

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

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)

February 9, 1999

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

OIL CONSERVATION DIV.
99 FEB 10 AM 3:02

Re: OXY's Bobcat Federal Well No. 1
S/2 Section 19, T18S, R29E
Application of OXY USA INC.
for compulsory pooling and a
non-standard proration unit
Eddy County, New Mexico

12134

Dear Ms. Wrotenbery:

On behalf of OXY USA Inc., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for March 4, 1999. 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 E. Foppiano

OIL CONVEYANCE DIV.
99 FEB 10 AM 3:14

CASE 12134: Application of OXY USA INC., Eddy County, New Mexico. Applicant seeks approval of a non-standard gas proration and spacing unit and an order pooling all mineral interests from 2450 feet below the surface to 12,260 feet (base of the Morrow formation) underlying the following described acreage in Irregular Section 19, T18S, R29E, NMPM, Eddy County, New Mexico and in the following manner: the S/2 equivalent to form a non-standard 303.37-acre spacing and proration unit consisting of the SE/4, E/2SW/4, Lot 3 and Lot 4 for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the Dog Canyon-Strawn Gas Pool or the Crow Flats-Morrow Gas Pool. The unit is to be dedicated to its OXY's Bobcat Federal Well No. 1 to be drilled and completed at a standard gas well location in Unit N of this section. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in this well. This unit is located approximately 17 miles southeast of Artesia, New Mexico.

CASE 12134: Application of OXY USA INC., Eddy County, New Mexico. Applicant seeks approval of a non-standard gas proration and spacing unit and an order pooling all mineral interests from 2450 feet below the surface to 12,260 feet (base of the Morrow formation) underlying the following described acreage in Irregular Section 19, T18S, R29E, NMPM, Eddy County, New Mexico and in the following manner: the S/2 equivalent to form a non-standard 303.37-acre spacing and proration unit consisting of the SE/4, E/2SW/4, Lot 3 and Lot 4 for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the South Empire-Morrow Gas Pool, the North Turkey Track-Morrow Gas Pool, the Empire-Strawn Gas Pool and the Turkey Track-Atoka Gas Pool. The unit is to be dedicated to its OXY's Bobcat Federal Well No. 1 to be drilled and completed at a standard gas well location in Unit N of this section. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in this well. This unit is located approximately 17 miles southeast of Artesia, New Mexico.

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

IN THE MATTER OF THE APPLICATION
OF OXY USA INC. FOR COMPULSORY POOLING
AND A NON-STANDARD GAS PRORATION
AND SPACING UNIT, EDDY COUNTY, NEW MEXICO.

CASE NO. 12134

OIL CONSERVATION DIV.
99 FEB 10 AM 3:14

A P P L I C A T I O N

Comes now OXY USA INC., by its attorneys, Kellahin & Kellahin and, in accordance with NMSA 1978, Section 70-2-17(c), applies to the New Mexico Oil Conservation Division for approval of a non-standard gas proration and spacing unit and an order pooling all mineral interests from the 2450 feet below the surface to 12,260 feet (the base of the Morrow formation) underlying the following described acreage in Irregular Section 19, T18S, R29E, NMPM, Eddy County, New Mexico and in the following manner: the S/2 equivalent to form a non-standard 303.37-acre spacing and proration unit consisting of the SE/4, E/2SW/4 Lot 3 and Lot 4 for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the South Empire-Morrow Gas Pool, the North Turkey Track-Morrow Gas Pool, the Empire-Strawn Gas Pool and the Turkey Track-Atoka Gas Pool. The unit is to be dedicated to its OXY's Bobcat Federal Well No. 1 to be drilled and completed at a standard gas well location in Unit N of this section. Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in this well.

In support of its application, OXY USA INC., ("OXY") states:

1. OXY has a working interest ownership in the oil and gas minerals from 2450 feet below the surface to 12,260 feet (being the base of the Morrow formation) underlying a portion of the S/2 equivalent of Irregular Section 19, T18S, R29E, NMPM, Eddy County, New Mexico.

NMOCD Application

OXY USA Inc.

-Page 2-

2. OXY has proposed a well to be drilled at a standard gas well location in Unit N of this Section and the dedication of the well to a 303.37 acre non-standard gas spacing unit consisting of SE/4, E/2SW/4, Lot 3 and Lot 4.

3. Despite its good faith efforts, OXY has been unable to obtain a written voluntary agreement from those remaining working interest owners or unleased mineral owners listed on Exhibit "A."

4. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, OXY needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

5. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for March 4, 1999.

WHEREFORE, OXY, as applicant, requests that this application be set for hearing on March 4, 1999 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interests described in the appropriate spacing unit for the drilling of the this gas well location upon terms and conditions which include:

- (1) OXY USA INC. be named operator;
- (2) Provisions for applicant and all working interest and unleased mineral owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest or unleased mineral 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) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;

NMOCD Application
OXY USA Inc.
-Page 3-

(5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

Exhibit "A"

Harvey E. Yates Company
P.O. Box 1933
Roswell, New Mexico 88202-1933