

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

**APPLICATION FOR SURFACE COMMINGLING
SUBMITTED BY OXY USA, INC.**

ORDER NO. PLC-661

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having considered the application, issues the following Order.

FINDINGS OF FACT

1. Oxy USA, Inc. (“Applicant”) submitted a complete application to surface commingle and off-lease measure the oil and gas production (“Application”) from the pools, leases, and horizontal wells identified in Exhibit A.
2. To the extent that ownership is identical, Applicant submitted a certification by a licensed attorney or qualified petroleum landman that the ownership in the pools, leases, and horizontal wells to be commingled is identical as defined in 19.15.12.7(B) NMAC.
3. Applicant proposed a method to allocate the oil and gas production to the pools, leases, and horizontal wells to be commingled.
4. To the extent that ownership is diverse, Applicant provided notice of the Application to all persons owning an interest in the oil and gas production to be commingled, including the owners of royalty and overriding royalty interests, regardless whether they have a right or option to take their interests in kind, in accordance with 19.15.12.10(C)(4)(c) NMAC and 19.15.12.10(C)(4)(e) NMAC, and those persons either submitted a written waiver or did not file an objection to the Application.
5. Applicant provided notice of the Application to the Bureau of Land Management (“BLM”) or New Mexico State Land Office (“NMSLO”), as applicable.
6. Applicant submitted one or more proposed communitization or unitization agreement(s) (“Proposed Agreement(s)”) to the BLM or NMSLO, as applicable, identifying the leases to be consolidated into a single lease (“Proposed Consolidated Lease”)

CONCLUSIONS OF LAW

7. OCD has jurisdiction to issue this Order pursuant to the Oil and Gas Act, NMSA 1978, §§ 70-2-6, 70-2-11, 70-2-12, 70-2-16, and 70-2-17, and 19.15.12 NMAC.
8. To the extent that ownership is diverse, Applicant satisfied the notice requirements for the Application in accordance with 19.15.12.10(C)(4)(c) NMAC and 19.15.12.10(C)(4)(e) NMAC.

9. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

ORDER

1. Effective March 12, 2020, Applicant is authorized to surface commingle and off-lease measure oil and gas production from the pools, leases, and horizontal wells identified in Exhibit A.
2. No later than five (5) business days after the BLM or NMSLO approves or denies a Proposed Agreement, Applicant shall submit Form C-103 with a copy of the decision and agreement. If Applicant withdraws or the BLM or NMSLO denies a Proposed Agreement, then this Order shall terminate on the date of such action, and Applicant shall cease commingling the production on the Proposed Consolidated Lease. If the BLM or NMSLO approves but modifies the Proposed Agreement(s), then Applicant shall comply with the approved agreement(s), and no later than ten (10) business days after such decision, Applicant shall submit a new surface commingle application to conform this Order with the approved agreement(s). If OCD denies the application, this Order shall terminate automatically.
3. Applicant shall allocate the oil and gas production to each lease within a Proposed Consolidated Lease in proportion to the acreage that each lease bears to the entire acreage of the Proposed Consolidated Lease described in Exhibit B.
4. The allocation of oil and gas production shall be calculated on the basis of the production life of each well. The production of a well shall be calculated for three periods: (a) the initial production period shall be measured from the first production until either the peak production rate or thirty (30) days after the first production; (b) the initial plateau period shall be measured from the end of the initial production period to the peak decline rate; and (c) the decline period shall be measured from the end of the initial plateau period until the well is plugged and abandoned.
5. For each well during the initial production period, the oil and gas production shall be separated and metered individually prior to commingling.
6. For each well during the initial plateau period, the oil and gas production shall be allocated using a minimum of three (3) well tests per month.
7. For each well during the decline period, the oil and gas production shall be allocated using the minimum number of well tests: (a) three (3) well tests per month when the decline rate is greater than 22% per month; (b) two (2) well tests per month when the decline rate is between 22% and 10% per month; and (c) one (1) well test per month when the decline rate is less than 10% per month.
8. Applicant shall submit a Form C-103 each quarter to the Engineering Bureau in Santa Fe that identifies the allocation method for each well, and for any well allocated by the well test method, Applicant shall provide the following information: (a) the current decline rate;

- (b) the minimum number of well tests per month required by this Order; and (c) the number of well tests conducted each month.
9. Upon request by the Division, Applicant shall submit a Form C-103 to the Engineering Bureau in Santa Fe providing the decline rate curve and other information to demonstrate the period of the production life of a well.
 10. Applicant shall conduct a well test by separating and metering individually the oil and gas production from the well for either (a) a minimum of twenty-four (24) consecutive hours; or (b) a combination of nonconsecutive periods that meet the following conditions: (i) each period shall be a minimum of six (6) hours; and (ii) the total duration of the nonconsecutive periods shall be a minimum of eighteen (18) hours.
 11. Applicant shall measure the commingled oil at the central tank battery described in Exhibit A in accordance with 19.15.18.15 NMAC or 19.15.23.8 NMAC.
 12. Applicant shall measure the commingled gas at the central delivery point described in Exhibit A in accordance with 19.15.19.9 NMAC, provided however that if the gas is flared, regardless whether OCD has granted an exception pursuant to 19.15.18.12(B) NMAC, Applicant shall report the gas in accordance with 19.15.18.12(F) NMAC.
 13. Applicant shall calibrate the meters used to measure or allocate oil and gas production in accordance with 19.15.12.10(C)(2) NMAC.
 14. Applicant may add subsequently drilled wells to this Order in accordance with 19.15.12.10(C)(4)(g) NMAC by submitting a Form C-107-B via the OCD Fee Portal.
 15. Applicant shall not commence commingling involving state, federal, or tribal leases unless or until approved by the BLM or NMSLO, as applicable. *See* 19.15.12.10(B)(3) and (C)(4)(h) NMAC.
 16. OCD retains jurisdiction and reserves the right to modify or revoke this Order if it determines that the Application did not accurately describe the pools, leases, and horizontal wells in the Proposed Consolidated Lease(s) or any action affecting or related to the commingling of oil and gas production, or as deemed necessary to prevent waste or protect correlative rights, public health, or the environment.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



**ADRIENNE SANDOVAL
DIRECTOR**

DATE: 3/12/20

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: PLC-661

Operator: Oxy USA, Inc. (16696)

Central Tank Battery: Salt Flat Central Tank Battery

Central Tank Battery Location (NMPM): Section 20, Township 24 South, Range 29 East

Gas Custody Transfer Meter Location (NMPM): Section 20, Township 24 South, Range 29 East

Pools

| Pool Name | Pool Code |
|------------------------------|-----------|
| PURPLE SAGE; WOLFCAMP (GAS) | 98220 |
| PIERCE CROSSING; BONE SPRING | 50371 |

Leases as defined in 19.15.12.7(C) NMAC

| Lease | Location (NMPM) |
|-------------|-------------------------------------|
| Fee | S/2 SE/4, NE/4 SE/4 |
| Fee | NE/4 |
| Fee | E/2 NW/4, SE/4, W/2 SW/4, SE/4 SW/4 |
| Fee | S/2 NE/4 SW/4 |
| Fee | N/2 NE/4 SW/4 |
| Fee | S/2 SW/4 NW/4 |
| Fee | N/2 SW/4 NW/4 |
| Fee | NW/4 NW/4 |
| NMNM 094651 | NE/4 SE/4 |
| NMNM 117120 | S/2 NE/4, NW/4 SE/4 |
| NMNM 102913 | N/2 NE/4 |

Wells

| Well API | Well Name | Location (NMPM) | Pool Code | Train |
|--------------|--------------------------------|-----------------|-----------|-------|
| 30-015-45086 | Oxbow CC 17 08 Federal Com 34H | P-17-24S-29E | 98220 | 4 |
| 30-015-46401 | Oxbow CC 17 08 Federal Com 38H | N-17-24S-29E | 98220 | 4 |
| 30-015-45088 | Oxbow CC 17 08 Federal Com 36H | P-17-24S-29E | 98220 | 4 |
| 30-015-45087 | Oxbow CC 17 08 Federal Com 35H | P-17-24S-29E | 50371 | 4 |

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit B

Order: PLC-661

Operator: Oxy USA, Inc. (16696)

Proposed Consolidated Leases

| Consolidated Lease | Location (NMPM) | | Acres | Consolidated Lease ID |
|--------------------|-----------------------|-----------|-------|-----------------------|
| CA BS 17-8 E2 | E/2 Sec 8, E/2 Sec 17 | T24S-R29E | 640 | A |
| CA WC 17-8 E2 | E/2 Sec 8, E/2 Sec 17 | T24S-R29E | 640 | B |

Leases Comprising Proposed Consolidated Leases

| Lease | Location (NMPM) | | Acres | Consolidated Lease ID |
|-------------|-------------------------------------|----------------------|-------|-----------------------|
| Fee | S/2 SE/4, NE/4 SE/4 | Sec 8-T24S-R29E | 120 | A |
| Fee | NE/4 | Sec 17-T24S-R29E | 160 | A |
| Fee | E/2 NW/4, SE/4, W/2 SW/4, SE/4 SW/4 | SE/4 Sec17-T24S-R29E | 90 | A |
| Fee | S/2 NE/4 SW/4 | SE/4 Sec17-T24S-R29E | 5 | A |
| Fee | N/2 NE/4 SW/4 | SE/4 Sec17-T24S-R29E | 5 | A |
| Fee | S/2 SW/4 NW/4 | SE/4 Sec17-T24S-R29E | 5 | A |
| Fee | N/2 SW/4 NW/4 | SE/4 Sec17-T24S-R29E | 5 | A |
| Fee | NW/4 NW/4 | SE/4 Sec17-T24S-R29E | 10 | A |
| NMNM 094651 | NE/4 SE/4 | Sec 17-T24S-R29E | 40 | A |
| NMNM 117120 | S/2 NE/4, NW/4 SE/4 | Sec 8-T24S-R29E | 120 | A |
| NMNM 102913 | N/2 NE/4 | Sec 8-T24S-R29E | 80 | A |
| Fee | S/2 SE/4, NE/4 SE/4 | Sec 8-T24S-R29E | 120 | B |
| Fee | NE/4 | Sec 17-T24S-R29E | 160 | B |
| Fee | E/2 NW/4, SE/4, W/2 SW/4, SE/4 SW/4 | SE/4 Sec17-T24S-R29E | 90 | B |
| Fee | S/2 NE/4 SW/4 | SE/4 Sec17-T24S-R29E | 5 | B |
| Fee | N/2 NE/4 SW/4 | SE/4 Sec17-T24S-R29E | 5 | B |
| Fee | S/2 SW/4 NW/4 | SE/4 Sec17-T24S-R29E | 5 | B |
| Fee | N/2 SW/4 NW/4 | SE/4 Sec17-T24S-R29E | 5 | B |
| Fee | NW/4 NW/4 | SE/4 Sec17-T24S-R29E | 10 | B |
| NMNM 094651 | NE/4 SE/4 | Sec 17-T24S-R29E | 40 | B |
| NMNM 117120 | S/2 NE/4, NW/4 SE/4 | Sec 8-T24S-R29E | 120 | B |
| NMNM 102913 | N/2 NE/4 | Sec 8-T24S-R29E | 80 | B |