



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

September 26, 2001

FOR RECORD ONLY

Lori Wrotenbery

Director

Oil Conservation Division

Occidental Permian Limited Partnership

c/o W. Thomas Kellahin

P. O. Box 2265

Santa Fe, New Mexico 87504-2265

Telefax No. (505) 982-2047

Administrative Order NSL-4646(BHL)

Dear Mr. Kellahin:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") on August 20, 2001 (*applicant reference No. pKRV0-123347033*) filed on behalf of the operator Occidental Permian Limited Partnership ("OXY"); (ii) the Division's initial response by letter dated August 22, 2001 from Mr. Michael E. Stogner, Engineer/Hearing Officer in Santa Fe requesting proof of notice pursuant to Division Rule 1207.A (2); (iii) your telefaxed response with the necessary attachments of August 29, 2001; and (iv) the records of the Division in Santa Fe, including the file on Division Orders No. R-4924, R-4934, as amended, R-6198, as amended, and R-6199, as amended: all concerning OXY's request to directionally drill the following two described wells to unorthodox subsurface oil well locations along the "lease-line" that separates OXY's North Hobbs Grayburg-San Andres Unit and South Hobbs Grayburg-San Andres Unit Pressure Maintenance Projects within the Hobbs-Grayburg San Andres Pool (31920) in Township 18 South, Range 38 East, NMPM, Lea County, New Mexico:

Well Name and Number	API Number	Footage Location [Surface Location ----- (Proposed Targeted Bottomhole Location)]	Unit	Section	Dedicated 40- Acre Tract
<i>South Hobbs (GSA) Unit Well No. 244</i>	N/A	<i>2246' FNL & 597' FWL ----- (2006' FNL & 67' FWL)</i>	<i>E -- E</i>	<i>34 -- 34</i>	<i>SW/4 NW/4</i>
<i>North Hobbs G/SA Unit Well No. 843</i>	N/A	<i>1933' FSL & 294' FEL ----- (1409' FSL & 740' FEL)</i>	<i>I -- I</i>	<i>33 -- 33</i>	<i>NE/4 SE/4</i>

The Division Director Finds That:

- (1) OXY is the operator of the North Hobbs Grayburg-San Andres Unit Pressure Maintenance Project, established by Division Order No. R-6199, as amended. This secondary recovery project and corresponding North Hobbs Grayburg-San Andres Unit Area (see Division

Order No. R-6198, as amended) comprise the following described 10,649.53 acres, more or less, in Lea County, New Mexico:

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM

Section 13: W/2 and SE/4
Section 14: All
Sections 23 through 25: All
Section 26: N/2 NE/4 and SE/4 NE/4
Section 36: E/2 and E/2 NW/4

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM

Section 17: S/2 NW/4 and SW/4
Section 18: NE/4 and S/2
Sections 19 and 20: All
Section 21: SW/4, NW/4 SE/4, and S/2 SE/4
Sections 27 through 32: All
Section 33: N/2, SW/4, N/2 SE/4, and SW/4 SE/4
Section 34: E/2 and E/2 NW/4;

- (2) OXY is also the operator of the South Hobbs Grayburg-San Andres Unit Pressure Maintenance Project, established by Division Order No. R-4934, as amended. This enhanced recovery project and corresponding South Hobbs Grayburg-San Andres Unit Area currently comprises the following described 4913.74 acres, more or less, in Lea County, New Mexico:

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM

Section 33: SE/4 SE/4
Section 34: W/2 NW/4 and SW/4

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM

Sections 3 through 5: All
Section 6: E/2 NE/4, N/2 NW/4, and N/2 SE/4
Section 8: N/2 NW/4, NE/4, and N/2 SE/4
Section 9: N/2, N/2 SW/4, and SE/4
Section 10: All
Section 11: SW/4 SW/4
Section 14: W/2 NW/4
Section 15: All
Section 16: NE/4 NE/4;

- (3) Currently, the Hobbs Grayburg-San Andres Pool is subject to the statewide rules and regulations for oil wells, as promulgated by Division Rules 104.B (1) and 104.F (1), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, which provides for 40-acre oil spacing and proration units and requires that wells be located no closer than the required minimum distance to the

outer boundary of the lease or unitized area (pressure maintenance/waterflood project area), in this case 330 feet, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;

- (4) Both secondary recovery projects contain special provisions, which were approved prior to the adoption of the above-described statewide rule, that: (i) reflect the "10" foot provision; and (ii) affords an administrative approval process for wells at unorthodox oil well locations along this common "lease-line", provided however a signed agreement by "both operators" is attached, or the affected operator waives objection in writing [These special provisions were promulgated at a time when both projects were operated different operators (Amoco Production Company and Shell Oil Company)];
- (5) Pursuant to Division Rule 1207.A (2) (a) 3, revised by Division Order No. R-11205, issued by the New Mexico Oil Conservation Commission in Case No. 12177 on June 17, 1999, OXY, as operator of both projects, provided notice to all working interest owners in both projects;
- (6) Further, the subject application has been duly filed under the provisions of Division Rules 104.F and 111.C (2), and the applicable provisions contained in the special operating provisions for both projects;
- (7) The two proposed wells will serve to benefit both pressure maintenance projects by allowing for the completion of an efficient and effective production/injection pattern within this portion of the pool along this common boundary line; and
- (8) Approval of this application is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering practices, and should allow for the recovery of additional reserves that might not otherwise be produced.

It Is Therefore Ordered That:

- (1) By the authority granted me under the provisions of Division Rule 104.F (2), Occidental Permian Limited Partnership ("OXY"), as operator of both the North Hobbs Grayburg-San Andres Unit and South Hobbs Grayburg-San Andres Unit Pressure Maintenance Projects within the Hobbs-Grayburg San Andres Pool (31920) in Lea County, New Mexico, is hereby authorized to directionally drill the following two described wells to unorthodox subsurface oil well locations along the "lease-line" that separates both projects in Township 18 South, Range 38 East, NMPM:

Well Name and Number	API Number	Footage Location [Surface Location _____ (Proposed Targeted Bottomhole Location)]	Unit	Section	Dedicated 40- Acre Tract
<i>South Hobbs (GSA) Unit Well No. 244</i>	<i>N/A</i>	<i>2246' FNL & 597' FWL _____ (2006' FNL & 67' FWL)</i>	<i>E — E</i>	<i>34 — 34</i>	<i>SW/4 NW/4</i>
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(2) These two wells shall be governed by all applicable provisions of Division Rules 702 through 706, Rule 111, and the rules and procedures governing both secondary recovery projects.

(3) Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe