

**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

August 31, 2000

**Hand Delivered**

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

Re: OXY's Wonder Federal Well No. 1  
W/2 Section 21, T22S, R26E  
Application of OXY USA INC.  
for compulsory pooling  
Eddy County, New Mexico

*Case 12497*

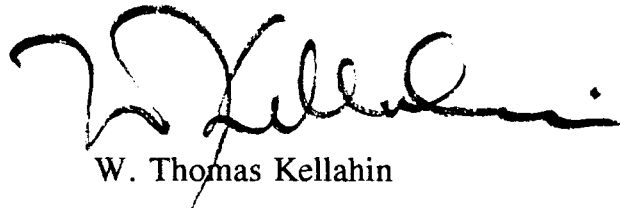
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Dear Ms. Wrotenbery:

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 October 5, 2000. 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

CASE 12497: Application of OXY USA Inc., Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp to the base of the Morrow formation underlying the W/2 of Section 21, T22S, R26E, NMPM, Eddy County, New Mexico to form a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, including the South Happy Valley-Atoka Gas Pool and the Happy Valley-Morrow Gas Pool to be dedicated to its Wonder 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 in accordance with COPAS Bulletin No. 2 as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well, a charge for risk involved in this well and provisions for the drilling of an optional second well in accordance with Division Rule 104. This unit is located approximately 4-1/2 miles southwest of Carlsbad, 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  
EDDY COUNTY, NEW MEXICO.

CASE NO. 12497

**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 an order pooling all mineral interests from the top of the Wolfcamp to the base of the Morrow formation underlying the W/2 of Section 21, T22S, R26E, NMPM, Eddy County, New Mexico to form a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, including the South Happy Valley-Atoka Gas Pool and the Happy Valley-Morrow Gas Pool to be dedicated to its Wonder 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 in accordance with COPAS Bulletin No. 2 as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well, a charge for risk involved in this well and provisions for the drilling of an optional second well in accordance with Division Rule 104.

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

1. OXY has a working interest ownership in the oil and gas minerals from the top of the Wolfcamp to the base of the Morrow formation underlying a portion of the W/2 of Section 21, T22S, R26E, NMPM, Eddy County, New Mexico.
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 an appropriate spacing unit.

NMOCD Application

OXY USA Inc.

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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 NMSA 1978 Section 70-2-17.C 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. Because the interests from the top of the Wolfcamp formation to 10,600 feet are different from the interest from 10,600 feet to the base of the Morrow formation vary according to depth, OXY proposes that costs be allocated based upon COPAS Bulletin No. 2.

6. OXY also requests that the compulsory pooling order issued in this case include provisions for participation/non-participation in any optional second well drilled in accordance with the optional second well provisions of Division Rule 104.C(2)(b)

7. 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 October 5, 2000.

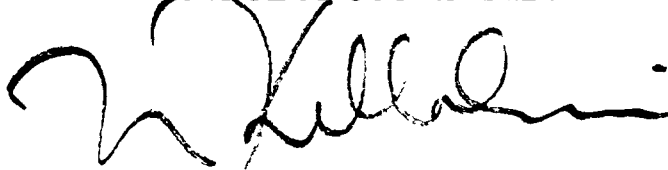
WHEREFORE, OXY USA Inc., as applicant, requests that this application be set for hearing on October 5, 2000, before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interests described in the appropriate spacing 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;
- (5) Cost allocation in accordance with COPAS Bulletin No. 2;
- (6) Provisions for election and participation in an optional second well; and
- (7) 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 over a faint, larger signature.

W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87504  
(505) 982-4285

## **EXHIBIT "A"**

Tom Brown, Inc.  
P. O. Box 2608  
Midland, Texas 79702

Estate of R. H. Fulton  
c/o Joe K. Fulton, PR  
P. O. Box 16860  
Lubbock, TX 79490

Fitzgerald Bemiss  
P. O. Box 1156  
Richmond, VA 23208

Arthur L. Owens, Trustee  
3500 Oaklawn, Ste 373 LB#24  
Dallas, TX 75219

EOG Resources, Inc.  
P. O. Box 2267  
Midland, Texas 79702  
Attn: Patrick Tower

Burlington Resources Oil & Gas Company  
P. O. Box 51810  
Midland, Texas 79710