



OIL CONSERVATION DIVISION
RECEIVED

'89 NOV 13 AM 10 55

Amoco Production Company

Houston Region
501 WestLake Park Boulevard
Post Office Box 3092
Houston, Texas 77253

James F. Trickett
Regional Environmental, Safety &
Regulatory Affairs Manager

November 6, 1989

File: WGW-10204-986.51NM

Re: Unorthodox Well Location
Antelope Federal No. 2
Antelope Ridge - Atoka Gas Pool
1090' FSL and 990' FWL Sec. 22, T22S, R34E
Lea County, New Mexico

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: William J. LeMay

Amoco Production Company has been advised that Oryx Energy Corporation has made application to drill their Antelope Federal No. 2 well in the Antelope Ridge - Atoka Gas Pool at the above stated unorthodox location.

This is to advise that, as an offset operator, Amoco has no objection to Oryx Energy Corporation's application for an unorthodox well location.

Yours very truly,

MLC/ljb

cc: Oryx Energy Company
P. O. Box 1861
Midland, TX 79702-1861



Oryx Energy Company
24 Smith Road
PO Box 1861
Midland TX 79702-1861
915 688 0300

September 27, 1989

Southwestern
Production Region

Energy, Mineral and
Natural Resource Dept.
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87503

RECEIVED

OCT - 3 1989

Attn: Mr. Michael E. Stogner

OIL CONSERVATION DIV.
SANTA FE

RE: Unorthodox Location Application
Oryx Energy Company
Antelope Federal No. 2
Antelope Ridge-Atoka Gas
L, 1090' FSL & 990' FWL
Sec. 22, T-22-S, R-34-E
Lea County, New Mexico

Dear Mr. Stogner:

Enclosed is BLM Form 9-331-C application to drill the captioned unorthodox location and OCD Form C-102 well location and acreage dedication plat.

This location is 990' to the end boundary and 230' to the nearest 1/4 - 1/4 section line. Statewide Rule 104 states that distance to end boundary should be no closer than 1980' and 330' to nearest 1/4 - 1/4 section line.

The S 1/2 of section 22, (320 acres) has been assigned to this well location.

This location was picked due to geological reasons as reservoir pinches out to the east.

Offset operators have been notified by certified mail on 9-27-89.

Please set this unorthodox location on the earliest possible date on the docket for administrative approval

Should you require additional information, please contact me at A/C 915-688-0375.

Yours truly,

Maria L. Perez
Accountant

MLP/pw

Attachments

CC: Bureau of Land Management
P. O. Box 1778
Carlsbad, New Mexico 88220

Oil Conservation Division
P. O. Box 1980
Hobbs, New Mexico 88241-1980

Charles Gray - NP-IV-Dls., Conservation Dept.
Keith Nelson - CC II-Dls., Land Dept.
Shelly Lane - Geologist - Midland

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

<p>1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/></p> <p>b. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/></p>			<p>5. LEASE DESIGNATION AND SERIAL NO. 43565</p> <p>6. IF INDIAN, ALLOTTEE OR TRIBE NAME</p> <p>7. UNIT AGREEMENT NAME</p> <p>8. FARM OR LEASE NAME Antelope Federal</p> <p>9. WELL NO. 2</p> <p>10. FIELD AND POOL, OR WILDCAT Antelope Ridge-Atoka Gas</p> <p>11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA 22, T-22-S, R-34-E</p>	
<p>2. NAME OF OPERATOR Oryx Energy Company</p> <p>3. ADDRESS OF OPERATOR P. O. Box 1861, Midland, Texas 79702</p> <p>4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.) At surface L, 1090' FSL & 990' FWL At proposed prod. zone</p> <p>14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 20 miles West from Eunice</p>			<p>12. COUNTY OR PARISH Lea</p> <p>13. STATE New Mexico</p>	
<p>15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drig. unit line, if any) 990'</p> <p>18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 3041.4'</p> <p>21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3435.2' GR</p>		<p>16. NO. OF ACRES IN LEASE 1280'</p> <p>19. PROPOSED DEPTH 13,700'</p> <p>17. NO. OF ACRES ASSIGNED TO THIS WELL 320</p> <p>20. ROTARY OR CABLE TOOLS Rotary</p> <p>22. APPROX. DATE WORK WILL START* Upon Approval</p>		

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	13-3/8"	54.5#	1700'	1700 sxs
12-1/4"	9-5/8"	36#	4850'	1550 sxs
8-5/8"	7-5/8"	29.7#	11650'	1050 sxs
7-7/8"	5-1/2"	23#	12800'	175 sxs

This is an unorthodox location. Too close to the 1/4-1/4 section line and to close to the end boundary.

This location was picked due to geological reasons as reservoir pinches out to the east.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Maria L. Perez TITLE Accountant DATE 9-19-89
(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY _____ TITLE _____ DATE _____
CONDITIONS OF APPROVAL, IF ANY:

*See Instructions On Reverse Side

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

P.O. Drawer DD, Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator Oryx Energy Company			Lease Antelope Federal		Well No. 2
Unit Letter M	Section 22	Township 22 South	Range 34 East	County NMPM Lea	
Actual Footage Location of Well: 1090 feet from the South line and 990 feet from the West line					
Ground level Elev. 3435.2	Producing Formation Atoka	Pool Antelope Ridge-Atoka Gas		Dedicated Acreage: 320 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.

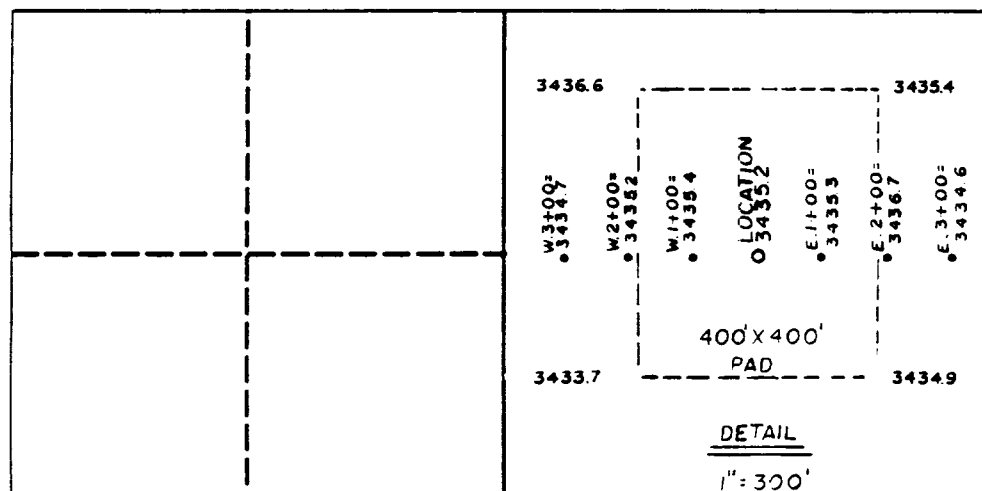
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interest 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 interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature

Printed Name

Maria L. Perez

Position

Accountant

Company

Oryx Energy Company

Date

9-18-89

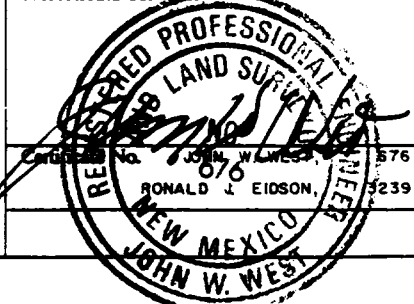
SURVEYOR CERTIFICATION

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

August 28, 1989

Signature & Seal of Professional Surveyor



Oryx Energy Company
Antelope Federal Com. No. 1
M, 1090' FSL & 990' FWL
Sec. 22, T-22-S, R-34-E
Lea County, New Mexico

Offset Operators

Amoco Production Company
P. O. Box 3092
Houston, Texas 77253

Sec's 32, 33, 34

BTA Oil Producers
104 S. Pecos Street
Midland, Texas 79701

Sec's 14, 15, 16, 21, 23, 26, 28, 35

Pacific Enterprises
P. O. Box 3083
Midland, Texas 79702

Sec's 21, 26

Joe Reynolds
2333 50th Street
Lubbock, Texas 79421

Sec's 21, 26

Yates Petroleum Corp
105 S. 4th Street
Artesia, New Mexico 88210

Sec's 15

Oryx Energy Company
P. O. Box 1861
Midland, Texas 79701

Sec's 15, 16, 21

TEN POINT DRILLING PLAN FOR ANTELOPE FEDERAL #1
IN COMPLIANCE WITH ORDER NUMBER 1

ORYX ENERGY COMPANY
ANTELOPE FEDERAL COMM. #2
SEC. 22, T22S, R34E
990' FWL & 1980' FSL
LEA COUNTY, NEW MEXICO

1) GEOLOGIC SURFACE FORMATION: QUATERNARY

2) ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS:

RUSTLER	1595	3RD. SAND	10555*
YATES	3615	WOLFCAMP	11260*
DELAWARE	5050	STRAWN	11690*
BONE SPRINGS	8425	ATOKA SHALE	11880
1ST SAND	9495*	ATOKA LIME	12990*
2ND SAND	9090*	TD	12300

3) ESTIMATED DEPTH OF ANTICIPATED WATER, OIL, GAS, OR MINERALS:
FORMATIONS POSSIBLY PRODUCTIVE WITH OIL OR GAS ARE INDICATED
WITH AN ASTERISK (*) IN ABOVE SECTION 2.

4) PROPOSED CASING PROGRAM:

SIZE	CASING SEAT	FOOTAGE	GRADE	WEIGHT & THREAD
13 3/8		500	K-55	54.5# BT&C
13 3/8	1700	1200	K-55	54.5# ST&C
9 5/8	4850	4850	K-55	36.0# ST&C
7 5/8		4750	P-110	29.7# LT&C
7 5/8	11650	6900	P-110	29.7# IJ OR FJ
5 1/2	12800	1400	N-80	23.0# IJ OR FJ
2 7/8		11300	N-80	6.5# 8RD MOD.
2 3/8		800	N-80	4.7# 8RD MOD.

5) PROPOSED CEMENTING PROGRAM:

13 3/8" CEMENT TO SURFACE WITH 1300 SX. CLASS "C" + 2% GEL + 2% CaCl₂ MIXED @ 14.1 PPG & A YIELD OF 1.51 CU.FT./SX. TAILED IN WITH 400 SX. CLASS "C" + 1% CaCl₂ MIXED @ 14.8 PPG & A YIELD OF 1.32 CU.FT./SX. EXACT VOLUME WILL BE DETERMINED BY FLUID CALIPER.

9 5/8" ATTEMPT TO CEMENT TO SURFACE IN ONE STAGE USING 1400 SX. 65:35:6 LITE CLASS "C" + 10% SALT + 10 #/SX. GILSONITE MIXED @ 12.2 PPG & A YIELD OF 2.23 CU.FT./SX. TAILED IN WITH 150 SX. CLASS "C" NEAT MIXED @ 14.8 & A YIELD OF 1.32 CU.FT./SX. EXACT VOLUME TO BE DETERMINED BY FLUID CALIPER

7 5/8" ATTEMPT TO CEMENT TO 4800 FT. IN ONE STAGE USING 700 SX. 65:35:6 LITE CLASS "H" + 5 #/SX GILSONITE MIXED @ 13.1 PPG & A YIELD OF 1.69 CU.FT./SX. TAILED IN WITH 350 SX. CLASS "H" + .6% RETARDER MIXED @ 15.6 PPG & A YIELD OF 1.18 CU.FT./SX. TOC TAIL CMT 10000 FT. EXACT VOLUMES TO BE DETERMINED BY ELECTRIC LOG CALIPER.

5) PROPOSED CEMENTING PROGRAM: CONTINUED

5 1/2" MUD FLUSH AND SPACERS WILL PRECEDE CMT. CEMENT WITH 175 SX. CLASS "H" PLUS DISPERSANTS, RETARDERS, FLUID LOSS ADDITIVES AND PREVENTIVE GAS MIGRATION ADDITIVES AS DEEMED NECESSARY FROM LOG TEMPERATURES AND OTHER OPEN HOLE TESTS. MIX CMT @ 16.4 PPG & A YIELD OF 1.06 CU.FT./SX. EXACT VOLUMES TO BE DETERMINED BY ELECTRIC LOG CALIPER.

NOTE: IF LOSS CIRCULATION IS ENCOUNTERED ON EITHER THE 9 5/8" OR THE 7 5/8" SECTIONS OF HOLE, A TWO STAGE JOB MAY BE REQUIRED.

6) TYPE AND MUD SYSTEM CHARACTERISTICS:

FROM	TO	TYPE	WT.	VISC.	WL.
0	1700	FW. W/ GEL, LIME & PAPER	8.4-9.0	28 - 40	NC
1700	4850	BRINE WTR/ SALT GEL, LIME & PAPER SWEEPS/ OIL & STARCH AS NECESSARY.	10.0-10.2	28 - 32	NC
4850	11650	FW W/ GEL, LIME & PAPER SWEEPS.	8.4-9.0	28 - 32	NC
11650	12800	INVERT OIL MUD: 80/20 OWR. ADDITIVES AS NEEDED TO MAINTAIN MUD WT. VISC. & WL.	12.0-15.0	40 - 50	API <5 HTHP 15-25

NOTE: OIL MUD WILL BE USED FROM THE 7 5/8" CSG SEAT TO TD. INTIAL MW WILL BE 12.0 PPG. OFFSET WELLS HAVE RANGED FROM 10.5 PPG TO 15.0 PPG @ TD. MW WILL BE AS HIGH AS NEEDED TO CONTROL FORMATION PRESSURES.

7) BOP AND AUXILLARY EQUIPMENT:

BOP & CHOKE MANIFOLD WILL BE SETUP AS INDICATED ON EXHIBIT #D1 THROUGH #D4.

ACCUMULATOR VOLUME WILL BE SUFFICICIENT TO PROVIDE REPEATED OPEN AND CLOSING OF PREVENTERS.

A DRILL PIPE AND DRILL COLLAR FULL OPENING SAFETY VALVE WILL BE KEPT ON THE RIG FLOOR IN THE OPEN POSITION AT ALL TIMES DURING DRILLING OPERATIONS.

AN UPPER AND LOWER KELLY COCK WILL BE USED.

THE HOLE WILL BE KEPT FULL AND FILL VOLUMES WILL BE MONITORED ON ALL TRIPS.

PVT, HYDRAULIC CHOKE, BULK BARITE, GAS SEPERATOR AND ROTATING HEAD WILL BE INSTALLED AND IN SERVICE BY 11200' (ABOVE THE WOLFCAMP). FLOW SENSORS WILL BE INSTALLED BY 8400' (ABOVE THE THE FIRST BONE SPRINGS SAND).

8) TEST PROCEDURE AND DRILLS:

RAM TYPE PREVENTERS WILL BE TESTED TO RATED W.P. OR 70% OF CASING BURST, WHICHEVER IS LESS.

ANNULAR TYPE BOP WILL BE TESTED TO 50% OF W.P.

PIPE RAMS WILL BE OPERATED ONCE EACH 24 HRS., AND BLIND RAMS WILL BE OPERATED ON EACH TRIP OUT OF THE HOLE.

APPROVED CLOSE-IN PROCEDURE TO BE POSTED ON THE RIG FLOOR.

EACH RIG CREW WILL HOLD A WEEKLY BOP DRILL.

9) TESTING PROGRAM:

POSSIBLE DST'S FROM 11650' TO TOTAL DEPTH AS DICTATED BY SHOWS. SUCH TESTS, IF NECESSARY, WILL BE CONDUCTED UNDER PRUDENT INDUSTRY PRACTICE.

OPEN HOLE LOGGING PROGRAM:

DIL-MSFL-GR-CAL	11650' TO 4850' (GR TO SURFACE)
CNL-LDT-GR-CAL	11650' TO 4850'
DLL-MSFL-GR-CAL	12800' TO 11650'
CNL-LDT-GR-CAL	12800' TO 11650'

MUD LOGGING UNIT TO BE IN SERVICE FROM 10500' TO TOTAL DEPTH.

10) POTENTIAL HAZARDS:

NO H2S OR ABNORMAL TEMPERATURES ARE ANTICIPATED.

ABNORMAL PRESSURES ARE POSSIBLE FROM 11650' TO TD, BUT HAVE BEEN CONSIDERED AND DESIGNED FOR IN THE PROPOSED PROGRAM.

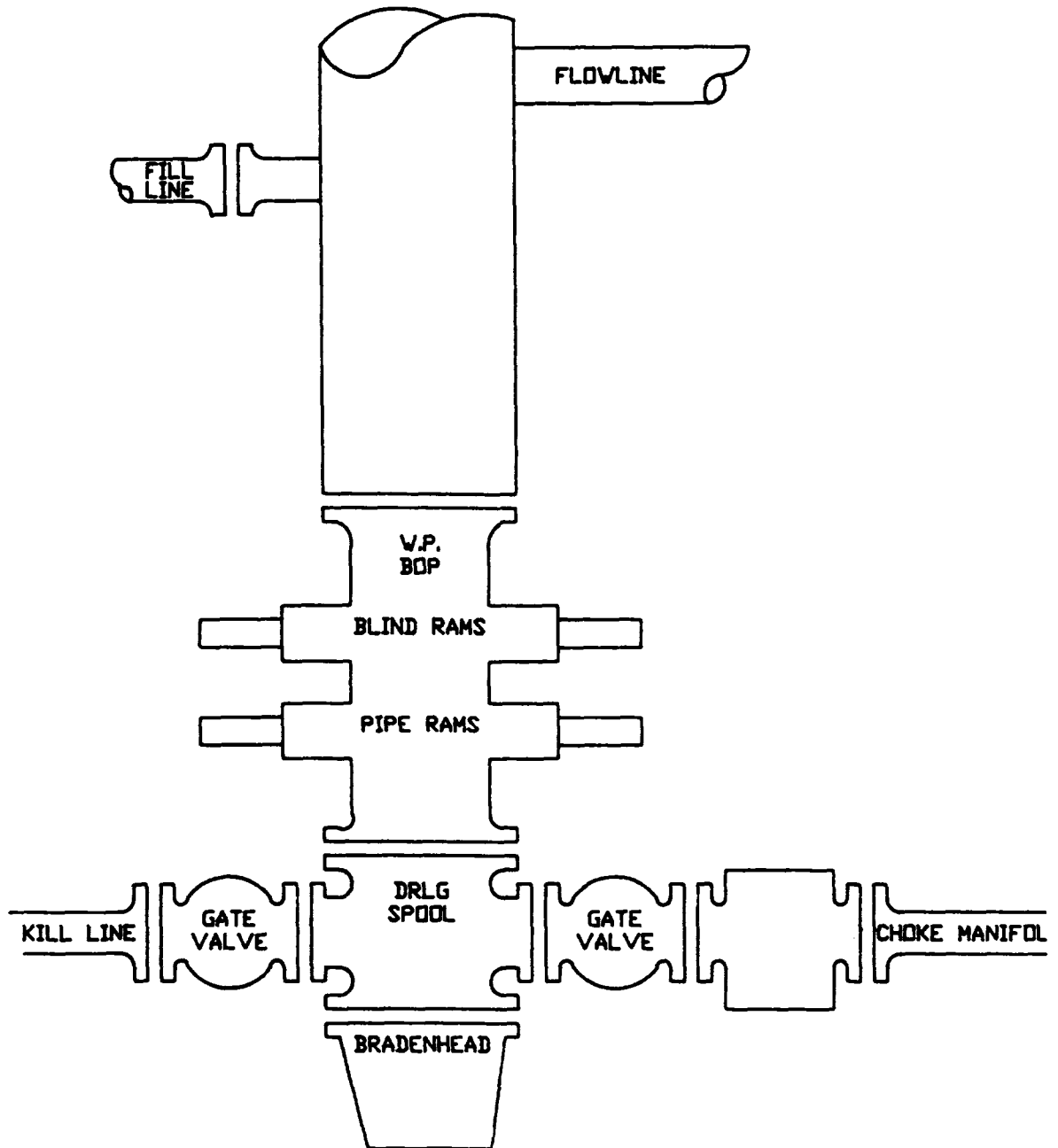
MAXIMUM MUD WEIGHT IS ANTICIPATED TO BE 15.0 PPG.

11) ESTIMATED STARTING DATE:

ANTICIPATE STARTING OPERATIONS AS SOON AS POSSIBLE, SUBJECT TO APPROVAL OF THIS PERMIT.

EXHIBIT D-1

3000 PSI



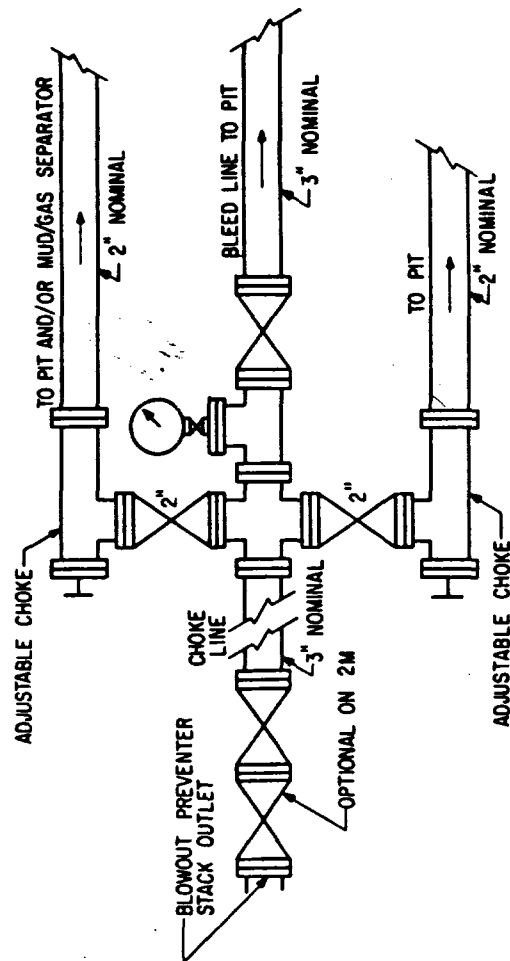


FIG. 3.A.1
TYPICAL CHOKE MANIFOLD ASSEMBLY
FOR 2M AND 3M RATED WORKING
PRESSURE SERVICE - SURFACE INSTALLATION

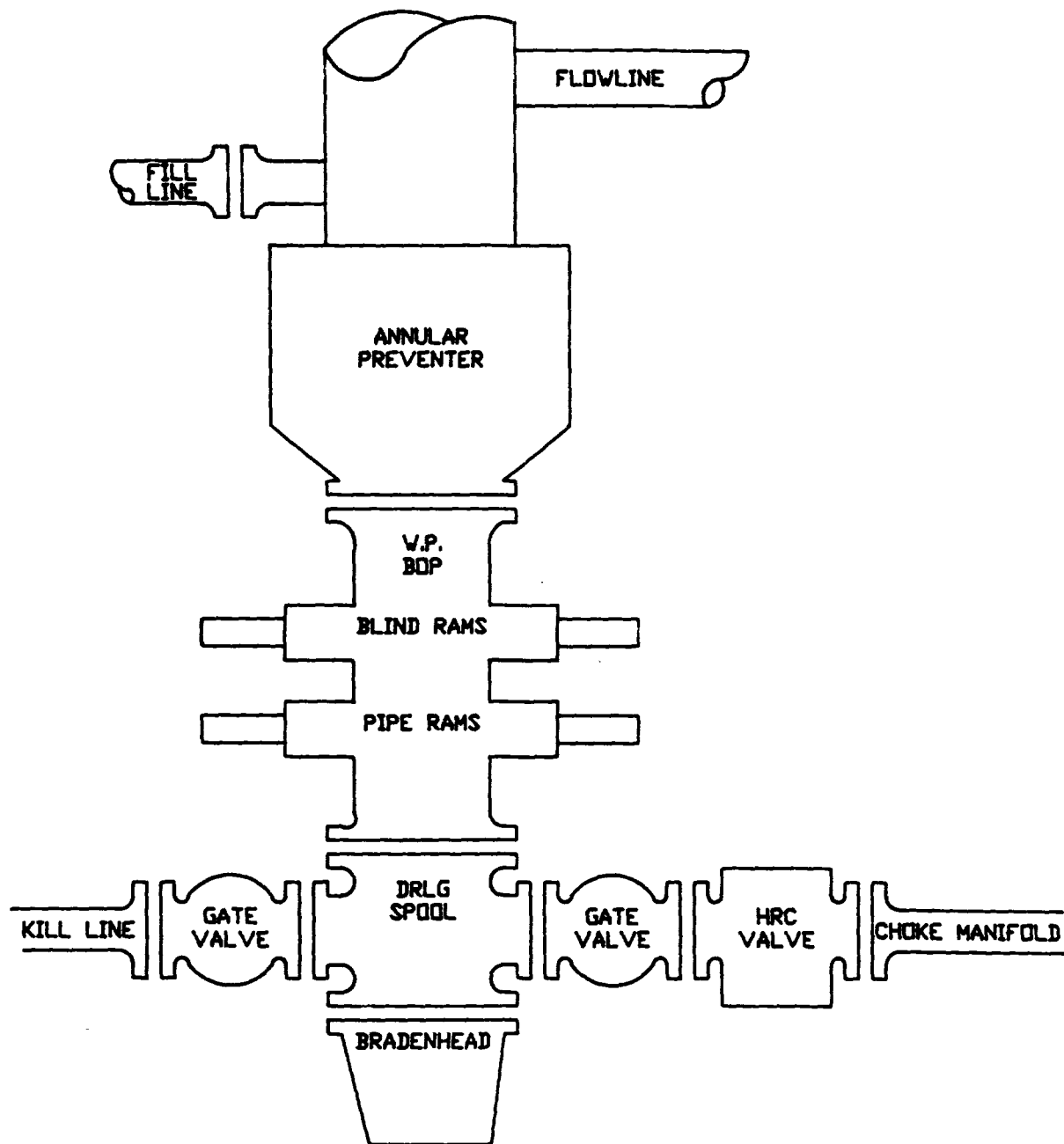
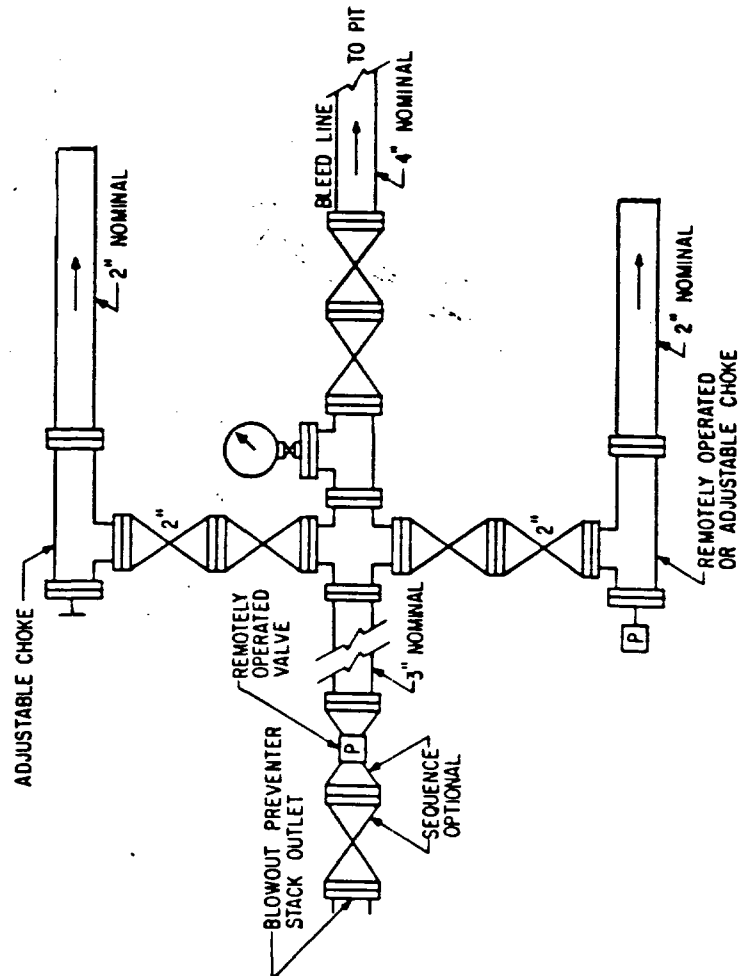
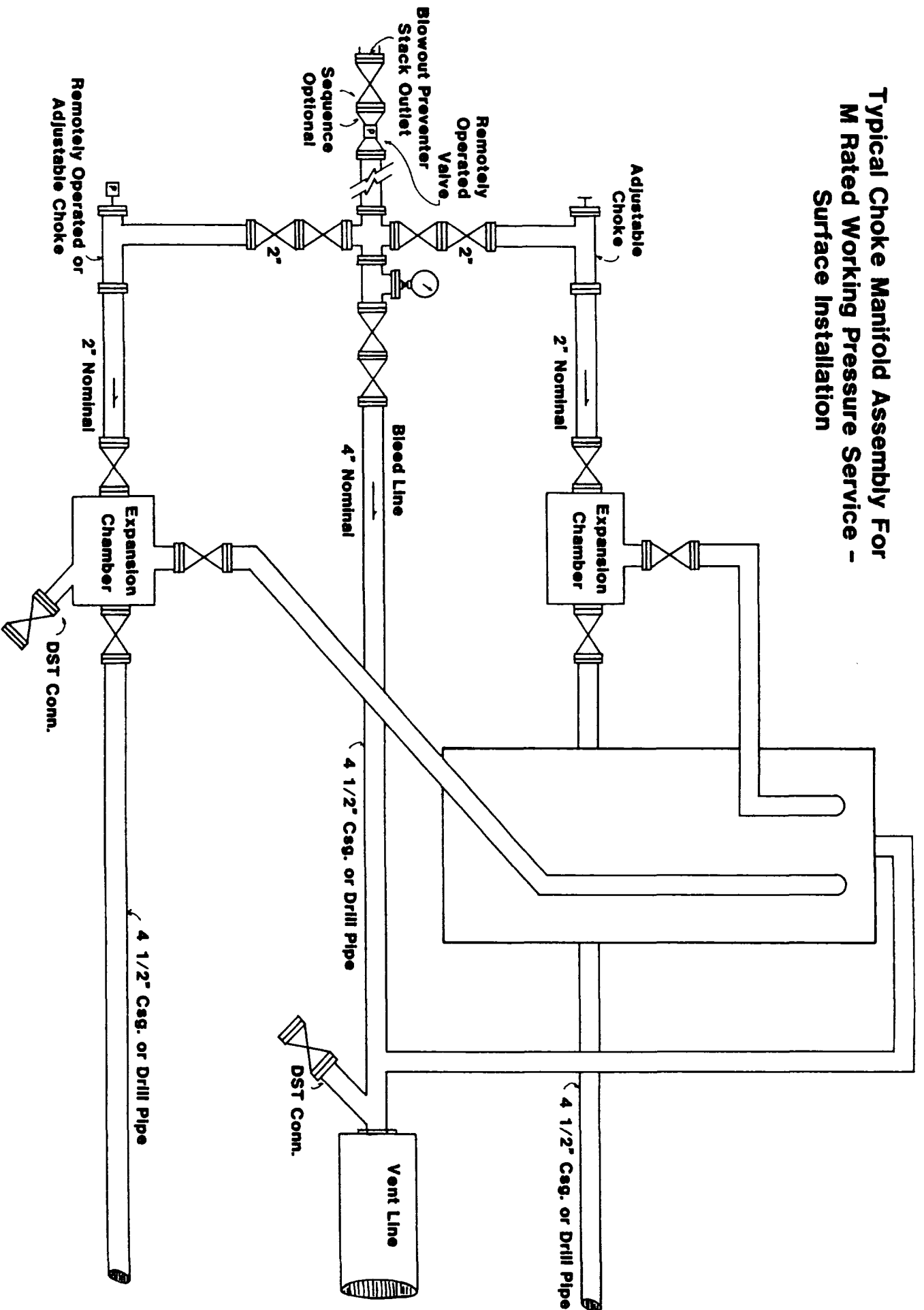


EXHIBIT D4
5000 psi



TYPICAL CHOKE MANIFOLD ASSEMBLY FOR 5M
RATED WORKING PRESSURE SERVICE —
SURFACE INSTALLATION

Typical Choke Manifold Assembly For M Rated Working Pressure Service - Surface Installation



MULTI-POINT SURFACE USE AND OPERATION

ORYX ENERGY COMPANY
ANTELOPE FEDERAL COMM. # 2
SEC. 22, T22S, R34E
990' FSL & 990' FWL
LEA COUNTY, NEW MEXICO

1) EXISTING ROADS:

- A. THE PROPOSED WELLSITE AND EXISTING ROADS TO PROPOSED LOCATION ARE SHOWN IN EXHIBIT #1. THE DIRECTIONS TO THIS WELL ARE AS FOLLOWS:

FROM EUNICE NEW MEXICO, TRAVEL SOUTH ON DELAWARE BASIN ROAD APPROXIMATELY 21 MILES. TURN RIGHT ON CALICHE ROAD, TRAVEL NORTH 3.2 MILES. TURN LEFT ON CALICHE ROAD FOR 1.5 MILE. TURN RIGHT AND GO NORTH 1/4 MILE TO LOCATION.

- B. EXHIBIT #2 IS A TOPOGRAPHIC MAP INDICATING THE PROPOSED WELL LOCATION.

2) PLANNED ACCESS ROADS:

AN ACCESS ROAD APPROXIMATELY 1 3/4 MILES LONG WILL BE UPGRADED ACROSS SECTIONS 23, & 22, OF T22S R34E LEA COUNTY NEW MEXICO. THE ROADS WILL BE UPGRADED OR CONSTRUCTED WITH CALICHE. NO ARCHAEOLOGICAL FINDS WERE OBSERVED IN THE PROPOSED RIGHT-OF-WAY.

3) LOCATION OF EXISTING WELLS:

EXISTING WELLS WITHIN A ONE-MILE RADIUS ARE SHOWN ON EXHIBIT #3.

4) LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. EXISTING FACILITIES WITHIN A ONE-MILE RADIUS OF THE PROPOSED LOCATION CAN BE SEEN ON EXHIBIT # 3. THESE EXISTING FACILITIES INCLUDE OIL OR GAS WELLS AND THEIR RESPECTIVE BATTERIES.
- B. IF THE PROPOSED WELL IS COMPLETED AND PRODUCTIVE, PLANS ARE TO CONSTRUCT A TANK BATTERY AT THE WELL PAD AND NO ADDITIONAL SURFACE DISTURBANCE WILL OCCUR.

5) LOCATION AND TYPE OF WATER SUPPLY:

WATER WILL BE PURCHASED FROM A COMMERCIAL WATER HAULER AND TRUCKED TO THE PROPOSED WELLSITE.

6) SOURCE OF CONSTRUCTION MATERIALS:

CALICHE FOR CONSTRUCTING THE ACCESS ROAD AND FOR CONSTRUCTING THE PROPOSED WELL LOCATION WILL BE OBTAINED FROM A CALICHE PIT LOCATED IN THE SW4 OF SECTION 23, T22S, R34E OR FROM A PIT DUG ON THE PROPOSED WELL PAD. LOCATION OF THE CALICHE PIT CAN BE SEEN ON EXHIBIT #1

7) METHODS OF HANDLING WASTE DISPOSAL:

- A. DRILL CUTTINGS WILL BE DISPOSED OF IN THE RESERVE PIT.
- B. DRILLING FLUID WILL BE ALLOWED TO EVAPORATE IN THE RESERVE PIT UNTIL PITS ARE DRY.
- C. WATER PRODUCED DURING TESTS WILL BE DISPOSED OF IN THE RESERVE PITS. OIL PRODUCED DURING TESTS WILL BE STORED IN A TEST TANK UNTIL SOLD. GAS WILL BE FLARED.
- D. SALTS AND CHEMICALS WILL BE DEPOSITED IN THE RESERVE PIT.
- E. A SEPTIC BOREHOLE WILL BE CONSTRUCTED AT THE LOCATION FOR THE DISPOSAL OF HUMAN WASTE.
- F. TRASH, WASTE PAPER, GARBAGE AND JUNK WILL BE BURIED IN A SEPARATE TRASH PIT (SEE BURN PIT ON EXHIBIT #4) AND COVERED WITH A MINIMUM OF 24 INCHES OF DIRT.
- G. ALL TRASH AND DEBRIS WILL BE BURIED OR REMOVED FROM THE WELLSITE AFTER FINISHING DRILLING AND/OR COMPLETION OPERATIONS.

8) ANCILLARY FACILITIES:

NONE REQUIRED

9) WELLSITE LAYOUT:

- A. EXHIBIT #4 SHOWS THE GENERAL LOCATION AND DIMENSIONS OF THE WELL LOCATION, MUD PITS, RESERVE PIT, BURN PIT, AND THE AREA OF LOCATION FOR MAJOR RIG COMPONENTS.
- B. LEVELLING OF THE WELLSITE WILL BE REQUIRED. NO SIGNIFICANT CUT OR FILLS WILL BE NECESSARY.
- C. THE RESERVE PIT WILL BE PLASTIC LINED.

10) PLANS FOR RECLAMATION OF THE SURFACE:

- A. AFTER COMPLETION OF DRILLING AND TESTING PROGRAM, ALL EQUIPMENT AND OTHER MATERIAL NOT NEEDED FOR OPERATIONS WILL BE REMOVED. PITS WILL BE FILLED AND THE LOCATION CLEANED OF ALL TRASH AND JUNK.
- B. ANY UNGUARDED PITS CONTAINING FLUIDS WILL BE FENCED UNTIL THEY ARE FILLED.
- C. AGREEMENT BETWEEN DRILLING CONTRACTOR AND BLM TO STACK THE DRILLING RIG ON LOCATION WILL BE THE RESPONSIBILITY OF THE DRILLING CONTRACTOR.
- D. AFTER ABANDONMENT OF THE WELL, SURFACE RESTORATION WILL BE IN ACCORDANCE WITH THE REQUIREMENTS OF THE SURFACE MANAGEMENT AGENCY. PITS WILL BE FILLED AND LOCATION WILL BE CLEANED. THE PIT AREA, WELL PAD AND SURFACE LOCATION WILL BE RIPPED TO PROMOTE RE-VEGETATION.

11) SURFACE OWNERSHIP:

LIVESTOCK MERCHANT COMPANY
PO BOX 1105
EUNICE N.M. 88231
ATTN. MR. JOHN PEARSON

OWNERSHIP:
BUREAU OF LAND MANAGEMENT
P.O. BOX 1778
CARLSBAD, NM 88220

12) OTHER INFORMATION:

A. TOPOGRAPHY: LAND SURFACE IS MOSTLY SMALL SAND DUNES COVERED WITH MESQUITE, SHINNERY OAK, AND SAND SAGE.

THE GROUND LEVEL ELEVATION OF THE WELLSITE IS 3421'.

B. SOIL: SAND UNDERLAIN BY CALICHE.

C. PONDS AND STREAMS: THERE ARE NO RIVERS, STREAMS, LAKES, OR MAJOR PONDS IN THE AREA.

D. ARCHAEOLOGICAL SURVEY: AN ARCHAEOLOGICAL CLEARANCE SURVEY WAS CONDUCTED ON AUGUST 22, 1989 BY AN INVESTIGATOR FROM NEW MEXICO ARCHAEOLOGICAL SERVICES, INC. THE ARCHAEOLOGICAL CLEARANCE REPORT CAN BE REVIEWED IN EXHIBIT #5. ANY STIPULATIONS FOR ARCHAEOLOGICAL PROTECTION WILL BE INCORPORATED IN OUR SURFACE USE PLAN.

E. LAND USE: GRAZING AND HUNTING SEASON.

13) THE COMPANY REPRESENTATIVES RESPONSIBLE FOR ASSURING COMPLIANCE WITH THE APPROVED SURFACE USE AND OPERATIONS PLAN ARE AS FOLLOWS:

STEVE LIMKE
(915) 688-0494 (OFFICE)
(915) 684-9791 (HOME)
MIDLAND, TEXAS

RICK SIEVERT
(915) 688-0448 (OFFICE)
(915) 682-6068 (HOME)
MIDLAND, TEXAS

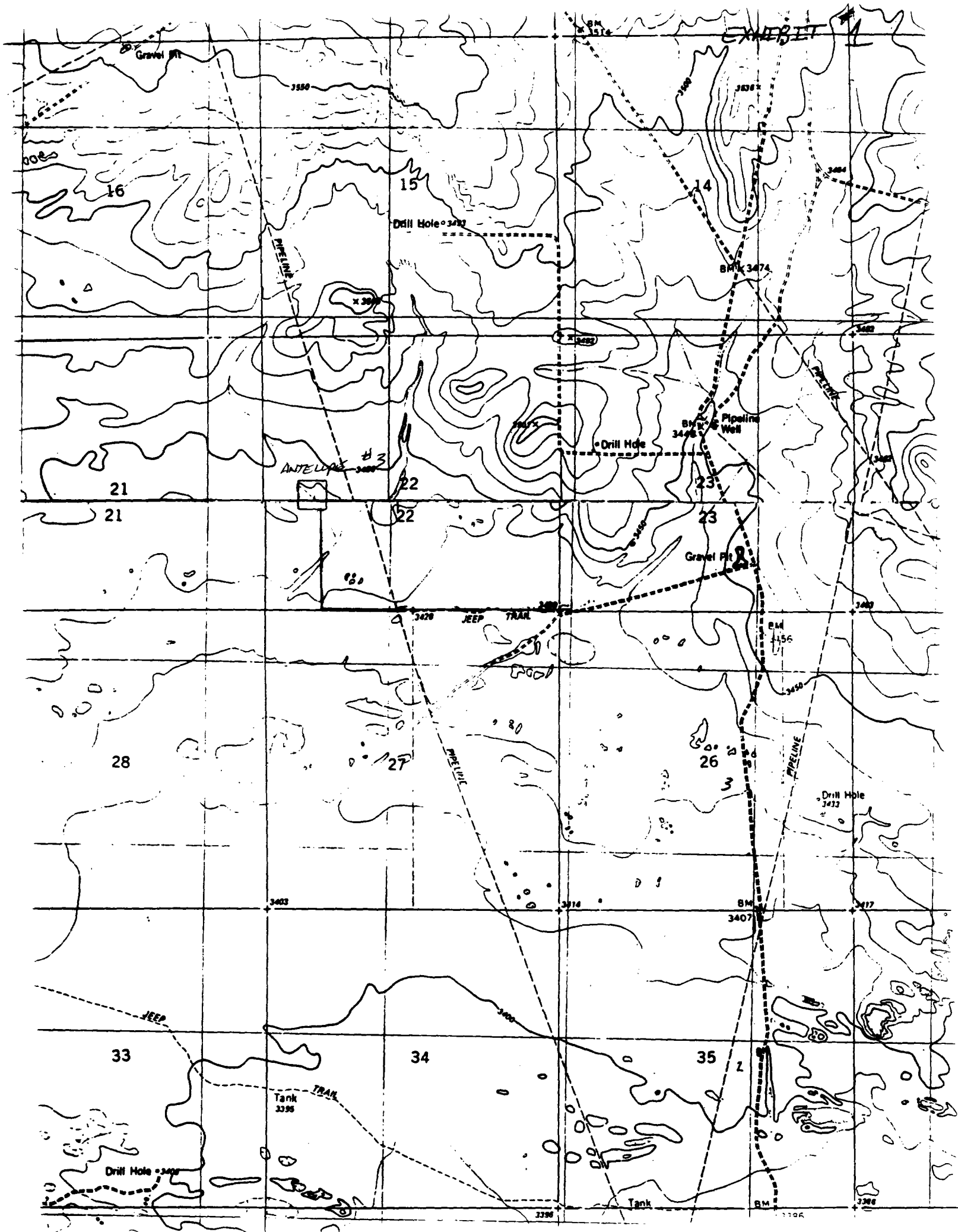
CERTIFICATION

I HEREBY CERTIFY THAT I, OR PERSONS UNDER MY DIRECT SUPERVISION, HAVE INSPECTED THE PROPOSED DRILL SITE AND ACCESS ROUTE; THAT I AM FAMILIAR WITH THE CONDITIONS WHICH CURRENTLY EXIST; THAT THE STATEMENTS MADE IN THIS PLAN ARE, TO THE BEST OF MY KNOWLEDGE, TRUE AND CORRECT; AND THAT THE WORK ASSOCIATED WITH OPERATIONS PROPOSED HEREIN WILL BE PERFORMED BY ORYX ENERGY COMPANY AND IT'S CONTRACTORS AND SUBCONTRACTORS IN CONFORMITY WITH THIS PLAN AND THE TERMS AND CONDITIONS UNDER WHICH IT IS APPROVED.

9-14-89

DATE

Steve Limke
STEVE LIMKE
DRILLING SUPERVISOR



R

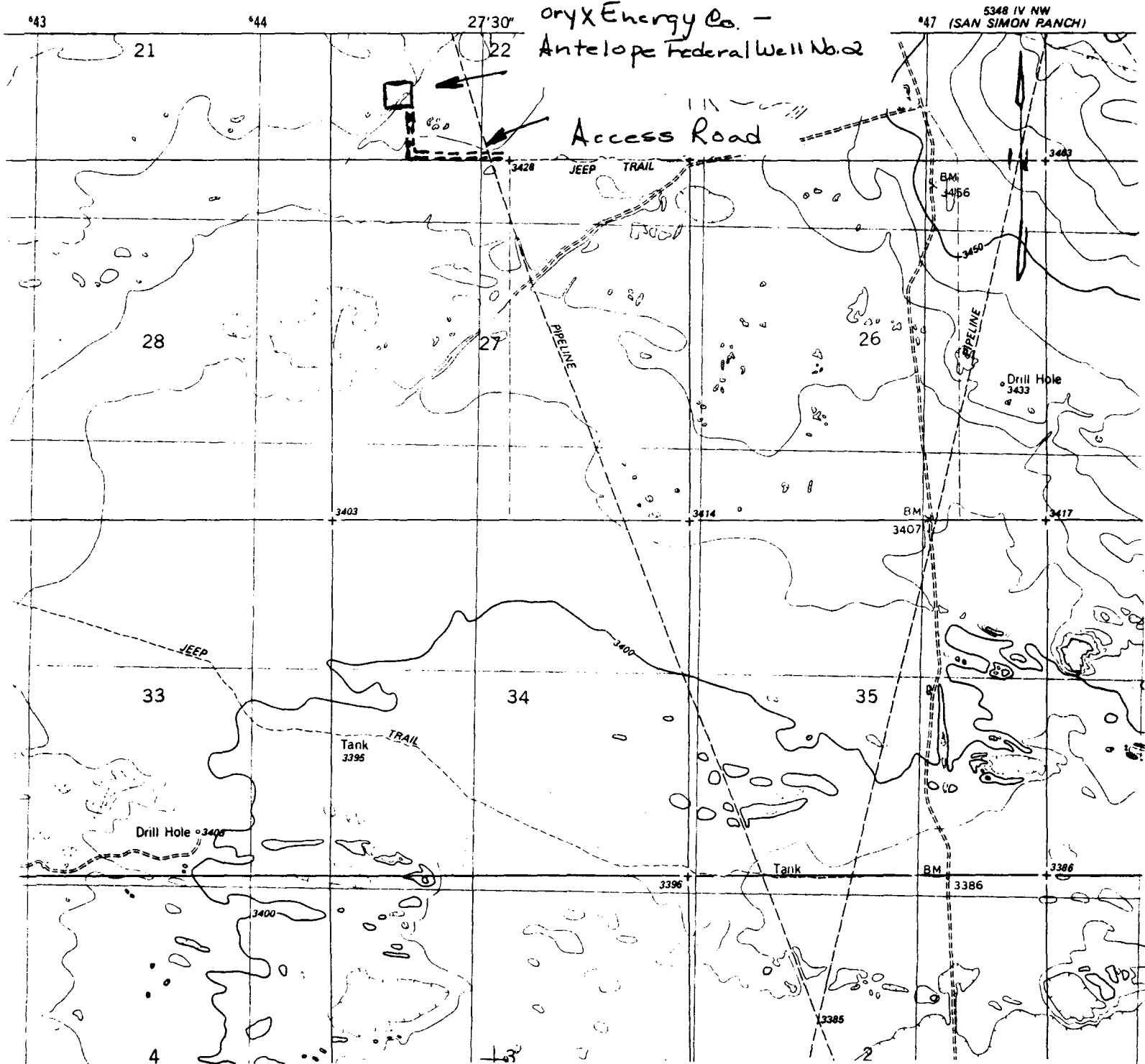
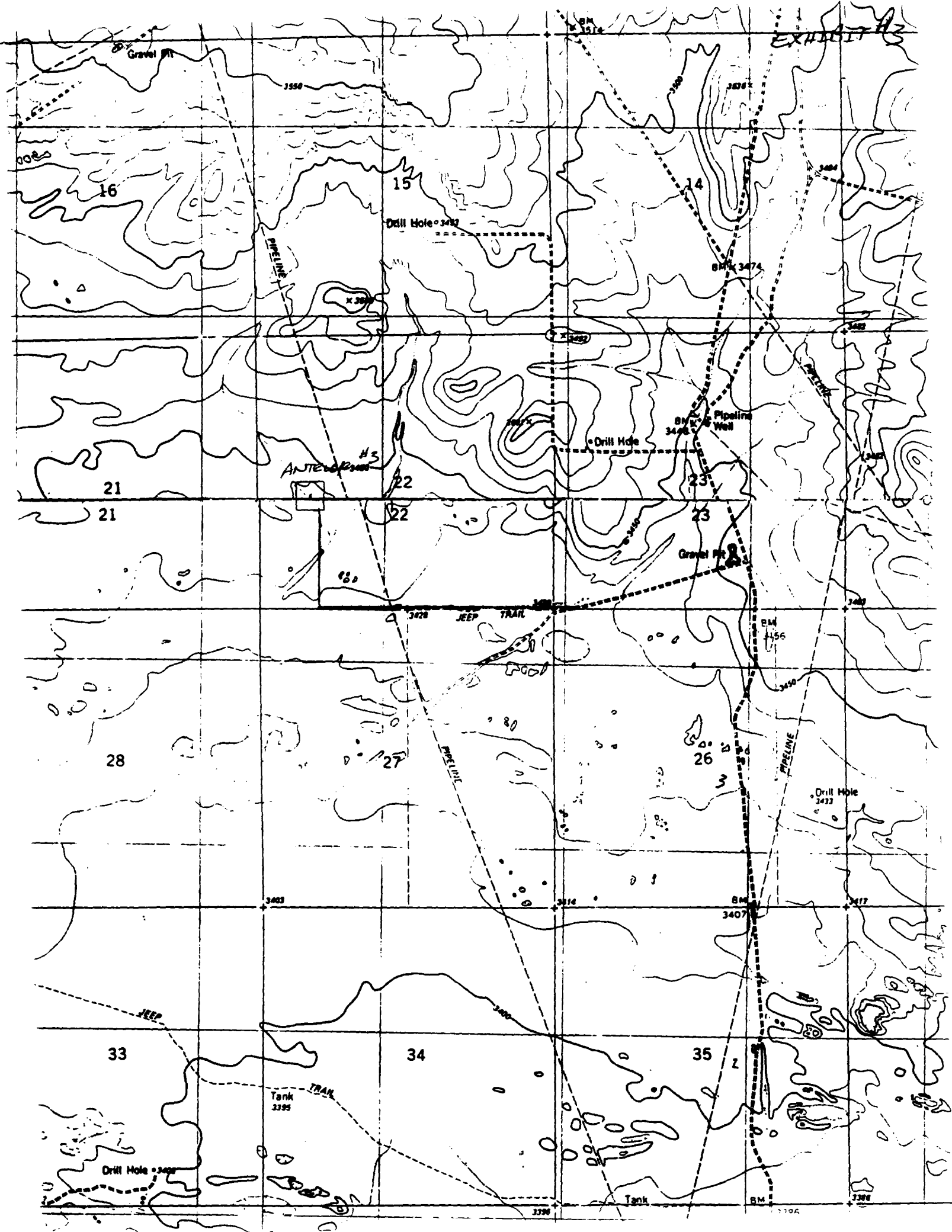
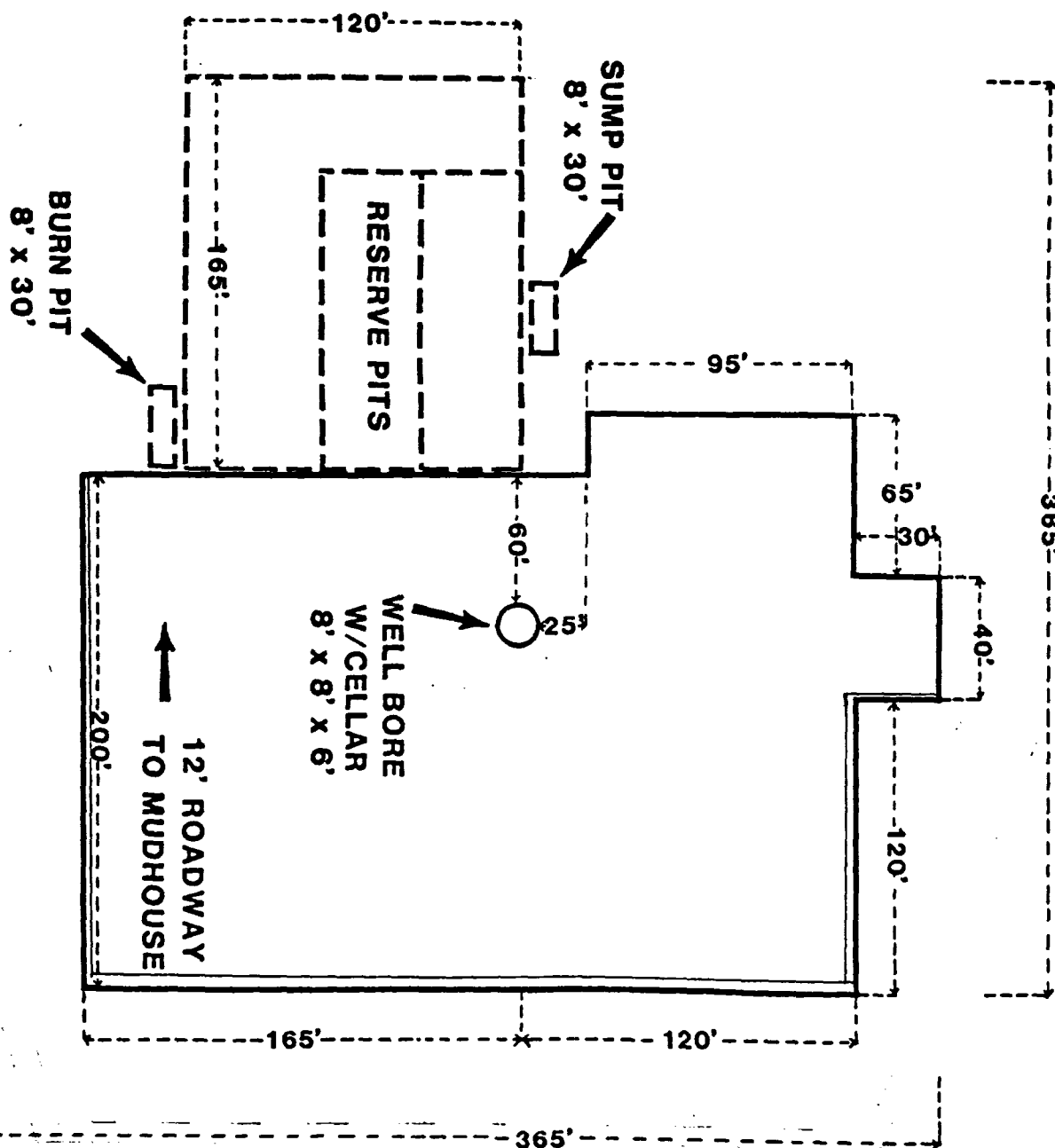


Fig. 1. USGS SAN SIMON SINK QUADRANGLE, 7.5 Minute Series, 1:24,000, 1984, showing ORYX ENERGY COMPANY's proposed Antelope Federal Well No. 2, 990' FSL, 990' FWL, and access road, Section 22, T22S, R34E, NMPM, Lea County, NM







NMAS

New Mexico Archaeological Services, Inc.

P.O. Box 1341
Carlsbad, New Mexico 88221-1341
(505) 887-7646

Reconnaissance
Excavation
Analysis
Explanation
Curation

31 August 1989


Mr. Steve Limke
ORYX ENERGY COMPANY
P.O. Box 1861
Midland, Texas 79701

Dear Mr. Limke:

Enclosed please find NMAS' Archaeological Clearance Report for ORYX ENERGY COMPANY's proposed Antelope Federal Well No. 2 and its associated access road in Lea County, New Mexico. No cultural resources were recorded during these surveys; therefore, NMAS is suggesting clearance for ORYX ENERGY COMPANY's proposed work.

If you have any questions pertaining to this report, please call my office. Thank you for asking NMAS to do these surveys.

Yours sincerely,


Dr. J. Loring Haskell
Principal Investigator

Enclosure

cc: Mr. George Ruebelmann

as

Archaeological Clearance Report
for

ORYX ENERGY COMPANY

Antelope Federal Well No. 2
and access road

Prepared

By

Dr. J. Loring Haskell

Submitted

By

Dr. J. Loring Haskell
Principal Investigator
New Mexico Archaeological Services, Inc.
Carlsbad, New Mexico

31 August 1989

Permit Number: 14-2920-89-I

Report Number: NMAS-1989-27-AT

ABSTRACT

New Mexico Archaeological Services, Inc., representing ORYX ENERGY COMPANY, undertook a Class III survey of Bureau of Land Management land scheduled to be impacted by the construction of a drill location and its associated access road. Field work was conducted under partly sunny and calm conditions during mid-day. The proposed location will measure 400 X 400 ft (actual area surveyed 4.44 acres). The access road will measure 100 X 2190 ft (actual area surveyed 5.02 acres). Total surveyed acreage 9.46 acres. It will be situated in Section 22, T22S, R34E, NMPM, Lea County, New Mexico. No cultural resources were recorded during these surveys; therefore, NMAS is suggesting clearance for all proposed work.

Introduction

On 30 August 1989, New Mexico Archaeological Services, Inc., (NMAS), Carlsbad, (Permit Number: 14-2920-89-I), undertook for ORYX ENERGY COMPANY, an archaeological survey of federal land administered by the Bureau of Land Management in Lea County, New Mexico. Three reconnoitered areas will be impacted by the construction of a drill location and its access road. These surveys were undertaken by Dr. Haskell.

Survey Technique

For these investigations, ORYX ENERGY COMPANY's proposed location was reconnoitered for evidence of man's past activities by walking it in a series of 8.0 m wide, close intervals (15° or less), zigzag transects. In addition, an added zone extending 20 ft on each side of the staked 400 X 400 ft location, and lying outside the bounds of the proposed work area, was reconnoitered by a similar means. The access road was walked in two, 15 m wide transects. Flags are considered to be the center of the proposed road. Methodologically, these procedures served to promote optimal conditions for the visual examination of the area to be impacted by construction-related activities. Field work was conducted under partly sunny and calm conditions during mid-day. Ground visibility ranges between 75 and 85%. Field time two hours.

Antelope Federal Well No. 2

Location

The proposed location will measure 400 X 400 ft (actual area surveyed 4.44 acres) on federal land and will be situated 990 ft from the south line and 990 ft from the west line.

Section 22, T22S, R34E, NMPM, Lea County., NM

Thus it will be situated in the:

SW $\frac{1}{4}$ SW $\frac{1}{4}$, Section 22, T22S, R34E, NMPM, Lea County, NM

The associated access road will measure approximately 100 X 2190 ft (actual area surveyed 5.02 acres) and will be situated in the:

SW $\frac{1}{4}$ SW $\frac{1}{4}$, Section 22, T22S, R34E, NMPM, Lea County, NM

SE $\frac{1}{4}$ SW $\frac{1}{4}$, Section 22, T22S, R34E, NMPM, Lea County, NM

Map Reference: USGS SAN SIMON SINK QUADRANGLE, 7.5 Minute Series, 1984.

Level of Previous Impact

The site of the proposed location has not been previously impacted by mechanical means. The access road on the south will utilize an existing ranch road.

Environmental Setting

ORYX ENERGY COMPANY's proposed location will be situated on an aeolian landform whose surface is characterized by a continuous system of low- to mid-sized, coppice dunes. Locally, areal micro-relief ranges between 0.50 and 1.25 m in height. An entrenched arroyo courses through the area on the south on a northeast to southwest axis. Surficial deposits are composed of loose, non-calcareous, sandy loams and loamy sands. Soil individuals fall within the Typic Torripsamment subgroup. Deflation basins typically host a light scree of chert and calcareous gravels. Overall, the present surface is subject to aeolian processes. Elevation is 3420 ft. Slope is 0.65°. Aspect is multiple (360°). Water, while locally scarce, does occur in the form of seeps near the base of the San Simon Ridge. The scrub formation is made up of mesquite, sand sage, shinnery oak, plains yucca, western sopaberry, broom snakeweed, spiny-leaf

zinnia, tansy aster, desert seepweed, sand-leaf flower, Indian rush pea, gland-leaf dalea, Warnock groundsel, false buffalo grass, sandbur, sand muhly, mesa dropseed, poverty threeawn and hairy grama.

Cultural Resoruces

Prefield: 18 August 1989, Section 22, T22S, R34E, three archaeological sites, Arita K. Slate.

NMAS 5857 is situated within 800 ft of the proposed access road.

NM-06-4013 is situated within 3300 ft of the proposed location.

NM-06-4011 is situated within 4000 ft of the proposed location.

No cultural properties were recorded during this survey. Their absence is due chiefly to the lack of locally available siliceous lithic sources. Land usage, however, was locally intense, especially during the Ochoa Phase of the Eastern Jornada Mogollon. Areal land usage centered on hunting and gathering.

Recommendations

NMAS recommends clearance for ORYX ENERGY COMPANY's proposed Antelope Federal Well No. 2 and its access road and suggests that work-related activities proceed in accordance with company plans (Fig. 1). Clearance, of course, is granted by the Bureau of Land Management. If cultural resources are encountered during construction, the BLM and NMAS should be notified immediately. Duned settings are notorious for covering and uncovering cultural properties.



Oryx Energy Company
24 Smith Road
PO Box 1861
Midland TX 79702-1861
915 688 0300

September 19, 1989

Southwestern
Production Region

TO ALL OFFSET OPERATORS
(List Attached)

*Case No.
9782*

RE: Offset Operators Notification
Unorthodox Location
Oryx Energy Company
Antelope Federal No. 2
Antelope Ridge - Atoka Gas
L, 1090' FSL & 990' FWL
Sec. 22, T-22-S, R-34-E
Lea County, New Mexico

Gentlemen:

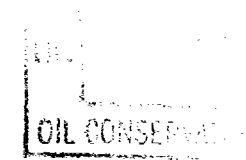
Oryx has made an application for permit to drill the captioned unorthodox location. This location is 990' to the end boundary and 230' to the nearest 1/4 - 1/4 section line. Statewide Rule 104 states that distance to end boundary should be no closer than 1980' and 330' to nearest 1/4 - 1/4 section line.

If you, as an offset operator of this lease, have no objections to the drilling of this location, please sign the waiver below. Return self addressed-stamped envelopes are enclosed for your convenience.

Should you have any questions on this location, please contact Shelly Lane, Geologist, at A/C 915-688-0525.

Yours truly,

Maria L. Perez
Accountant A/C 915-688-0375



DATE: October 2, 1989
SIGNED BY: P. B. Anderson
TITLE: Exploitation Manager
COMPANY NAME: BTA OIL PRODUCERS

CC: Bureau of Land Management
P. O. Box 1778
Carlsbad, New Mexico 88220

Oil Conservation Division
P. O. Box 1980
Hobbs, New Mexico 88241-1980

Charles Gray - NP-IV-Dls., Conservation Dept.
Keith Nelson - CC II-Dls., Land Dept.
Shelly Lane - Geologist - Midland

OIL CONSERVATION DIVISION
RECEIVED

'90 JAN 5 AM 9 03



Oryx Energy Company
Campbell Centre II
8150 North Central Expy
PO Box 2880
Dallas TX 75221-2880
214 891 1500

Exploration
Northern Region

January 2, 1990

State of New Mexico
Oil Conservation Commission
310 Old Santa Fe Trail
Santa Fe, New Mexico 87503

Attn: Michael E. Stogner

RE: Case No. 9783 - Order No. R-9064
Case No. 9784 - Order No. R-9065
Case No. 9782 - Order No. R-9067

- M.S.

Gentlemen:

Oryx Energy Company, as Operator, of the units covering the above referenced Orders, has obtained voluntary agreements from all working interest parties.

This voluntary agreement includes the following working interest owners and all parties being force pooled:

BTA Oil Producers
Pacific Enterprises
Joe Reynolds

If you have any questions, please call me at (214) 891-5356.

Sincerely,

ORYX ENERGY COMPANY


Alan Beers
Landman



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

GARREY CARRUTHERS
GOVERNOR

January 19, 1990

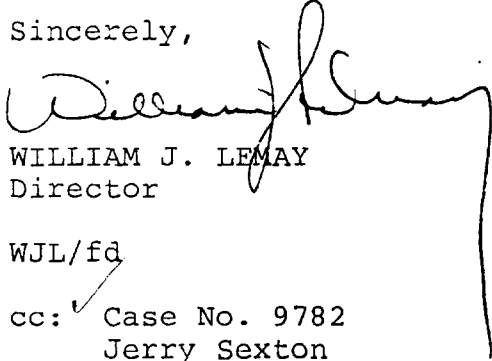
POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Mr. Charles A. Gray
Conservation Representative
Oryx Energy Company
P. O. Box 2880
Dallas, Texas 75221-2880

Dear Mr. Gray:

Based upon your letter of January 15, 1990, and in accordance with the provisions of Division Order No. R-9067, Oryx Energy Company is hereby granted an extension of time in which to begin the well on the unit pooled by said order until May 1, 1990.

Sincerely,


WILLIAM J. LEMAY
Director

WJL/fd

cc: ✓ Case No. 9782
Jerry Sexton

KELLAHIN, KELLAHIN and AUBREY

Attorneys at Law

W. Thomas Kellahin
Karen Aubrey

El Patio - 117 North Guadalupe
Post Office Box 2265

Telephone 982-4285
Area Code 505

Jason Kellahin
Of Counsel

Santa Fe, New Mexico 87504-2265

Fax: 505/982-2047

October 31, 1989

Mr. Michael E. Stogner
Hearing Examiner
Oil Conservation Division
State Land Office
Santa Fe, New Mexico 87501

HAND DELIVERED

RECEIVED
OCT 31 1989
OIL CONSERVATION DIVISION

Re: Application of Oryx Energy Company
for Compulsory Pooling and an
Unorthodox Well Location, Lea County,
New Mexico

Dear Mr. Stogner:

On behalf of Oryx Energy Company and in accordance with
your direction at the hearing of the referenced case held on
October 18, 1989, please find enclosed a proposed order for
entry in this case.

Very truly yours,



W. Thomas Kellahin

WTK/tic
Encl.

cc: Charles Gray
Oryx Energy Company
P. O. Box 2880
Dallas, Texas 75231

Owen Lopez, Esq.
Hinkle, Cox, Eaton, Coffield
& Hensley
P. O. Box 2068
Santa Fe, New Mexico 87504

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION DIVISION
FOR THE PURPOSE OF CONSIDERING:

CASE NO. 9732
ORDER NO.

APPLICATION OF ORYX ENERGY COMPANY,
FOR COMPULSORY POOLING AND AN UNORTHODOX
WELL LOCATION, LEA COUNTY, NEW MEXICO

ORYX PROPOSAL
ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 18, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this day of October, 1989, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The Applicant, Oryx Energy Company, seeks an order pooling all uncommitted mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the S/2 of Section 22, T22S, R34E, Lea County New Mexico, for a standard 320 acre gas spacing and proration unit for any and all formations and/or pools spaced on 320-acre spacing and from the surface to the top of the Wolfcamp formation underlying the SW/4 of said Section for any and all formations and/or pools spaced on 160 acre spacing and from the surface to the base of the Morrow formation underlying the SW/4SW/4 of said Section for any and all formations and/or pools spaced on 40 acre oil well spacing for a well to be drilled at an unorthodox location 1090 feet FSL and 990 feet FWL of said Section 22.

CASE NO. 9782
ORDER NO.
PAGE TWO

(3) Applicant proposed to pool the following working interest owners and their respective royalty and overriding royalty interests:

- | | | |
|-----|--------------------------------|-------|
| (a) | BTA Oil Producers | 12.5% |
| | 140 South Pecos | |
| | Midland, Texas 79701 | |
| | | |
| (b) | Pacific Enterprises | 6.25% |
| | 10 Desta Drive, Suite 500 West | |
| | Midland, Texas 79705 | |
| | | |
| (c) | Joe Reynolds | 6.25% |
| | 2333 50th Street | |
| | Lubbock, Texas 79421 | |

(4) The Applicant demonstrated at the hearing that it had located and attempted to negotiate in good faith with the working interest owners in the subject spacing unit.

(5) These parties were given adequate notice and opportunity to participate on a voluntary basis.

(6) Joe Reynolds appeared at the hearing in opposition to the Applicant's proposed S/2 orientation of the 320-acre spacing unit.

(7) Joe Reynolds' 6.25% working interest in the S/2 orientated spacing unit would increase to a 12.5% working interest if a W/2 orientation for the spacing unit is adopted.

(8) While Joe Reynolds sought a W/2 orientation, his own geologic expert witness admitted that the NW/4 of said Section 22 could not be mapped to include any Atoka pay potential from currently available geologic data.

(9) The geologic evidence presented by both Oryx and Reynolds demonstrates that a S/2 orientation of the spacing unit will dedicate more of the Atoka reservoir to the well than will a W/2 orientation.

(10) Applicant has the right to drill and develop the spacing unit and proposes a well to be drilled in the spacing unit at a standard well location.

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PAGE THREE

(11) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the production in any pool completion resulting from this order, the subject application as amended should be approved by pooling all mineral interests whatever they may be, within said amended unit.

(12) The applicant should be designated the operator of the subject well and unit.

(13) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(14) The applicant has proposed a 200 percent risk penalty to be assessed against those interest owners subject to the force-pooling provisions of this order, and in support thereof presented evidence and testimony at the hearing.

(15) While the Division is precluded by statute from awarding a risk factor penalty of more than 200%, it is common in the industry for working interest owners to acknowledge that the geologic risk of certain wells will far exceed that maximum.

(16) Although the proposed unorthodox well location allows the operator and working interest owners to reduce the geologic risk involved in drilling and completing the subject well that does not diminish the risk to less than the maximum 200% risk factor penalty.

(17) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(18) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs, but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

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PAGE FOUR

(19) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(20) \$5800.00 per month while drilling and \$580.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well not in excess of what are reasonable, attributable to each non-consenting working interest.

(21) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(22) Upon the failure of the operator of said pooled unit to commence the drilling of the well to which said unit is dedicated on or before February 15, 1990, the order pooling said unit should become null and void and of no effect whatsoever.

(23) Should all parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(24) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) That the following identified working interest owners, or their successor, assigns, including their corresponding royalty and overriding royalty owners, whose interests underly the S/2 of Section 22, T22S, R34E, N.M.P.M., Lea County, New Mexico, from the top of the Wolfcamp formation to the base of the Morrow formation are hereby pooled

CASE NO. 9782
ORDER NO.
PAGE FIVE

to form a standard 320 acre spacing and proration unit, and from the surface to the top of the Wolfcamp formation are hereby pooled to form a standard 160-acre spacing and proration unit, and from the surface to the base of the Morrow formation for any 40-acre spacing and proration unit for the subject well, to-wit:

- (a) BTA Oil Producers
- (b) Pacific Enterprises
- (c) Joe Reynolds

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 15th day of February 1990, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of January 1990, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Oryx Energy Company is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date the schedule of estimated well costs is furnished to him any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production and any

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such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated well costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him, and
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the prorata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

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PAGE SEVEN

(9) \$5800.00 per month while drilling and \$580.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all parties to this forced pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(15) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

CASE NO. 9782
ORDER NO.
PAGE EIGHT

DONE at Santa Fe, New Mexico on the day and year
hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

SEAL

HINKLE, COX, EATON, COFFIELD & HENSLEY

LEWIS C. COX
PAUL W. EATON
CONRAD E. COFFIELD
HAROLD L. HENSLEY JR.
STUART D. SHANOR
C. O. MARTIN
PAUL J. KELLY JR.
OWEN M. LOPEZ
DOUGLAS L. LUNSFORD
JOHN J. KELLY
T. CALDER EZZELL, JR.
WILLIAM B. BURFORD*
RICHARD E. OLSON
RICHARD R. WILFONG*
STEVEN D. ARNOLD
JAMES J. WECHSLER
NANCY S. CUSACK
JEFFREY L. FORNACIARI
JEFFREY D. HEWETT
JAMES BRUCE
JERRY F. SHACKELFORD*
JEFFREY W. HELLBERG*
ALBERT L. PITTS
THOMAS M. HNASKO
JOHN C. CHAMBERS*
THOMAS D. HAINES, JR.
FRANKLIN H. MCCALLUM*

GREGORY J. NIBERT
DAVID T. MARKETTE*
MARK C. DOW
KAREN M. RICHARDSON*

FRED W. SCHWENDIMANN
DAVID MORAN
JAMES R. MCADAMS*
JAMES M. HUDSON
MACDONNELL GORDON
REBECCA NICHOLS JOHNSON
PAUL R. NEWTON
WILLIAM P. JOHNSON
ELLEN S. CASEY
MARGARET C. LUDEWIG
PATRICIA A. WATTS*
MARTIN MEYERS
GREGORY S. WHEELER
ANDREW J. CLOUTIER
S. BARRY PAISNER
W. CRAIG BARLOW*
JAMES A. GILLESPIE
KAREN L. COLLIER
GARY W. LARSON
STEPHANIE LANDRY
JERRY D. WORSHAM, II

OF COUNSEL
O. M. CALHOUN
MACK EASLEY
JOE W. WOOD

CLARENCE E. HINKLE (1901-1985)
W. E. BONDURANT, JR. (1913-1973)
ROY C. SNOODGRASS, JR. (1914-1987)

*NOT LICENSED IN NEW MEXICO

ATTORNEYS AT LAW

218 MONTEZUMA

POST OFFICE BOX 2068

SANTA FE, NEW MEXICO 87504-2068

(505) 982-4554

November 1, 1989

VIA HAND DELIVERY

2800 CLAYDESTA NATIONAL BANK BUILDING

POST OFFICE BOX 3580

MIDLAND, TEXAS 79702

(915) 683-4691

FAX (915) 683-6518

1700 TEXAS AMERICAN BANK BUILDING

POST OFFICE BOX 9238

AMARILLO, TEXAS 79105

(806) 372-5569

FAX (806) 372-9761

700 UNITED BANK PLAZA

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ROSOWELL, NEW MEXICO 88202

(505) 622-6510

FAX (505) 623-9332

500 MARQUETTE N.W., SUITE 740

ALBUQUERQUE, NEW MEXICO 87102-2121

(505) 768-1500

FAX (505) 768-1529

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NOV - 1 1989

OIL CONSERVATION DIVISION

Mr. Michael E. Stogner
Hearing Examiner
Oil Conservation Division
State Land Office
Santa Fé, New Mexico 87503

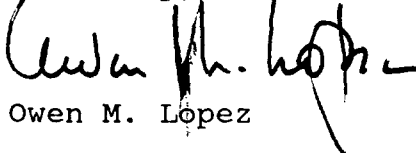
Re: Proposed Order in Case No. 9782, Applications of
Oryx for Compulsory Pooling and an Unorthodox Well
Location.

Dear Mr. Stogner:

In accordance with your request, please find enclosed the Reynolds Group's proposed Order in the above-referenced case. The proposed Order is self-explanatory and essentially requests that the case be dismissed. However, if our request for dismissal is denied, it appears to us that in the alternative, if Oryx's applications for compulsory pooling and an unorthodox well location are approved, such approvals should be subject to allowable penalties commencing with 50% for the geologically condemned SE/4 of Section 22, plus a penalty based on the Division's standard planimetering formula which takes into account the extent to which the proposed unorthodox well encroaches on offset acreage.

Thank you for your consideration of this matter.

Sincerely,


Owen M. Lopez

cc: David Pace
W. Thomas Kellahin, Esq.

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

IN THE MATTER OF THE
HEARING CALLED BY THE
OIL CONSERVATION DIVISION
FOR THE PURPOSE OF CON-
SIDERING:

CASE NO. 9782

ORDER NO. R-_____

APPLICATION OF ORYX ENERGY
COMPANY FOR AN UNORTHODOX
WELL LOCATION AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO

FILED

NOV - 1 1989

OIL CONSERVATION DIVISION

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 18, 1989 at Santa Fe, New Mexico before Examiner Michael E. Stogner.

NOW, on this _____ day of November, 1989, the Division Director, having considered the testimony, the record and the recommendation of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and subject matter thereof.

(2) The applicant, Oryx Energy Company (Oryx) seeks approval of a well to be drilled at an unorthodox location 1090 feet from the south line and 990 feet from the west line (Unit M) of Section 22, T22S, R34E, N.M.P.M., Lea County, New Mexico, the S/2 of said Section 22 to be dedicated to the subject well to form a standard

320-acre gas spacing (which presently includes but is not necessarily limited to the undesignated Antelope Ridge-Atoka Gas Pool, undesignated Antelope Ridge-Morrow Gas Pool, undesignated Ojo Chiso-Stawn Gas Pool, and undesignated Ojo Chiso-Morrow Gas Pool); the SW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations developed on 160-acre spacing; and the SW/4 SW/4 to form a standard 40-acre oil spacing and proration unit for any and all formations developed on statewide 40-acre spacing.

(3) Oryx further seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S/2 of said Section 22.

(4) Joe Reynolds, appearing on his own behalf and on behalf of other similarly aligned working interest owners in the SW/4 of Section 22 (the Reynolds Group), appeared at the October 18, 1989 hearing in opposition to the Oryx applications and seeks to have said Oryx applications dismissed on the basis that a S/2 gas spacing and proration unit to be dedicated to a well to be drilled in the SW/4 of said Section 22 is improper because it has been shown that there exist no reserves underlying the SE/4 of said Section 22. The Reynolds Group further states that a stand-up, W/2 of Section 22 gas spacing and proration unit is proper because there exist potential reserves underlying the entire W/2 of Section 22 and a commercial well can be located at a standard location 990 feet from the west line and 1980 FSL of said Section 22.

(5) The Reynolds Group presented evidence that Apache Corporation between January and March, 1987, drilled its Boomer

Federal No. 22-1 well, an Atoka and Morrow test, in the SE/4, 1980 FSL and 990 FEL of said Section 22. Said well was dry in both the Atoka and Morrow formations.

(6) Oryx proposes to drill a well at a standard location in the NW/4 of Section 27, T22S, R34E, dedicating the N/2 of said Section 27 to form a standard gas spacing and proration unit to further test the Atoka carbonate reef build-up that trends Northwest-Southeast in the vicinity of the subject well in Section 22. Oryx presented testimony that it intends to drill the proposed well in the NW/4 of Section 27 before it drills the subject well in the SW/4 of Section 22 and that it intends to permit uncommitted working interest owners in Section 22 forty-eight hours after completion of its well in NW/2 of Section 27, to elect whether to go non-consent.

(7) Both Oryx and the Reynolds Group were in agreement and presented evidence regarding the geologic vicinity of the subject well, the Morrow formation is productive only in Sections lying to the east of Sections 22 and 27. Therefore, a Morrow test in the SW/4 of Section 22 will be a rank wildcat.

(8) Forty-eight hours will not provide adequate time to properly test the production of the well proposed to be drilled in the NW/4 of Section 27 and therefore constitutes an unreasonable period within which to require uncommitted working interest owners to elect whether to go non-consent.

(9) The Apache Boomer Federal No. 22-1 well drilled in the SE/4 of Section 22 effectively condemns the SE/4 of said section

from any productive reserves underlying the said SE/4. As a result, approximately one-half of the standard Atoka or Morrow gas spacing and proration unit consisting of the S/2 of Section 22 is unproductive. Therefore, any well drilled in the SW/4 of Section 22, with the S/2 dedicated to said well, should be penalized at least to the extent of one-half its allowable, without considering an additional penalty based on the well's unorthodox location.

(10) Oryx is the only working interest owner in the E/2 of Section 22 and if it were to dedicate the W/2 of Section 22 to a well to be drilled at a standard location, Oryx's interest in the well would be diluted since the W/2 of Section 22 has common ownership with the Reynolds Group participating respectively to the extent of its mineral ownership in the SW/4 of Section 22.

(11) Approval for the subject applications for compulsory pooling and an unorthodox well location will not afford the Reynolds Group the opportunity to produce its just and equitable share of the gas in the affected pools, will not prevent the economic loss caused by the drilling of unnecessary wells, will not avoid the augmentation of risk arising from the drilling of an excessive number of wells and will not otherwise prevent waste and protect correlative rights. Therefore, Oryx's applications should be dismissed without prejudice to reapply once the well proposed in the NW/4 of Section 27 has been completed, and if a producer, adequately tested.

IT IS THEREFORE ORDERED THAT: Case No. 9782 is dismissed without prejudice.

DONE at Santa Fe, New Mexico on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

William J. Lemay
Director