



OXY USA Inc.
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P.O. Box 27570, Houston, TX 77227-7570

July 7, 1999

Ms. Lori Wrotenbery, Chairman
Oil Conservation Commission
2040 South Pacheco Street
Santa Fe, New Mexico 87505

** BY FAX **

Re: Commission Case Number 12119, Revisions to Statewide Rule 104

Dear Lori:

OXY USA Inc. is actively developing deep gas potential in Southeast New Mexico. In fact, in terms of drilling activity, that's all we've been doing in New Mexico for the last several years. Consequently, we have had to request exceptions to Rule 104 many times, and we have received notice of similar requests as an offsetting party. The need for numerous exceptions to Rule 104 clearly reveal that it is time to change this rule. Doing so will level the playing field for everyone, and provide for more effective development of New Mexico's deep gas reserves in the Morrow, Atoka and other Pennsylvanian sands in the Southeast. The proposed changes to Rule 104 will accomplish these goals. They represent a bold and significant step in streamlining regulatory processes. We support their adoption and commend you and your staff for providing leadership in this area.

In listening to some of the comments of other companies regarding these proposed changes, there appear to be nagging concerns about force-pooling in the context of an infill well. First, I think the decision to adopt changes to Rule 104, particularly the infill provision for deep gas units in SE New Mexico, should be made on its own. If we have a problem with force-pooling, then let's deal with it as a separate issue. Everyone wants to avoid the "Oklahoma experience." I handled Oklahoma regulatory matters for my company in the late 1980's, and our proposed infill provision in Rule 104 is a long way from their increased density process. Clearly though, an important issue has been raised in force-pooling: pooling by the wellbore vs. pooling by the unit. We should consider this closely and carefully, and separately from the Rule 104 changes, before we make any statutory or policy modifications.

I plan to attend the July 15th commission hearing and answer any questions that you might have about these comments. Thank you for the opportunity to participate in this rulemaking.

Sincerely,

A handwritten signature in cursive script that reads "Rick".

Richard E. Foppiano, P.E.
Senior Advisor - Regulatory Affairs

REF:ref

CC: Greg Hardin, Bob Doty, Gary Timmerman, Conrad Joseph