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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

JASON KELLAHIN (RETIRED 1991)

March 29, 2002

VIA FACSIMILE

Mr. David K. Brooks, Esq.
Oil Conservation Division
1220 South Saint Frances Drive
Santa Fe, New Mexico 87505

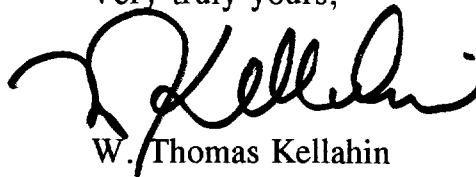
Re: **REPLY IN SUPPORT OF MOTION TO DISMISS**
NMOCD Case 12820
Application of Nearburg Exploration Company L.L.C.
for compulsory pooling, Lea County, New Mexico
W/2 Sec 5, T19S, R33E (Gem North "5" Federal Com Well No. 1)

010600Z MAR 02
02 APR -1 AM 2:50

Dear Mr. Brooks:

On behalf of OXY USA WTP LP, please find enclosed our reply to Nearburg's Response to OXY's motion to dismiss the referenced case filed by Nearburg Exploration Company. L.L.C.. This case is currently set on the Examiner's Docket scheduled for April 4, 2002

Very truly yours,



W. Thomas Kellahin

cc: Mr. Michael E. Stogner, Hearing Examiner
William F. Carr, Esq.
Attorney for Nearburg Exploration Company, Inc.
OXY USA WTP Lp.
Attn: Richard Foppiano
Penroc Oil Corporation
Attn: M. Y. "Merch" Merchant

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

IN THE MATTER OF THE APPLICATION CASE NO. 12820
OF NEARBURG EXPLORATION COMPANY L.L.C.
FOR COMPULSORY POOLING
LEA COUNTY, NEW MEXICO

**REPLY OF OXY 'S
TO NEARBURG'S RESPONSE TO
OXY'S MOTION TO DISMISS**

Comes now OXY USA WTP LP ("OXY"), by its attorneys,
Kellahin and Kellahin, and in reply to Nearburg Exploration Company
L.L.C. ("Nearburg") response to OXY's motion to dismiss, states:

Nearburg, in its response, argues "OXY's approved Sundry Notice is nothing more than agency authorization to proceed with proposed activity on certain acreage. The agency approval, without action having been taken pursuant to that approval, should not be allowed to preclude another owner (from compulsory pooling)." Nearburg cites to Case 12407 for support and stated "It was only after BTA acted on its approved APD and commenced drilling that the S/2 of the section was deemed no longer available for an E/2 pooling application."

In accordance with the precedent cited by Nearburg, OXY and Penroc Oil Corporation ("Penroc") has commenced operations on the Nellie Federal Well No. 1 located in Unit O of Section 5, T19S, R33E which is dedicated to the S/2 of this section. OXY has transferred operations to Penroc Oil Corporation, the owners of the other 50% working interest in the spacing unit, who had commenced operation on the well. **See Exhibits "C" and "D" attached.**

OXY and Penroc have now done exactly what Nearburg said they must be to preclude Nearburg from pooling the W/2 of this section. OXY and Penroc should be allowed to complete their work on this well and to take any appropriate further action to protect their correlative rights.

RELEVANT FACT

- (1) OXY controls 50% and Penroc Oil Corp. controls 50% of the working interest in the S/2 of Section 5, T19S, R33E, NMPM, Lea County, New Mexico.
- (2) Nearburg's working interest is confined to the NW/2 of this section.
- (3) On January 29, 2002, Nearburg filed an application with the Division seeking a compulsory pooling order to drill its Gem North "5" Federal Com Well No. 1 and to dedicate the well to the W/2 of Section 5.

(4) The S/2 of Section 5 is currently dedicated to OXY's Nellie Federal Well No. 1 a Morrow gas well at a standard well location in Unit O of this section and dedicated to a standard 320-acre gas spacing and proration unit consisting of the S/2 of Section 5. **See Exhibit "A"**

(5) OXY and Penroc plans to re-enter the Nellie Federal Well No. 1 in an attempt to restore Morrow production. **See Exhibit "B"**

(6) OXY and Penroc have commence work on the Nellie well and should be allowed to do so without further interfere from Nearburg. **See Exhibits "C" and "D"**

WHEREFORE OXY USA WTP L. P. requests that the Division Hearing Examiner grant this motion and dismiss Oil Conservation Division Case 12820.



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

CERTIFICATE OF SERVICE

I certify that a copy of this pleading was hand delivered to counsel for applicant this 29th day of March, 2002



W. Thomas Kellahin

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form No. 1
Supp. to O.C. 128
Edition, 1-1-65

All distances must be from the outer boundaries of the Section

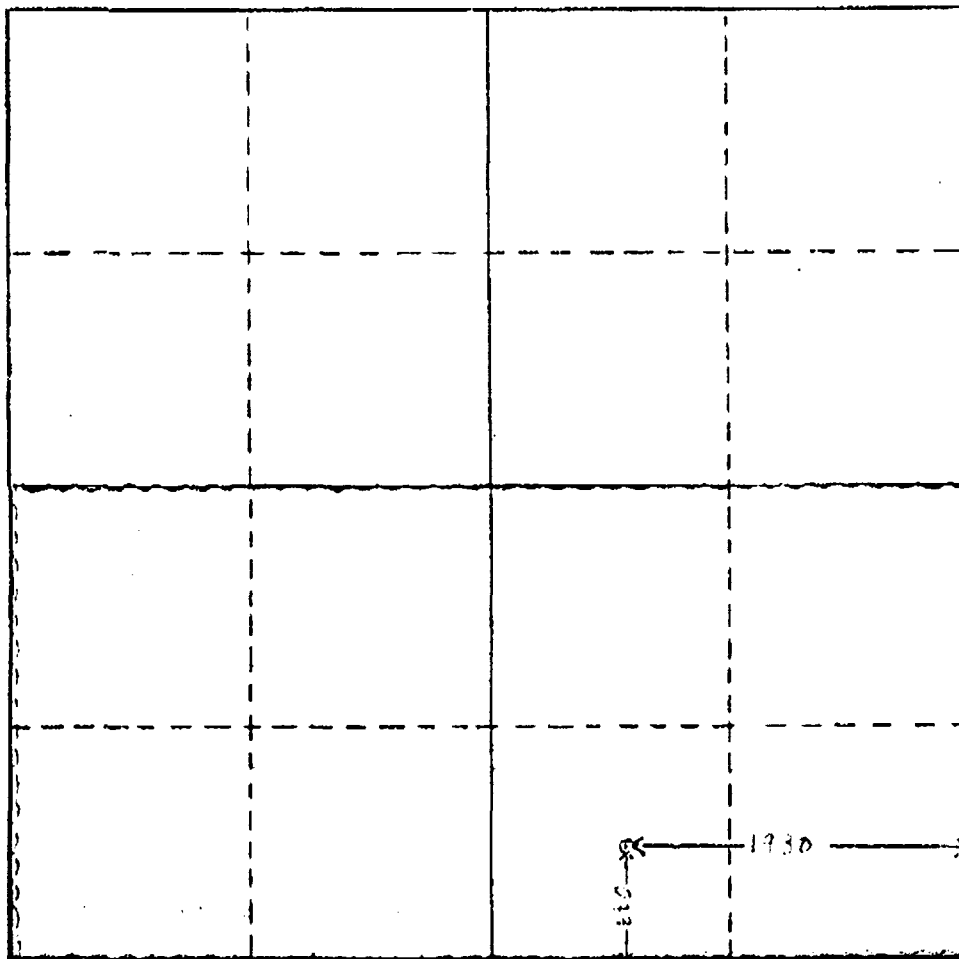
Operator Amoco Production Company			Lease Nellis Federal		Well No. 1
Unit Letter 0	Section 5	Township 19-S	Range 33-E	County Lea	
Actual Footage Location of Well: 660 feet from the South line and 1980 feet from the East line					
Ground Level Elev. 3716 RDB	Producing Formation Penn		Pool Buffalo Penn. Gas		Dedicated Acreage: 320 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name
Denise Evans
Position
Assist Admin Analyst
Company
Amoco Production Company
Date
12-27-78

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
Registered Professional Engineer and/or Land Surveyor

Certificate No.

EXHIBIT

A

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OPERATOR'S COPY

FORM APPROVED
Budget Bureau No. 1004-0135
Expires July 31, 1996

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Occidental Petroleum Ltd.

3a. Address

P.O. Box 50250, Midland, TX 79710-0250

3b. Phone No. (include area code)

915-695-5717

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

660 PSL 1980 PSL SNEE(O) Sec 5 T19S R33E

5. Lease Serial No.

NM077002

6. If Indian Allottee or Tribe Name

7. If Unit or CA/Agreement Name and/or No

8. Well Name and No.

Nellis Federal 1

9. API Well No.

30-025-01663

10. Field and Pool, or Exploratory Area

Buffalo Basin

11. County or Parish, State

Lea NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- ☒ Notice of Interest
☐ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

- | | | | |
|---|--|--|---|
| <input checked="" type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Alter Casing | <input checked="" type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other <u>Reactivate</u> |
| <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporary Abandon | |
| <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | |

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the final site is ready for final inspection.)

TD-13723' PSD-13604' Perfs-13120-13575'

1. MUD PU, Install BOP
2. POOH W/ pkr & thg
3. RIE w/ bit & clean out below 13575' w/ foam unit.
4. Acidize w/ foam & ball sealers
5. Test well, if necessary, frac.



14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

David Stewart

Title

Sr. Regulatory Analyst

Date

2/20/02

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

Conditions of this notice does not warrant or certify that the applicant has legal or equitable title to those rights in the subject lease which would entitle the applicant to object to the proposed operations.

Office

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations or to any member within its jurisdiction.

(Instructions on reverse)

PETROLEUM ENGINEER

Mohammed Merchant

From: "M Y Merchant" <mym Merch@hotmail.com>
To: "Mark Clarke" <mmcfpd@yahoo.com>
Sent: Monday, March 25, 2002 4:10 PM
Subject: Re: oilfield
Mark, we're having trouble with Merch's hotmail. Try sending to him at
mym Merch_1999@yahoo.com

Thanks, Jay

----- Original Message -----

From: "Mark Clarke" <mmcfpd@yahoo.com>
To: <mym Merch@hotmail.com>
Sent: Sunday, March 24, 2002 8:01 PM
Subject: oilfield

> Merch,
>
> Hope things are well with you and yours. I don't know
> if I mentioned it or not but the shut in pressure was
> a little higher each day as we flowed the well.
> Although each period was for minimal time the last
> flow was quite a bit longer, I will try Ed tomorrow
> to check on SITP. Ed mentioned that Jimmy Evans knew
> the well was giving up mud before we flowed the well,
> he might have an idea of problem source, just a
> thought.
>
> Rig count down three(3) more this week to 750, oil and
> oil service stocks being downgraded by brokerage
> houses, must be a general fear of lower prices on the
> horizon.
>
> As far as Oxy neilis is concerned, will probably have
> to cut tubing then jar seal assembly from packer.
> Might as well burn over and pick packer and fix
> correctly with a squeeze and whole nine yards. I
> would like to fix this one up and leave it alone.
>
> WEB seems to be holding its own for now, still can't
> account for lack of gas!
>
> Going to Menard tomorrow for some R&R, then going to
> Albuquerque Friday and Saturday for baseball.
>
> Keep me posted on E-mails.
>
> Mark
>



3/29/02

Evans, David (Midland, Texas)

From: mohammed merchant [mymerch@hotmail.com]
Sent: Monday, March 25, 2002 6:53 PM
To: David_Evans@oxy.com
Subject: nellis fed

David: May be you will get this mail. I am still in Pakistan and having some trouble with the mails.

After 4 days of redoing well head and tank battery we opened to well to the battery. It appears we have tubing-casing problems, and now we have to wait on my return, find bigger workover rig to work this guy over. Will keep you posted, if you wish. Thanks. MERCH

MSN Photos is the easiest way to share and print your photos:
<http://photos.msn.com/support/worldwide.aspx>

