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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

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November 9, 2001

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 12776

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OIL CONSERVATION DIV

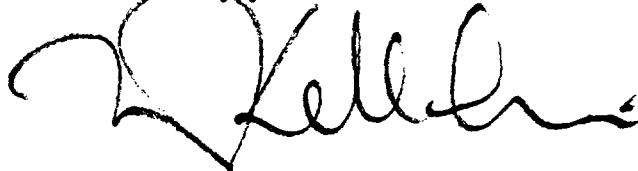
Re: Application of OXY USA WTP Limited Partnership for a
discovery oil allowable, pool creation and adoption of special
rules and regulations for the proposed West Upper
Pennsylvanian Pool, Eddy County, New Mexico

Dear Ms. Wrotenbery:

On behalf of OXY USA WTP Limited Partnership ("OXY") please
find enclosed our referenced application which we request be set for hearing
on the Examiner's docket now scheduled for December 6, 2001.

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 12776 Application of OXY USA WTP limited partnership for a discovery oil allowable, pool creation and adoption of special rules and regulations for the proposed West Upper Pennsylvanian Pool, Eddy County, New Mexico. Applicant seeks the creation of a new oil pool consisting of the SE/4 of Section 15, Township 18 South, Range 25 East, NMPM for Upper Pennsylvanian formation production from its Engelbert Well No. 1 located in Unit I of Section 15; the assignment of a discovery allowable and special pool rules including 160-acre oil proration and spacing units, a limitation of one well per unit; and well locations not closer than 660 feet to the outer boundary of a spacing unit nor closer than 10 feet to any interior quarter-quarter section line. The well is located approximately 8 miles southeast of Artesia New Mexico.

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

**APPLICATION OF OXY USA WTP LIMITED
PARTNERSHIP FOR DISCOVERY ALLOWABLE,
POOL CREATION AND THE ADOPTION OF
SPECIAL RULES AND REGULATIONS FOR THE
PROPOSED WEST UPPER PENNSYLVANIAN
POOL, EDDY COUNTY, NEW MEXICO.**

CASE NO. 12776

A P P L I C A T I O N

Comes now OXY USA WTP Limited Partnership ("OXY"), by its attorneys Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division for an order creation of a new oil pool consisting of the SE/4 of Section 15, Township 18 South, Range 25 East, NMPM for Upper Pennsylvanian formation production from its Engelbert Well No. 1 located in Unit I of Section 15; the assignment of a discovery allowable and special pool rules including 160-acre oil proration and spacing units, a limitation of one well per unit; well locations not closer than 660 feet to the outer boundary of a spacing unit nor closer than 10 feet to any interior quarter-quarter section line; and in support thereof states:

1. OXY has drilled its Engelbert Well No. 1, located 1980 feet from the South line and 660 feet from the East line (Unit I) of Section 15, Township 18 South, Range 25 East, NMPM, Eddy County, New Mexico.

2. The well was permitted and drilled with the expectation it would be a gas well in the West Atoka-Upper Pennsylvanian Gas Pool which is located in Section 14 and other sections in T18S, R25E. However, after drilling, it tested for approximately 236 BOPD and 324 Mcf of gas per day.

3. This well constitutes a "new oil discovery" for the production of oil from the Upper Pennsylvanian formations.

4. Based upon this discovery, OXY seeks the creation of a new oil pool to be designated the West Upper Pennsylvanian Pool which shall be defined as all of the Upper Pennsylvanian formations as identified on the log of the discovery well, the top of which is located at 6665 feet and the bottom of which is located 7900 feet with an initial pool boundary consisting of:

TOWNSHIP 18 SOUTH, RANGE 25 EAST
Section 15: SE/4

5. In addition, OXY requests the adoption of the following Special Rules and Regulations for this pool:

- (a) 160-acre oil spacing and proration units;
- (b) with no more than one producing well for each 160-acre spacing or proration unit;
- (c) well locations not closer than 660 feet of the outer boundary of a spacing or proration unit nor closer than 10 feet to any interior governmental quarter-quarter section line;
- (d) that each oil well completed or recompleted in the Upper Pennsylvanian formations within one mile thereof, shall be spaced, drilled operated and produced in accordance with these special rules.

6. That special well locations when combined with 160-acre oil spacing and proration units and the limit of no more than one well per unit will prevent the drilling of unnecessary wells and will protect correlative rights and provide for the orderly development of the reservoir.

7. In accordance with Division Rule 1207, notification of this application and request for hearing to be held on December 6, 2001 has been sent to those parties identified on Exhibit "A" attached.

Wherefore, Applicant's request that, after notice and hearing, this application be granted.

Respectfully submitted.

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504

OWNERSHIP

Township 18 South, Range 25 East, N.M.P.M.
Section 15: S/2, containing 320 acres, more or less
Eddy County, New Mexico

MINERAL ESTATE:

Puch Energy Corporation P.O. Box 227 Artesia, New Mexico 88210 Telephone: 505/748-3303 FAX: 505/746-2523	50.00000%
Sharbro Oil Ltd. Co. 105 South Fourth Street Artesia, New Mexico 88210 Telephone: 505/748-4346 FAX: 505/748-4572	25.00000%
Estate of Lillie M. Yates, deceased, Frank Yates, Jr., Attorney in Fact 105 South Fourth Street Artesia, New Mexico 88210 Telephone: 505/748-4346 FAX: 505/748-4572	25.00000%
TOTAL	100.00000%

LEASEHOLD ESTATE:

OKY USA WTP Limited Partnership Attn: Primary Landman-New Mexico P.O. Box 50250 Midland, TX 79710 Telephone: 915/685-5769 FAX: 915/685-5742	20.31250%
McCombs Energy, LLC Attn: Larry Wyont 5399 San Felipe, Suite 1200 Houston, TX 77056-2754 Telephone: 713/621-0033 FAX: 713/621-1670	20.31250%
Cactus Energy, Inc. Attn: Richard H. Coats, President P.O. Box 2412 Midland, TX 79702 Telephone: 915/684-5824 FAX: 915/686-7109	3.90625%
Thomas R. Scith, et ux 1409 SCR 1130 Midland, TX 79706 Telephone: 915/682-1755 FAX: 915/685-3277	1.56250%
Wendell W. Iverson, Jr., et ux P.O. Box 205 Midland, TX 79702 Telephone: 915/684-4007 FAX: 915/686-7109	3.90625%
Myco Industries, Inc. 105 South Fourth Street Artesia, New Mexico 88210 Telephone: 505/748-4346 FAX: 505/748-4572	50.00000%
TOTAL	100.00000%

