

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

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**IN THE MATTER OF THE APPLICATION
OF OXY USA INC. FOR TWO
NON-STANDARD SPACING AND PRORATION
UNITS AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 15156

APPLICATION

OXY USA Inc. (OXY) through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order (1) creating two non-standard 160-acre spacing and proration units as follows:

a. The first comprised of the N/2 N/2 of Section 35, Township 23 South Range 30 East, NMPM, Eddy County, New Mexico; and (2) pooling all mineral interests in the Delaware formation underlying this acreage to form a 160-acre project area in this formation.

b. The second comprised of the N/2 S/2 of Section 35, Township 23 South Range 30 East, NMPM, Eddy County, New Mexico; and (2) pooling all mineral interests in the Delaware formation underlying this acreage to form a 160-acre project area in this formation.

In support of its application, OXY states:

1. OXY is a working interest owner in all of Section 35 and has the right to drill thereon.
2. OXY proposes to dedicate the above-referenced spacing and proration units as the project areas for the following proposed wells:
 - a. FNR 26 Federal #1H well (API Well No. 30-015-42275) to be horizontally drilled from a surface location, 660 feet from the North line and 330 feet from

the West line to a bottom hole location 660 feet from the North line and 350 feet from the East line of Section 35. The completed interval for this well will be within the 330-foot standard offset required by the rules.

b. FNR 26 Federal #3H well (API Well No. 30-015-42298) to be horizontally drilled from a surface location, 2220 feet from the South line and 330 feet from the West line to a bottom hole location 2110 feet from the South line and 350 feet from the East line of Section 35. The completed interval for this well will be within the 330-foot standard offset required by the rules.

3. OXY is currently negotiating to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit. However, voluntary agreement has not yet been reached.
4. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.
5. OXY has received approval to drill the subject wells from the Bureau of Land Management (BLM).
6. In order to permit OXY to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in these non-standard spacing units should be pooled and OXY should be designated the operator of these proposed horizontal well and spacing units.

WHEREFORE, OXY requests that this application be set for hearing before an Examiner of the Oil Conservation Division on June 26, 2014 and, after notice and hearing as required by law, the Division enter its order;

- A. Creating two non-standard spacing and proration units in the Delaware formation as follows:
1. The first comprised of the N/2 N/2 of Section 35, Township 23 South Range 30 East, NMPM, Eddy County, New Mexico; and
 2. The second comprised of the N/2 S/2 of Section 35, Township 23 South Range 30 East, NMPM, Eddy County, New Mexico.
- B. Pooling all mineral interests in the above described non-standard spacing and prorating units;
- C. Designating OXY USA Inc. operator of these non-standard spacing units and the horizontal wells to be drilled thereon;
- D. Authorizing OXY USA Inc. 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 penalty for high risk assumed by OXY USA Inc. in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of the wells as provided by applicable law.

Respectfully submitted,

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CASE 15156

Application of OXY USA Inc. for two non-standard spacing and proration units and compulsory pooling, Eddy County, New Mexico.

Applicant in the above-styled cause seeks an order (1) creating two non-standard, 160 acre spacing and proration units as follows:

a. The first comprised of the N/2 N/2 of Section 35, Township 23 South Range 30 East, NMPM, Eddy County, New Mexico; and (2) pooling all mineral interests in the Delaware formation underlying this acreage to form a 160-acre project area in this formation. Said non-standard unit is to be dedicated to applicant's proposed FNR 26 Federal #1H well (API Well No. 30-015-42275) to be horizontally drilled from a surface location, 660 feet from the North line and 330 feet from the West line to a bottom hole location 660 feet from the North line and 350 feet from the East line of Section 35.

b. The second comprised of the N/2 S/2 of Section 35, Township 23 South Range 30 East, NMPM, Eddy County, New Mexico; and (2) pooling all mineral interests in the Delaware formation underlying this acreage to form a 160-acre project area in this formation. Said non-standard unit is to be dedicated to applicant's proposed FNR 26 Federal #3H well (API Well No. 30-015-42298) to be horizontally drilled from a surface location, 2220 feet from the South line and 330 feet from the West line to a bottom hole location 2110 feet from the South line and 350 feet from the East line of Section 35.

The completed interval for these wells will be within the 330-foot standard offset required by the rules. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OXY USA Inc. as operator of the wells and 200% charge for risk involved in drilling said wells. Said area is located approximately 29 miles southeast of Carlsbad, New Mexico