

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

February 12, 1999

VIA FACSIMILE**(505) 827-1877**

Mr. Mark Ashley, Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87504

*Re: NMOCD Case 12127
Application of OXY USA Inc.
for compulsory pooling
Eddy County, New Mexico*

Dear Mr. Ashley:

Please find attached OXY USA Inc.'s prehearing statement for the referenced case currently set for hearing on February 18, 1999. OXY has reached a voluntary agreement with all parties except for Jalapeno Corporation and Cibola Energy Corporation who collectively have about 2% of the working interests. This case is uncontested.

Due to a prior commitment, I will not be available to represent OXY at the hearing. Mr. Carr has agreed to present their case.

Very truly yours,



W. Thomas Kellahin

cfx: William F. Carr, Esq.
OXY USA Inc.
Attn: Rick Foppiano

W
2-16-99

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

K 2/15/99

**APPLICATION OF OXY USA INC.
CORPORATION FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 12127

PRE-HEARING STATEMENT

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

APPEARANCE OF PARTIES

APPLICANT

OXY USA Inc.
P. O. Box 27470
Houston, Texas 77227
Attn: Rick Foppiano
713-215-7317
(505) 988-4421

ATTORNEY

William F. Carr, Esq.
Paul Owen, Esq.
Campbell Carr Berge & Sheridan
P.O. Box 2208
Santa Fe, NM 87504

STATEMENT OF CASE

Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this E/2 of Section 33, T16S, R27E, NMPM, Eddy County, New Mexico, Applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

NMOCD Case 12127
Prehearing Statement
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Applicant requests an order pooling the mineral interest of described in this spacing unit for the drilling of its Lucky Dog State Well No. 1 at a standard gas well location for potential production from the Morrow and other formations upon terms and conditions which include:

- (1) OXY USA Inc. be named operator;
- (2) The order make provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) A provision for overhead rates and a method for adjusting those rates in accordance with COPAS accounting procedures;
- (5) For such other and further relief as may be proper.

PROPOSED EVIDENCE

APPLICANT:

WITNESSES

EST. TIME EXHIBITS

Richard Foppiano (land)

20 min. @ 6 exhibits

Bob Doty (geologist)

15 Min. @ 2 exhibits

PROCEDURAL MATTERS

None anticipated at this time.

KELLAHIN AND KELLAHIN

By: 

W. Thomas Kellahin

P.O. Box 2265

Santa Fe, New Mexico 87504

(505) 982-4285