

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15009
ORDER NO. R-13737**

**APPLICATION OF OXY USA WTP LIMITED PARTNERSHIP FOR A NON-
STANDARD SPACING AND PRORATION UNIT AND COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 27, 2013 at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 26th day of August, 2013, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) OXY USA WTP Limited Partnership ("Applicant"), seeks approval of a non-standard 160-acre oil spacing and proration unit and project area ("the Unit") in the Bone Spring formation [South Culebra Bluff-Bone Spring Pool (pool code 15011)], consisting of the S/2 of the S/2 (Units M, N, O and P) of Section 5, Township 23 South, Range 28 East, NMPM, in Eddy County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit in the Bone Spring formation.

(3) The Unit is dedicated as a project area to Applicant's Swearingen A Fee Com Well No. 3H (API No. 30-015-40071) ("the well"), a horizontal well that has been drilled from an unorthodox surface location 330 feet from the South line and 330 feet from the East line (Unit P) of Section 5. The well penetrates the Bone Spring formation at a location in Section 5 and continues horizontally in the Bone Spring to an unorthodox bottomhole location, 660 feet from the South line and 330 feet from the West line (Unit M) of Section 5.

(4) Spacing in this pool is governed by special pool rules, which provide for standard 80-acre units, with wells to be located within 150 feet of the center of a quarter-quarter section. The Unit consists of two adjacent half-quarter sections. The well is at an unorthodox location for this pool.

(5) Applicant appeared at the hearing through counsel and presented land and geologic evidence to the effect that:

(a) All working interests in the Unit are committed to a Joint Operating Agreement. Compulsory pooling is being sought only for owners of underlying mineral interests whose leases do not contractually authorize the lessee to commit their interest to the proposed Unit.

(b) This area is suitable for development by horizontal drilling.

(c) All quarter-quarter sections to be included in the Unit are expected to be productive in the Bone Spring, so that formation of the Unit as requested will not impair correlative rights;

(6) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes as follows:

(7) Approval of the proposed non-standard unit will protect correlative rights by providing for orderly allocation of the royalty interests from the well among the owners of the underlying mineral interests.

(8) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(9) Applicant is an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and has drilled the well to a common source of supply within the Unit at the above-described location.

(10) There are owners of leased mineral interests in the Unit that have not agreed to pool their interests, and are not bound by pooling clauses that provide for the establishment of this Unit.

(11) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(12) Because the well's location is unorthodox, this order should be made contingent on applicant securing administrative approval of the non-standard location.

(13) OXY USA WTP Limited Partnership should be designated the operator of the well and of the Unit.

(14) Because the entire working interest is already committed to a Joint Operating Agreement governing the Unit, there is no necessity to provide in this Order for allocation of costs, risk charges or overhead charges, as such matters are addressed in the Joint Operating Agreement.

IT IS THEREFORE ORDERED THAT:

(1) A non-standard 160-acre oil spacing and proration unit (the Unit) is hereby established in the Bone Spring formation [South Culebra Bluff-Bone Spring Pool (pool code 15011)], consisting of the S/2 of the S/2 (Units M, N, O and P) of Section 5, Township 23 South, Range 28 East, NMPM, in Eddy County, New Mexico.

(2) Pursuant to the application of OXY USA WTP Limited Partnership, all uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring formation underlying the Unit, are hereby pooled. This Order shall be effective from the date of first production from the well.

(3) The Unit shall be dedicated to Applicant's Swearingen A Fee Com Well No. 3H (API No. 30-015-40071) ("the well"), a horizontal well that has been drilled from an unorthodox surface location 330 feet from the South line and 330 feet from the East line (Unit P) of Section 5. The well penetrates the Bone Spring formation at an unorthodox oil well location in Section 5 and continues horizontally in the Bone Spring to an unorthodox bottomhole location, 660 feet from the South line and 330 feet from the West line (Unit M) of Section 5.

(4) Upon final plugging and abandonment of the well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit created by this Order shall terminate, unless this order has been amended to authorize further operations.

(5) OXY USA WTP Limited Partnership (OGRID 192463) is hereby designated the operator of the well and of the Unit.

(6) All proceeds from production from the well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act, (NMSA 1978 Sections 7-8A-1 through 70-8A7-8A-28, as amended).

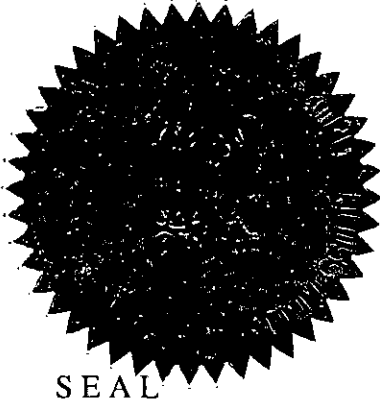
(7) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this Order, this Order shall thereafter be of no further effect.

(8) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this order.

(9) This Order is contingent on applicant securing administrative approval of the non-standard location.

(10) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Jami Bailey".

JAMI BAILEY
Director