

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

**APPLICATION OF OXY USA INC.
FOR APPROVAL OF A 1,279.16-ACRE
NON-STANDARD HORIZONTAL
WELL SPACING UNIT AND
COMPULSORY POOLING, LEA
COUNTY, NEW MEXICO.**

CASE NO._____

APPLICATION

OXY USA Inc. (“OXY” or “Applicant”) (OGRID No. 16696) through its undersigned attorneys, files this application with the Oil Conservation Division for an order (a) approving a 1,279.16-acre, more or less, non-standard horizontal well spacing unit in the Bone Spring formation underlying Sections 4 and 9, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico, and (b) pooling all uncommitted mineral owners in this acreage. In support of this application, Oxy states:

1. OXY is a working interest owner in the subject acreage and has the right to drill thereon.
2. OXY is proposing a Joint Operating Agreement covering the subject area and seeks approval of this non-standard horizontal well spacing unit to match a corresponding Communitization Agreement for the federal leases within the subject area.
3. Due to the nature and configuration of the federal leases in the subject area, the Bureau of Land Management (“BLM”) will not approve the commingling of production at central facilities if the subject area is developed using standard horizontal well spacing units. *See, e.g.*, 43 CFR 3173.14 (addressing authorized commingling). However, if the proposed non-standard spacing unit is approved by the Division, the OXY understands that BLM will issue a

corresponding Communitization Agreement for the federal leases within the subject area to allow commingling and the corresponding reduction of the necessary surface facilities.

4. OXY seeks to minimize cost and surface disturbance by consolidating facilities and commingling production from existing and future wells in the proposed non-standard spacing unit. To allow the proposed wells to be dedicated to a Communitization Agreement, OXY requires approval of a corresponding non-standard horizontal well spacing unit in the Wolfcamp formation.

5. OXY seeks to initially dedicate the proposed non-standard horizontal well spacing unit and the corresponding Communitization Agreement to the following proposed wells:

- **Gold Log 4_9 Fed Com 71H and 72H wells**, to be drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 4 to bottomhole locations in the SW/4 SW/4 (Unit M) and SE/4 SW/4 (Unit N) of Section 9;
- **Gold Log 4_9 Fed Com 73H and 74H wells**, to be drilled from a surface location in the NW/4 NE/4 (Unit B) of Section 4 to bottomhole locations in the SW/4 SE/4 (Unit O) and SE/4 SE/4 (Unit P) of Section 9.

6. Applicant has sought and been unable to obtain voluntary agreement for the development of these lands from all mineral interest owners in the subject spacing unit.

7. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

8. Approval of this application will allow OXY to efficiently locate surface facilities, reduce surface disturbance, lower operating costs and facilitate effective well spacing.

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

WHEREFORE, Applicant requests that this matter be set for hearing on April 6, 2023, before an Examiner of the Oil Conservation Division, and, after notice and hearing as required by law, the Division enter an order:

- A. Approving the proposed non-standard horizontal well spacing unit;
- B. Pooling all uncommitted interests in the proposed horizontal well spacing unit and approving the initial wells thereon;
- C. Designating Applicant as operator of this spacing unit and the horizontal wells to be drilled thereon;
- D. Authorizing Applicant to recover its costs of drilling, equipping, and completing the wells;
- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- F. Imposing a 200% charge for the risk assumed by Applicant in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

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ATTORNEYS FOR OXY USA INC.

Application of OXY USA Inc. for Approval of a 1,279.16-Acre Non-Standard Horizontal Well Spacing Unit and Compulsory Pooling, Lea County, New Mexico. Applicant seeks an order (a) approving a 1,279.16-acre, more or less, non-standard horizontal well spacing unit in the Wolfcamp formation underlying Sections 4 and 9, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico, and (b) pooling all uncommitted mineral owners in this acreage. This spacing unit will be initially dedicated to the following proposed wells:

- **Gold Log 4_9 Fed Com 71H and 72H wells** to be drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 4 to bottomhole locations in the SW/4 SW/4 (Unit M) and SE/4 SW/4 (Unit N) of Section 9;
- **Gold Log 4_9 Fed Com 73H and 74H wells**, to be drilled from a surface location in the NW/4 NE/4 (Unit B) of Section 4 to bottomhole locations in the SW/4 SE/4 (Unit O) and SE/4 SE/4 (Unit P) of Section 9.

Also, to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof, operating costs and charges for supervision, the designation of applicant as operator, and a 200% charge for risk involved in drilling and completing the wells. Said area is approximately 30 miles west of Eunice, New Mexico.