

RECEIVED: 10/14/21	REVIEWER: LRL	TYPE: NSL	APP NO: pLEL2129151760
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ABOVE THIS TABLE FOR OCD DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Geological & Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Applicant: OXY USA INC. **OGRID Number:** 16696
Well Name: TAILS CC 10-3 FEDERAL COM 35H **API:** 30-015-48965
Pool: PURPLE SAGE WOLFCAMP **Pool Code:** 98220

SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED BELOW

1) TYPE OF APPLICATION: Check those which apply for [A]

A. Location – Spacing Unit – Simultaneous Dedication

☒ NSL ☐ NSP (PROJECT AREA) ☐ NSP (PRORATION UNIT) ☐ SD

B. Check one only for [I] or [II]

[I] Commingling – Storage – Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[II] Injection – Disposal – Pressure Increase – Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

2) NOTIFICATION REQUIRED TO: Check those which apply.

- A. ☒ Offset operators or lease holders
 B. ☐ Royalty, overriding royalty owners, revenue owners
 C. ☐ Application requires published notice
 D. ☐ Notification and/or concurrent approval by SLO
 E. ☒ Notification and/or concurrent approval by BLM
 F. ☐ Surface owner
 G. ☐ For all of the above, proof of notification or publication is attached, and/or,
 H. ☐ No notice required

FOR OCD ONLY

- ☐ Notice Complete
☐ Application Content Complete

3) CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

LESLIE REEVES

Print or Type Name

10/14/2021

Date

713-497-2492

Phone Number

LESLIE_REEVES@OXY.COM

e-mail Address

Leslie T. Reeves

Signature

**OXY USA Inc****5 Greenway Plaza, Suite 110
Houston, TX 77046-0521**

October 14, 2021

New Mexico Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Attention: Leonard Lowe

Re: ***Application for Administrative Approval of Non-Standard Location
Tails CC 10-3 Federal Com 35H – Purple Sage Wolfcamp
Surface – 220' FSL 1705' FEL Unit O Sec 10 T24S R29E
First Take Point – 100' FSL 1000' FEL Unit P, Sec 10 T24S R29E
Last Take Point – 100' FNL 1000' FEL Unit A, Lot 1, Sec 3 T24S R29E
Bottom Hole – 20' FNL 1000' FEL Unit A, Lot 1, Sec 3 T24S R29E
Eddy County, New Mexico***

Dear Mr. Lowe:

OXY USA Inc. respectfully requests administrative approval of a non-standard location on the Tails CC 10-3 Federal Com 35H well, API Number-30-015-48965, Property Code 329988. The #35H well is proposed to be completed in the Purple Sage Wolfcamp pool, Pool Code 98220 which has special pool rules specifying the completed interval must be located 330 feet from the exterior boundary of the applicable spacing unit. The proposed completed interval is projected as follows:

Surface – 220' FSL 1705' FEL Unit O Sec 10 T24S R29E
First Take Point – 100' FSL 1000' FEL Unit P, Sec 10 T24S R29E
Last Take Point – 100' FNL 1000' FEL Unit A, Lot 1, Sec 3 T24S R29E
Bottom Hole – 20' FNL 1000' FEL Unit A, Lot 1, Sec 3 T24S R29E

The Horizontal Spacing Unit is all of Section 10 and Section 3 located in T24S R29E. The adjoining units towards which the unorthodox location encroaches are located in T23S R29E, Section 34 – (HSU) Units A, B, G, H, I, J, O, P and Section 34 – (HSU) Units C, D, E, F, K, L, M, N. Also, T24S R29E, Section 15 – Units A.

Approval of the unorthodox completed interval will allow for efficient spacing of horizontal wells and thereby prevent waste.

To support this request, the following information has been submitted for your review:

1. C-102 Plat for the proposed well and additional plats with offsetting well and affected spacing units.
2. List of affected offset parties in each adjoining spacing unit in the same pool or formation located closer to the unorthodox well location than the minimum distance prescribed by applicable rule or order, copies of the signed certified return receipts will be furnished upon request.
3. Statement from Oxy Development Manager.

If you need any additional information, please call me at 713-497-2492.

Sincerely,

A handwritten signature in blue ink that reads "Leslie Reeves".

Leslie Reeves
Regulatory AnalystAttachments
CC: Service List



OXY USA Inc

5 Greenway Plaza, Suite 110
Houston, TX 77046-0521

October 14, 2021

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Re: *Application for Administrative Approval of Non-Standard Location*
Tails CC 10-3 Federal Com 35H – Purple Sage Wolfcamp
Surface – 220' FSL 1705' FEL Unit O Sec 10 T24S R29E
First Take Point – 100' FSL 1000' FEL Unit P, Sec 10 T24S R29E
Last Take Point – 100' FNL 1000' FEL Unit A, Lot 1, Sec 3 T24S R29E
Bottom Hole – 20' FNL 1000' FEL Unit A, Lot 1, Sec 3 T24S R29E
Eddy County, New Mexico

To Whom it May Concern:

Enclosed is a copy of an application, filed with the New Mexico Oil Conservation Division by OXY USA Inc., requesting administrative approval for a non-standard location. As an affected party, notice is being provided to you pursuant to Rule 19.15.4.12(A)(2)(a), 19.15.15.9(A) and 19.15.16.15(B). The well is located as follows:

Surface – 220' FSL 1705' FEL Unit O Sec 10 T24S R29E
First Take Point – 100' FSL 1000' FEL Unit P, Sec 10 T24S R29E
Last Take Point – 100' FNL 1000' FEL Unit A, Lot 1, Sec 3 T24S R29E
Bottom Hole – 20' FNL 1000' FEL Unit A, Lot 1, Sec 3 T24S R29E

If you object to the well's location, you must notify the Division in writing no later than 20 days from the date the application is received by the NMOCD (1220 South St. Francis Drive, Santa Fe, NM 87505; Attention: Leonard Lowe).

If you need any additional information, you can contact Hannah Eastwood at 720-929-6928 or myself at 713-497-2492.

Thank you,

A handwritten signature in blue ink that reads "Leslie Reeves". The signature is fluid and cursive, with the first name "Leslie" and last name "Reeves" clearly distinguishable.

Leslie Reeves
Regulatory Advisor
OXY USA Inc.

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

DISTRICT II
811 S. FIRST ST., ARTESIA, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

DISTRICT III
1000 RIO BRAZOS RD., AZTEC, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

DISTRICT IV
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-48965	Pool Code 98220	Pool Name PURPLE SAGE WOLFCAMP (GAS)
Property Code 329988	Property Name TAILS CC 10_3 FEDERAL COM	
OGRID No. 16696	Operator Name OXY USA INC.	Well Number 35H
		Elevation 2939.6'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	10	24-S	29-E		220	SOUTH	1705	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	3	24-S	29-E		20	NORTH	1000	EAST	EDDY

Dedicated Acres 1280	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

PROPOSED BOTTOM HOLE LOCATION NAD83 Y=456310.0 N X=654543.7 E LAT.=32.253941° N LONG.=103.967126° W LTP NAD83 100' FSL & 1000' FEL Y=456230.0 N X=654544.3 E LAT.=32.253721° N LONG.=103.967125° W <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><th colspan="2">POINT LEGEND NAD83</th></tr> <tr><td>1</td><td>Y=456330.3 N X=650262.8 E</td></tr> <tr><td>2</td><td>Y=453688.3 N X=650273.5 E</td></tr> <tr><td>3</td><td>Y=451034.0 N X=650284.7 E</td></tr> <tr><td>4</td><td>Y=448382.0 N X=650298.1 E</td></tr> <tr><td>5</td><td>Y=445726.2 N X=650312.0 E</td></tr> <tr><td>6</td><td>Y=445724.1 N X=652967.9 E</td></tr> <tr><td>7</td><td>Y=445720.2 N X=655621.5 E</td></tr> <tr><td>8</td><td>Y=448375.2 N X=655608.2 E</td></tr> <tr><td>9</td><td>Y=451030.3 N X=655595.1 E</td></tr> <tr><td>10</td><td>Y=453684.6 N X=655569.1 E</td></tr> <tr><td>11</td><td>Y=456329.9 N X=655543.5 E</td></tr> <tr><td>12</td><td>Y=456330.2 N X=652902.2 E</td></tr> <tr><td>13</td><td>Y=451032.4 N X=652940.0 E</td></tr> </table> FTP NAD83 100' FSL & 1000' FEL Y=445821.7 N X=654620.8 E LAT.=32.225109° N LONG.=103.966992° W KOP NAD83 50' FSL & 1000' FEL Y=445771.7 N X=654621.2 E LAT.=32.224972° N LONG.=103.966992° W SURFACE LOCATION NAD83 Y=445942.8 N X=653915.3 E LAT.=32.225449° N LONG.=103.969272° W	POINT LEGEND NAD83		1	Y=456330.3 N X=650262.8 E	2	Y=453688.3 N X=650273.5 E	3	Y=451034.0 N X=650284.7 E	4	Y=448382.0 N X=650298.1 E	5	Y=445726.2 N X=650312.0 E	6	Y=445724.1 N X=652967.9 E	7	Y=445720.2 N X=655621.5 E	8	Y=448375.2 N X=655608.2 E	9	Y=451030.3 N X=655595.1 E	10	Y=453684.6 N X=655569.1 E	11	Y=456329.9 N X=655543.5 E	12	Y=456330.2 N X=652902.2 E	13	Y=451032.4 N X=652940.0 E	PROPOSED BOTTOM HOLE LOCATION NAD27 Y=456250.8 N X=613360.1 E LAT.=32.253818° N LONG.=103.966637° W LTP NAD27 100' FSL & 1000' FEL Y=456170.8 N X=613360.6 E LAT.=32.253598° N LONG.=103.966636° W <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><th colspan="2">POINT LEGEND NAD27</th></tr> <tr><td>1</td><td>Y=456271.1 N X=609079.2 E</td></tr> <tr><td>2</td><td>Y=453629.2 N X=609089.8 E</td></tr> <tr><td>3</td><td>Y=450974.9 N X=609101.0 E</td></tr> <tr><td>4</td><td>Y=448323.0 N X=609114.4 E</td></tr> <tr><td>5</td><td>Y=445667.2 N X=609128.2 E</td></tr> <tr><td>6</td><td>Y=445665.2 N X=611784.0 E</td></tr> <tr><td>7</td><td>Y=445661.3 N X=614437.6 E</td></tr> <tr><td>8</td><td>Y=448316.2 N X=614424.4 E</td></tr> <tr><td>9</td><td>Y=450971.2 N X=614411.3 E</td></tr> <tr><td>10</td><td>Y=453625.5 N X=614385.5 E</td></tr> <tr><td>11</td><td>Y=456270.7 N X=614359.9 E</td></tr> <tr><td>12</td><td>Y=456271.0 N X=611718.6 E</td></tr> <tr><td>13</td><td>Y=450973.4 N X=611756.3 E</td></tr> </table> FTP NAD27 100' FSL & 1000' FEL Y=445762.7 N X=613437.0 E LAT.=32.224986° N LONG.=103.966504° W KOP NAD27 50' FSL & 1000' FEL Y=445712.7 N X=613437.3 E LAT.=32.224849° N LONG.=103.966503° W SURFACE LOCATION NAD27 Y=445883.8 N X=612731.5 E LAT.=32.225326° N LONG.=103.968784° W	POINT LEGEND NAD27		1	Y=456271.1 N X=609079.2 E	2	Y=453629.2 N X=609089.8 E	3	Y=450974.9 N X=609101.0 E	4	Y=448323.0 N X=609114.4 E	5	Y=445667.2 N X=609128.2 E	6	Y=445665.2 N X=611784.0 E	7	Y=445661.3 N X=614437.6 E	8	Y=448316.2 N X=614424.4 E	9	Y=450971.2 N X=614411.3 E	10	Y=453625.5 N X=614385.5 E	11	Y=456270.7 N X=614359.9 E	12	Y=456271.0 N X=611718.6 E	13	Y=450973.4 N X=611756.3 E	OPERATOR CERTIFICATION <i>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i> <i>Leslie T. Reeves</i> 10/7/2021 Signature _____ Date _____ LESLIE REEVES Printed Name _____ LESLIE_REEVES@OXY.COM E-mail Address _____ SURVEYOR CERTIFICATION <i>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 belief.</i> MARCH 5, 2019 Date of Survey _____ Signature & Seal of Professional Surveyor _____  <i>Chad Harcrow</i> 10/6/21 Certificate No. CHAD HARCROW 17777 W.O. #21-844 DRAWN BY: WN
POINT LEGEND NAD83																																																										
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Intent ☒ As Drilled ☐

API # 30-015-48965		
Operator Name: OXY USA Inc.	Property Name: Tails CC 10-3 Federal Com	Well Number 35H

Kick Off Point (KOP)

UL P	Section 10	Township 24S	Range 29E	Lot	Feet 50	From N/S FSL	Feet 1000	From E/W FEL	County EDDY
Latitude 32.224972					Longitude -103.966992				NAD NAD83

First Take Point (FTP)

UL P	Section 10	Township 24S	Range 29E	Lot	Feet 100	From N/S FSL	Feet 1000	From E/W FEL	County EDDY
Latitude 32.225109					Longitude -103.966992				NAD NAD83

Last Take Point (LTP)

UL A	Section 3	Township 24S	Range 29E	Lot 1	Feet 100	From N/S FNL	Feet 1000	From E/W FEL	County EDDY
Latitude 32.253721					Longitude -103.967125				NAD NAD83

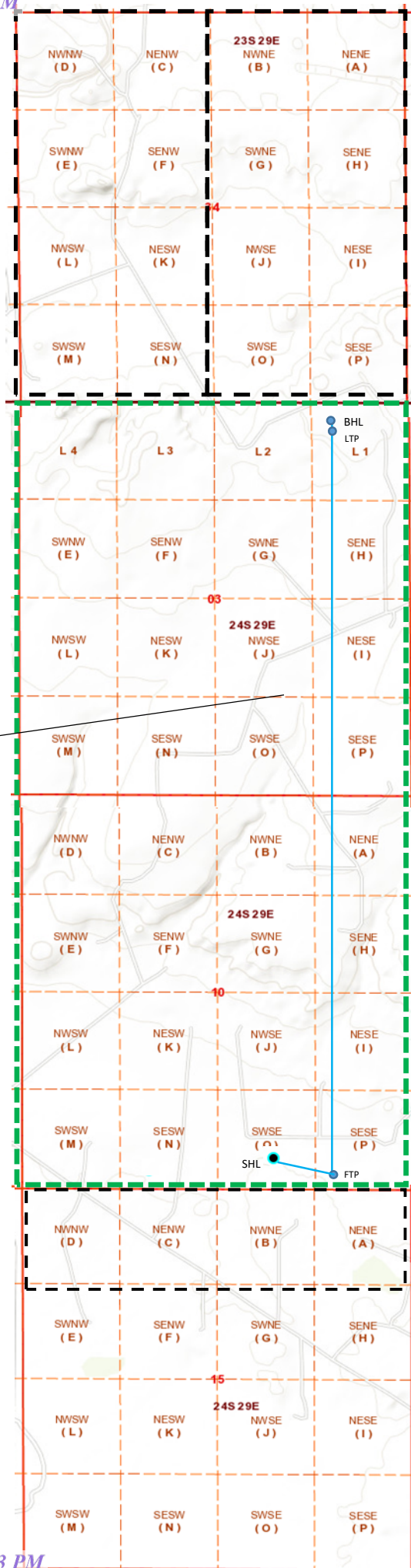
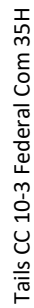
Is this well the defining well for the Horizontal Spacing Unit? ☐Is this well an infill well? ☒

If infill is yes please provide API if available, Operator Name and well number for Defining well for Horizontal Spacing Unit.

API # 30-015-48877		
Operator Name: OXY USA INC.	Property Name: TAILS CC 10-3 FEDERAL COM	Well Number 38H

KZ 06/29/2018

Tails CC 10-3 Federal Com 35H
Section 10 Township 24 South,
Range 29 East, N.M.P.M.
Eddy County, New Mexico





Occidental Oil and Gas Corporation
ATTN: Trey Fournier
5 Greenway Plaza, Suite 110
Houston, TX 77046
832-291-5426
Trey_fournier@oxy.com

October 14, 2021

Mr. Leonard Lowe
New Mexico Oil Conservation Division
1220 South Francis Drive
Santa Fe, New Mexico 87505

RE: *Application for Nonstandard Location—Engineering Justification*
OXY USA Inc.
Tails CC 10-3 Federal Com 35H
T24S R29E, Section 10 – ALL, Eddy County
T24S R29E Section 3 – ALL, Eddy County

Dear Mr. Lowe:

Oxy USA Inc. respectfully seeks approval for a non-standard location, decreasing the first and last take point for Tails CC 10-3 Federal Com 35H in the Wolfcamp formation of the Purple Sage Pool from 330 feet to 100 feet. It is Oxy's responsibility as a prudent operator to maximize lateral length and minimize reserves left in the ground. Decreasing the first and last take point will increase this well's effective lateral length by 460 feet and increase the estimated ultimate recovery of the well by approximately 5%. Any increase in first or last take point would result in untapped reserves left in the reservoir, and waste of a resource that would otherwise go undeveloped.

Sincerely,

A handwritten signature in black ink, appearing to read "Trey Fournier", with a long horizontal flourish extending to the right.

Trey Fournier
Development Manager

Application Non-Standard Location - Service List

OXY USA Inc.

Tails CC 10-3 Federal Com #35H

Online Submission

New Mexico Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Certified Mail # 7013 1090 0000 6870 9399

Bureau of Land Management Carlsbad
620 E. Greene Street
Carlsbad, NM 88220-6292

Existing Horizontal Spacing Unit Section 34 (T23S-R29E) - Units A, B, G, H, I, J, O, P (E 1/2 HSU)

Certified Mail # 7013 1090 0000 6870 9382

Tap Rock Resources, LLC
523 Park Point Drive, Suite 200
Golden, CO 80401
Attn: Matt Phillips

T24S-R29E

No Existing Spacing Unit: Section 15 - Units A, B, C, D

OXY USA Inc.
P.O. Box 50250
Midland, TX 79710

Copies of this application were mailed to the following individuals, companies and organizations
on or before October 14, 2021



Leslie Reeves, Regulatory Advisor
OXY USA Inc.



OXY USA Inc.

A subsidiary of Occidental Petroleum Corporation

5 Greenway Plaza, Suite 110, Houston, Texas 77046-0521

P.O. Box 4294, Houston, Texas 77210-4294

Direct: 713.985.8972 Fax: 713.985.1278

Peter_VanLiew@Oxy.com

October 14, 2021

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: **Tails CC 10-3 Fed Com 31H – 38H, 312H**
Section 3 & 10, T24S-R29E
Eddy County, New Mexico

To Whom it May Concern,

OXY USA Inc., OXY Y-1 Company and Occidental Permian, LP, all subsidiaries of Occidental Petroleum Corporation, are the sole working interest owners of section units A, B, C and D of Section 15, T24S-R29E, Eddy County, New Mexico as to the Bone Spring and Wolfcamp formations. Please contact me should you have any questions or need anything further.

Sincerely,

OXY USA Inc.

A handwritten signature in blue ink, appearing to read "Peter Van Liew".

Peter Van Liew, RPL
Land Negotiator Senior



OXY USA Inc

**5 Greenway Plaza, Suite 110
Houston, TX 77046-0521**

October 26, 2021

New Mexico Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Attention: Leonard Lowe

Re: *Application for Administrative Approval of Non-Standard Location – 1280-acre HSU
Tails CC 10-3 Federal Com 31H - 38H, & 312H – Purple Sage Wolfcamp
Eddy County, New Mexico*

Dear Mr. Lowe:

OXY USA Inc. respectfully requests administrative approval of a non-standard location on the below list of Tails CC 10-3 Federal Com wells. The #38H well will be the defining well for the 1280-acre HSU and for the proposed completed wells in the Purple Sage Wolfcamp pool, Pool Code 98220. Attached is the well layout for the 1280-acre horizontal spacing unit for the Purple Sage Wolfcamp pool.

If you need any additional information, please call me at 713-497-2492.

Sincerely,

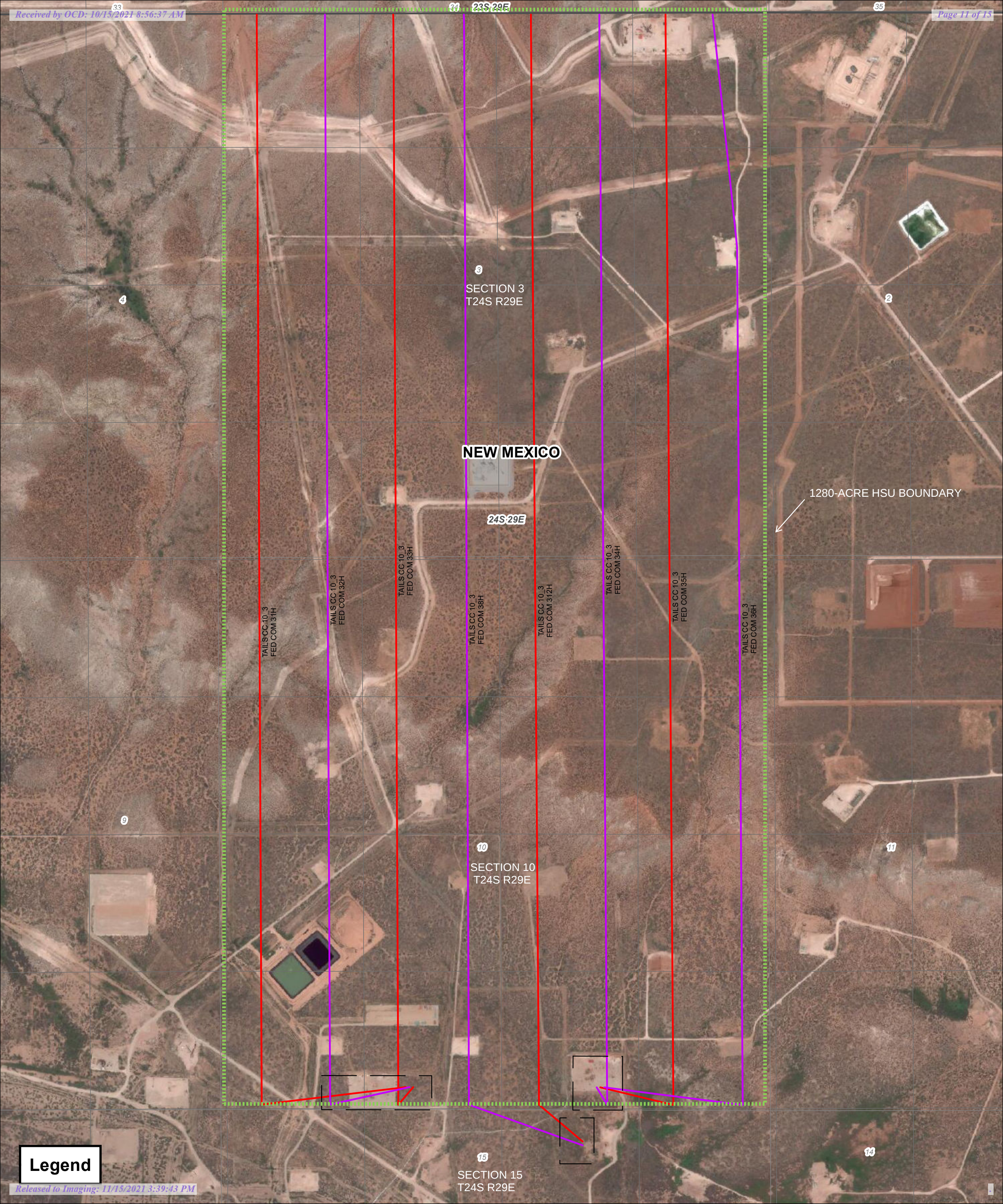
A handwritten signature in blue ink, appearing to read "Leslie Reeves", is written over a light blue circular stamp.

Leslie Reeves
Regulatory Analyst

Attachments

CC: Tails Wolfcamp 1280-acre HSU Well Layout

Tails CC 10-3 Federal Com 31H – 30-015-48881
Tails CC 10-3 Federal Com 32H – 30-015-48880
Tails CC 10-3 Federal Com 33H – 30-015-48879
Tails CC 10-3 Federal Com 34H – 30-015-48959
Tails CC 10-3 Federal Com 35H – 30-015-48965
Tails CC 10-3 Federal Com 36H – 30-015-48964
Tails CC 10-3 Federal Com 38H – 30-015-48877 (Defining well)
Tails CC 10-3 Federal Com 312H – 30-015-48930



From: [Lowe, Leonard, EMNRD](#)
To: [Kautz, Paul, EMNRD](#)
Subject: FW: [EXTERNAL] RE: RE: Non Standard Proration - Tails CC 10 3 Federal Com Wells - HSU Letter
Date: Wednesday, November 3, 2021 3:48:00 PM
Attachments: [TAILS 31-38-312 HSULetter.pdf](#)
[OXY Tails CC 10 3 Federal Com wells Worksheet.pdf](#)

From: Reeves, Leslie T <Leslie_Reeves@oxy.com>
Sent: Tuesday, October 26, 2021 2:03 PM
To: Lowe, Leonard, EMNRD <Leonard.Lowe@state.nm.us>
Subject: [EXTERNAL] RE: RE: Non Standard Proration - Tails CC 10 3 Federal Com Wells - HSU Letter

CAUTION: This email originated outside of our organization. Exercise caution prior to clicking on links or opening attachments.

Hi Leonard!

Here is a letter and the well layout for the PSW spacing unit. Let me know if this works or if I need to add in anything.

Thank you!

Leslie T. Reeves

Regulatory Advisor | Permian Resources – New Mexico
Office: (713) 497-2492 | 29.072 | Cell: (281) 733-0824
Email: Leslie_Reeves@oxy.comHi

From: Lowe, Leonard, EMNRD <Leonard.Lowe@state.nm.us>
Sent: Monday, October 25, 2021 2:35 PM
To: Reeves, Leslie T <Leslie_Reeves@oxy.com>
Cc: Messer, Emily J <Emily_Messer@oxy.com>
Subject: RE: [EXTERNAL] RE: Non Standard Proration - Tails CC 10 3 Federal Com Wells

**WARNING - This message is from an EXTERNAL SENDER - be CAUTIOUS,
particularly with links and attachments.**

Leonard R. Lowe

Engineering Bureau
OCD - EMNRD
5200 Oakland Ave. NE
Albuquerque, N.M. 87113
C: 505-930-6717
<http://www.emnrd.state.nm.us/oecd/>

From: Reeves, Leslie T <Leslie_Reeves@oxy.com>
Sent: Monday, October 25, 2021 11:32 AM
To: Lowe, Leonard, EMNRD <Leonard.Lowe@state.nm.us>
Cc: Messer, Emily J <Emily_Messer@oxy.com>
Subject: [EXTERNAL] RE: Non Standard Proration - Tails CC 10 3 Federal Com Wells

Ms. Leslie Reeves,

What was noted by Mr. Foppiano is correct. I concur with the statement “no one uses the proximity rule to build a standard HSU”. It is used at times, but that information is not presented in applications for NSLs/NSPs. This is a good example. **OCD just needs to be made aware of from the applicant, as was noted in my initial e-mail.** Submit a letter via e-mail indicating the well lay out for all these wells noted needing an NSL. I have yet to review the submitted NSL applications in detail yet. Who knows some of them might go away due to the proximity rule.

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“I did some research on the NMOCD website looking back at previous PSWC drilling permits and found some interesting things. First, almost no one uses the proximity rule to build a standard HSU, at least not in PSWC. So the applicability of this particular feature in the statewide horizontal rules may not be well known. PSWC is interesting, because application of the proximity rule in PSWC was discussed by the OCD group that developed these rules, and everyone agreed with the wording and how it would be applied. It should be noted that the Purple Sage Wolfcamp pool rules (Order Number R-14262) do not mandate a spacing size for any well, horizontal or vertical. Instead, by classifying this pool as a gas pool and NOT specifying a particular size, the applicable spacing is governed by statewide Rule 19.15.15.10 B. which provides for 320-acre spacing units for the Wolfcamp or deeper formations. The record contains numerous examples in the PSWC of standard HSUs being approved that consist of multiple 320-acre tracts penetrated by the well’s completed interval. This is in line with the rule language specifying the criteria for standard HSUs for horizontal gas wells, and establishes (by previous practice) that standard HSU’s in PSWC can exceed 320 acres. In OXY’s application for the standard 1280-acre HSU for the Tails CC 10 3 Federal Com wells, the difference is the application of the proximity tract rule in PSWC. Given that you can build a standard HSU with multiple 320-acre tracts penetrated by the well’s lateral, then you should also be able to use the proximity rule described in NMAC 19.15.16.15 (B)(3)(b) which allows the operator to include **additional** 320-acre tracts that are within 330 feet of the well’s completed interval, and such is allowed in constructing a **standard** HSU for the well. So, in my opinion, your proposed 1280-acre HSU established by the defining well #38H, since it has (or will have) a completed interval within 330 feet of the adjacent tracts, meets the criteria for approval as a standard HSU.

On a final note, to allow horizontal wells to be completed and recover reserves in the “NSL” or “unorthodox” area that might otherwise be stranded, the proximity rule was deemed a better approach than the NSL route as it encouraged operators to share ownership of these reserves with owners in adjacent tracts, even though the well’s completed interval did not penetrate the adjacent tract. If the well was instead drilled at an unorthodox location, then the owners on the adjacent tract might be forced to go drill an unorthodox well on their tract to protect from drainage, resulting in

the drilling of unnecessary wells. The proximity rule also encourages larger HSUs and less surface facilities, which is in line with how these resources are being developed by the use of multiple infill wells.”

Mr. Foppiano is available to participate in a conference call to answer any questions. I have also attached the Tails CC 10-3 Federal Com 38H plat which will be the defining/proximity well that will set up the PSW HSU. I now have the certified plat for this well so I will work to get you the 38H NSL application this week.

Thank you!

Leslie T. Reeves

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Ms. Leslie Reeves,

The spacing unit pertaining to your Tails CC 10 3 Federal Com wells are all seeking 1280 acres as their Horizontal Spacing Unit.

The Purple Sage; Wolfcamp is regulated to 320 acres for a projected horizontal spacing unit allowed by order. Any irregular spacing unit (greater or less HSU) needs to be approved by an OCD Administrative Application of a NSP. Unless the operator can prove that the horizontal spacing unit stated for all these wells are allowed by other means. If so, what are those?

Leonard R. Lowe

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CONDITIONS

Action 55911

CONDITIONS

Operator: OXY USA INC P.O. Box 4294 Houston, TX 772104294	OGRID: 16696
	Action Number: 55911
	Action Type: [UF-NSL] Non-Standard Location (NSL)

CONDITIONS

Created By	Condition	Condition Date
llowe	None	10/18/2021