156

Dear Mr. LeMay:

On behalf of Oxy USA Inc., please find enclosed our application for an unorthodox gas well location for its Oxy 33 Federal Well No. 1 which we request be set for hearing on the Examiner's docket now scheduled for February 8, 1996. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Oxy USA Inc.
Attn: Richard Foppiano

RECEIVED

JAN 5 1996

Oil Conservation Division

Proposed notification/advertisement for OCD docket

Case 11458 : Application of Oxy USA Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to drill its Oxy 33 Federal Well No. 1 at an unorthodox gas well location 510 feet from the South line and 660 feet from the East line (Unit P) of Section 33, Township 19 South, Range 28 East, NMPM. The S/2 of Section 33 is to be dedicated to this well forming a standard 320-acre gas spacing and proration unit for any and all production from the top of the Wolfcamp formation to the base of the Morrow formation. Applicant further requests approval of the unorthodox well location as to all prospective pools or formations including but not limited to the North Burton Flat-Wolfcamp Gas Pool, the Winchester-Morrow Gas Pool, the Winchester-Strawn Gas Pool and the Angell Ranch Atoka-Morrow Gas Pool. Said well is located approximately 9 miles east of Lakewood, New Mexico.

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

RECEIVED

JAN 5 1996

Oil Conservation Division

IN THE MATTER OF THE APPLICATION OF
OXY USA INC. FOR APPROVAL
OF AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO

CASE: 11458

APPLICATION

Comes now OXY USA INC., by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division for approval to drill its Oxy 33 Federal Well No. 1 at an unorthodox gas well location 510 feet FSL and 660 feet FEL (Unit P) Section 33, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico for any and all gas production from the Bone Springs formation to the base of the Morrow formation forming a standard 320-acre gas spacing and proration unit consisting of the S/2 of said section for any and all production from the top of the Wolfcamp formation to the base of the Morrow formation including but not limited to the North Burton Flat-Wolfcamp Gas Pool, the Winchester-Morrow Gas Pool, the Winchester-Strawn Gas Pool and the Angell Ranch-Atoka Morrow Gas Pool and forming a standard 80-acre gas spacing and proration unit consisting of the S/2SE/4 of Section 33 for any gas production from the Old Millman Ranch-Bone Springs Associated Pool. Applicant further requests approval of the unorthodox well location as to all prospective pools or formations.

In support thereof, Applicant states:

1. Applicant, Oxy USA Inc. ("OXY"), is a working interest owner in the S/2 of Section 33, T19S, R28E and the proposed operator for the Oxy 33 Federal Well No. 1 to be drilled at an unorthodox gas well location 510 feet from the south line and 660 feet from the east line of said Section 33 as set forth on Exhibit "A" attached.

2. Oxy proposes to drill its Oxy 33 Federal Well No. 1 to test for production from the surface to the base of the Morrow formation including but not limited to the Old Millman Ranch-Bone Springs Associated Pool which provides for 80 acre gas spacing and proration units and the North Burton Flat-Wolfcamp Gas Pool and the Winchester Morrow Gas Pool both of which provide for 320 acre gas spacing and proration units.

3. In the event the well is completed for gas production in the Old Millman Ranch Bone Spring Associated Pool, a standard 80-acre gas spacing unit consisting of the S/2SE/4 of Section 33 will be dedicated to the well and if completed for gas production below the top of the Wolfcamp formation then a standard 320-acre gas spacing and proration unit consisting of the S/2 of Section 33 will be dedicated to the well.

4. The well is within the current boundaries of the Old Millman Ranch-Bone Springs Associated Pool and therefore is subject to Special Rules and Regulations set forth in Order R-5353-M-1 (March 2, 1995) which provide in Rule 2(b) that:

"Gas wells shall be located within 150 feet of the center of either quarter-quarter section or lot."

5. The well will be located at a standard well location for any oil production and for gas production from the Bone Springs formation but will be at an unorthodox gas well location for any production below the top of the Wolfcamp formation.

6. Geologic and engineering evaluations have concluded that the optimum location in this spacing unit to test the Bone Springs formation is at the proposed location.

7. However, all of the potential gas productive formations below the top of the Wolfcamp are very risky and cannot be justified by drilling a separate well at a standard "deep gas" well location in the S/2 of Section 33.

8. Geologic and engineering evaluations have concluded that the proposed location is necessary in order to have the optimum location at which to drill this well in order to use a single wellbore to test all of these potential producing formations within the subject spacing units.

9. Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the hydrocarbons in these formations and will otherwise prevent waste and protect correlative rights.

10. In accordance with Division Rule 1207, notification is being sent to those parties listed on Exhibit "B".

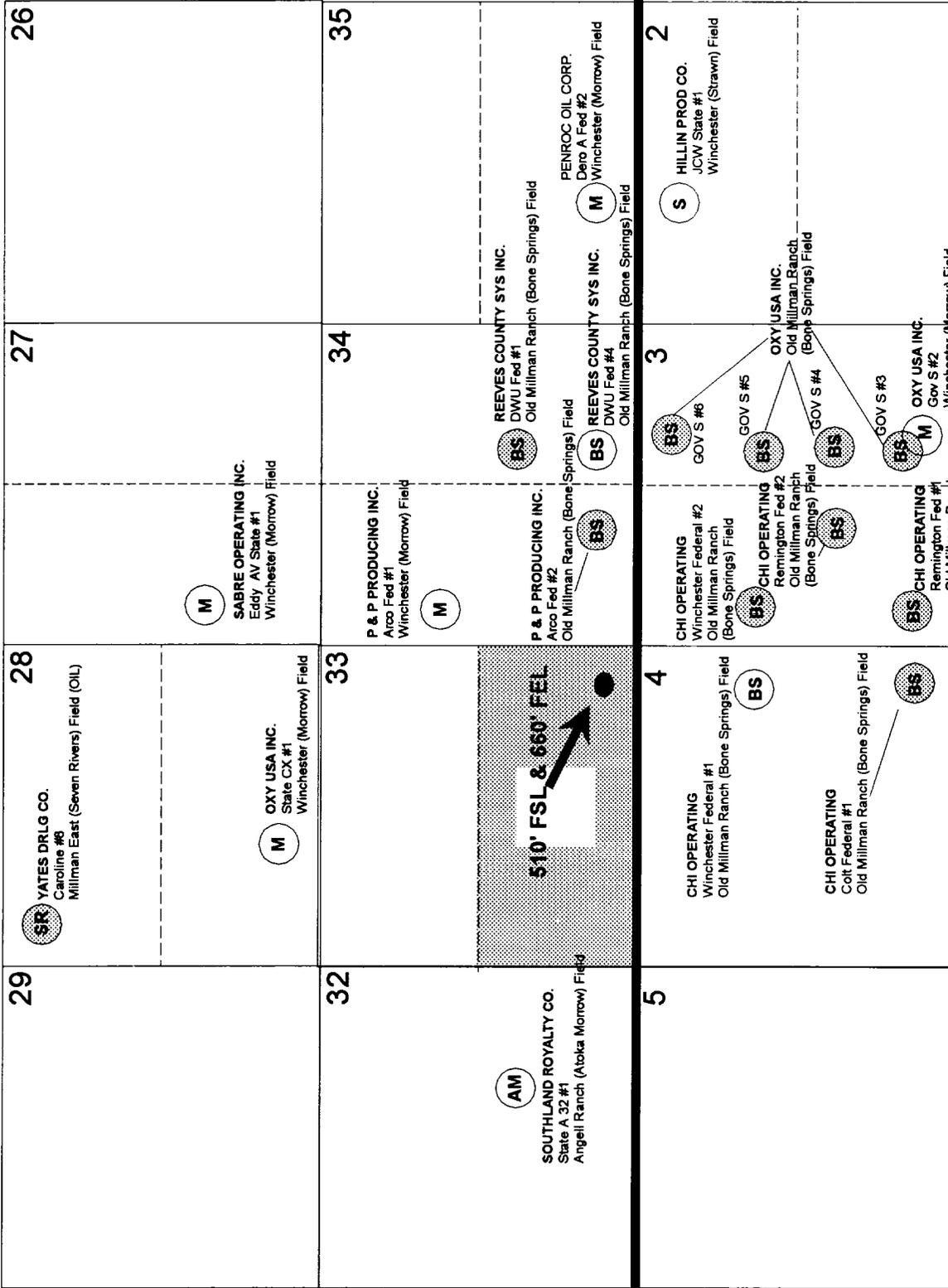
WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

BY 

W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285
Attorneys for Applicant

Note: Shaded Circle indicates oil well. Only active wells are shown. Well spots accurate to within a 40 acre unit.



19 S-28 E
20 S-28 E

OXY FEDERAL 33-1 Well

EXHIBIT
A

EXHIBIT "B"

Chi Energy, Inc.
P.O. Box 1799
Midland, Texas 79701

Don Hoffman
Quay Route
Tucumcari, New Mexico 88401

Maurice Mordka
1800 N. Grady
Tucson, AZ 85715

Mark Owen
Post Office Box 1799
Midland, Texas 79702

Michael D. Hayes
P.O. Box 1799
Midland, Texas 79702

D.H. Essex Agency Account
303 W. Wall
Ste. 902
Midland, Texas 79701

JTI Inc.
5801 E. 41st.
Ste. 603
Tulsa, OK 74135

W.D. Kennedy
550 W. Texas
Ste. 1255
Midland, Texas 79701

M. Elizabeth Locker
1610 Gulf
Midland, Texas 79705

EXHIBIT "B" (continued)

Maralo, Inc.
Five Post Oak Park
Ste. 1010
Houston, Texas 77027-3489

Siete Oil & Gas Corporation
PO Box 2523
Roswell, New Mexico 88202

Parker & Parsley Development Company
303 West Wall
Ste. 101
Midland, Texas 79701

JW and Alice G. Davis
45 Reserve Ave. SW
PO Box 8160
Roanoke, VA 24014

CALKAY
PO Box 4109
Winston-Salem, NC 27105

John S. Ross, Jr.
1701 Mud Lick Road SW
Roanoke, VA 24018

Olin Garrett
2728 Colonial Ave. SW
Ste. 12
Roanoke, VA 24014

Paul Umbarger and
Zofia M. Unbarger
5048 Hunting Hills Sq.
Roanoke, VA 24014

EXHIBIT "B" (continued)

Mrs. Myrlene M. Dillon
#4 Churchill Way
Midland, TX 79705

John Huffman
c/o Jerrell Huffman
4618 Tyon Road
Longview, TX 75605

John R. Kline MD
5045 E. St Andrews
Tucson, AZ 85718

Duer Wagner, Jr.
Attn: Kelly McKee
3400 City Center Tower II
301 Commerce St.
Fort Worth, TX 76102

Asher Resources
100 Sandau
Ste. 300
San Antonio, TX 78216

Gerald L. Michaud
PO Box 702140
Wichita, KS 67278

John G. Rocovich Jr.
PO Box 13676
Roanoke, VA 24034