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NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

December 28, 1999

HAND DELIVERED

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

Case 12327

99 DEC 28 PM 3:05

OIL CONSERVATION DIV.

Re: Application of OXY USA, Inc. to rescind Division Order R-4638 which adopted the special rules and regulations for the West Parkway-Strawn Gas Pool and the West Parkway-Atoka Gas Pool, or in the alternative, for an unorthodox well location, Eddy County, New Mexico.

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 January 20, 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: Mr. Richard E. Foppiano

PROPOSED ADVERTISEMENT

CASE 12327 Application of OXY USA, Inc. to rescind Division Order R-4638 which adopted the special pool rules for the West Parkway-Strawn Gas Pool and the West Parkway-Atoka Gas Pool, or in the alternative, for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks an order rescinding the special pool order for the West Parkway-Atoka Gas Pool and the West Parkway-Strawn Gas Pool so that all existing and future wells and their respective spacing and proration units which are now subject to this order will be governed by the provisions of Division General Rules including Rule 104. In the alternative, applicant seeks an unorthodox well location in both of these pools for its Pearl Well No. 2, which is a well being drilled to the Morrow formation at a location 860 feet FNL and 660 feet FEL of Section 32, T19S, R29E, and to be dedicated to the E/2 of this section. The current boundaries of these pools includes all or portions of Sections 21, 27, 28, 29, 30 and 34, T19S, R29E, NMPM. These pools are located in the approximately 7 miles north from the intersection of State Highway No 31 and US Highway No. 180, New Mexico.

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

**APPLICATION OF OXY USA INC.
TO RESCIND DIVISION ORDER R-4638
WHICH ADOPTED THE SPECIAL POOL ORDERS
FOR THE WEST PARKWAY-ATOKA AND WEST
PARKWAY-STRAWN GAS POOLS OR, IN THE
ALTERNATIVE, FOR AN UNORTHODOX GAS WELL
LOCATION, EDDY COUNTY, NEW MEXICO.**

CASE NO. 12327

APPLICATION

Comes now OXY USA INC. ("OXY"), by its attorneys Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division for an order rescinding Division Order R-4638, which is the special pool order for the West Parkway-Atoka Gas Pool and the West Parkway-Strawn Gas Pool, so that all existing and future wells and their respective spacing and proration units which are now subject to this order will be governed by the provisions of Division General Rules including Rule 104. In the alternative, applicant seeks an unorthodox well location in both of these pools for its Pearl Well No. 2, which is a well being drilled to the Morrow formation at a location 860 feet FNL and 660 feet FEL of Section 32, T19S, R29E, and to be dedicated to the E/2 of this section, and in support thereof states:

1. On December 2, 1999, the Division approved OXY's application for permit to drill its Pearl State Well No. 2 at a standard gas well location for a well subject to the West Parkway-Morrow Gas Pool. The well is being drilled at a location 860 feet FNL and 660 feet FEL of Section 32, T19S, R29E and is dedicated to a standard 320-acre gas proration and spacing unit ("GPU") consisting of the E/2 of this section.

2. However, in the event this well is also capable of gas production from either the Atoka or Strawn formation it will be subject to the special rules and regulations for the West Parkway-Atoka Gas Pool and the West Parkway-Strawn Gas pool, each of which provide for wells not being closer than 1980 feet from the end boundary nor closer than 660 feet to a side boundary of a GPU.

3. Accordingly, OXY requests that its well be approved as a well at an unorthodox gas well location in the West Parkway-Atoka Gas Pool and/or the West Parkway-Strawn Gas Pool.

4. In the alternative, OXY requests that the Division rescind Division Order R-4638, the special rules for the West Parkway-Atoka Gas Pool and the West Parkway-Strawn Gas Pool, in order to allow all existing and future wells subject to these pool rules to be governed by the provisions of Division General Rule 104.

5. On October 11, 1973, the Division issued Order R-4638 which established the West Parkway-Atoka Gas Pool and West Parkway-Strawn Gas Pool and adopted special rules and regulations including:

Rule 2: the presumption that each 320-acre GPU is limited to one well (See Finding (8) of Order R-4038;

Rule 4: confining well location to being not closer than 1980 feet from the end boundary of a GPU;

Rule 5: which sets gas production limits for each GPU

Rules 9 to 18: which deal with prorationing of gas and assignment of allowables for the GPUs in these pools based upon the assumption that these are retrograde condensate reservoirs. See Finding (6) of Order R-4038.

6. The current boundaries for the West Parkway-Strawn Gas Pool are as follows:

Township 19 South, Range 29 East, NMPM
Section 28: N/2

7. The current boundaries for the West Parkway-Atoka Gas Pool are as follows:

Township 19 South, Range 29 East, NMPM

Section 21 through 28: all

Section 29: S/2

Section 30: S/2

Section 34: E/2

8. All wells within one mile of the current boundaries of either pool are subject to the rules for these pools.

9. Currently, there are 4 producing gas wells dedicated to these pools, all of which are operated by Ocean Energy or OXY.

10. OXY has determined that it is unnecessary to restrict the location or limit the production for wells in these pools. In addition, OXY has determined that it is no longer necessary to have special rules for these pools including those dealing with production limits (prorationing and allowables).

11. OXY has determined that wells subject to these special rules can best be managed by reverting to the Division's statewide general rules including allowing for two gas wells per GPU as provided for in General Rule 104.

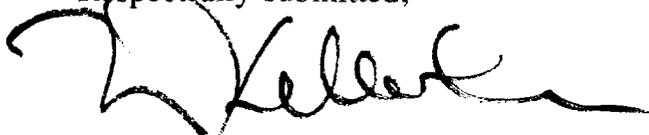
12. Therefore, OXY requests that the special orders for the West Parkway-Atoka and West Parkway-Strawn Gas Pools be rescinded.

13. Based upon data currently available, approval of OXY's application will prevent waste, protect correlative rights and provide for the orderly development of the reservoir.

14. In accordance with Division Rule 1207, notification of this application and request for hearing to be held on January 20, 1999 has been sent to those persons identified on Exhibit "A" attached.

Wherefore, Applicant requests that, after notice and hearing, this application be granted.

Respectfully submitted,



W. Thomas Kellahin

Kellahin & Kellahin

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