

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

**APPLICATION OF OXY USA INC. FOR
APPROVAL OF A 1,278.62-ACRE NON-
STANDARD SPACING UNIT IN THE
BONE SPRING FORMATION COMPRISED
OF ACREAGE SUBJECT TO A PROPOSED
COMMUNITIZATION AGREEMENT,
EDDY COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

OXY USA Inc. (“OXY” or “Applicant”) (OGRID No. 16696) is the designated operator under a Joint Operating Agreement covering federal leases in the Bone Spring formation and seeks approval of a 1,278.62-acre non-standard spacing unit to match the corresponding proposed Communitization Agreement for the acreage underlying Sections 3 and 10, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico. In support of this application, Oxy states:

1. There is a single pool within the Bone Spring formation underlying the proposed non-standard spacing unit: The Pierce Crossing; Bone Spring, East Pool (Pool Code 96473).
2. Within the proposed non-standard spacing unit, Oxy intends to drill or has drilled the following wells within the Pierce Crossing; Bone Spring, East Pool (Pool Code 96473):
 - **Tails CC 10_3 Federal Com #21H well (30-015-pending)**
 - **Tails CC 10_3 Federal Com #22H well (30-015-pending)**
 - **Tails CC 10_3 Federal Com #24H well (30-015-pending)**
 - **Tails CC 10_3 Federal Com #25H well (30-015-pending)**
 - **Tails CC 10_3 Federal Com #26H well (30-015-pending)**

3. Oxy's drilling program for this area will develop the Bone Spring formation underlying each of the 40-acre tracts comprising the proposed non-standard project area.

4. Oxy seeks to minimize surface disturbance by consolidating facilities and commingling production from existing and future wells in the proposed non-standard spacing unit.

5. Oxy understands that the Bureau of Land Management will approve a Communitization Agreement for the Bone Spring formation underlying the acreage comprising the proposed non-standard spacing unit once the Division approves the proposed non-standard spacing unit.

6. To allow the existing and permitted wells to be dedicated to the acreage subject to the desired Communitization Agreement, Oxy requires approval of corresponding non-standard spacing unit in the Bone Spring formation.

7. Division Rules contemplate and encourage oil and gas development, where possible, in enlarged areas of common ownership to minimize surface disturbance and to promote efficient well spacing. *See, e.g.*, 19.15.16.7.P NMAC; 19.15.16.15.B(8) NMAC; 19.15.16.15.C(7) NMAC.

8. Approval of this application will allow Oxy to efficiently locate surface facilities, reduce surface disturbance, consolidate roads, tanks and pipelines, and promote effective well spacing.

9. Notice of this application will be provided as required by Division rules.

10. Approval of this application is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

11. WHEREFORE, Oxy requests that this application be set for hearing before an Examiner of the Oil Conservation Division on December 3, 2020, and that after notice and hearing as required by law, the Division enter an order granting this application.

Respectfully submitted,

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