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Case 15565

September 27, 2016

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of OGX Operating, LLC, are an original and one copy of an application for compulsory pooling, *etc.* The advertisement was previously e-mailed to the Division. Please set this matter for the October 27, 2016 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for OGX Operating LLC

Parties Notified of Hearing

Occidental Permian LP
Suite 110
5 Greenway Plaza
Houston, Texas 77046

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF OGX OPERATING, LLC FOR A
NON-STANDARD SPACING AND PRORATION UNIT,
COMPULSORY POOLING, AND AN UNORTHODOX
GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO.

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Case No. 15565

APPLICATION

OGX Operating, LLC applies for an order (i) approving a 463.13 acre non-standard spacing and proration unit in the Wolfcamp formation comprised of Lots 7-10 (the W $\frac{1}{2}$) of Section 33 and the W $\frac{1}{2}$ of Section 28, Township 26 South, Range 29 East, N.M.P.M., (ii) pooling all mineral interests in the Wolfcamp formation underlying the non-standard unit, and (iii) approving an unorthodox gas well location, and in support thereof, states:

1. Applicant is an operator in the W $\frac{1}{2}$ of Section 33 and the W $\frac{1}{2}$ of Section 28, and has the right to drill a well thereon.
2. Applicant proposes to drill its Littlefield 33 Fed. Com. Well No. 2H to a depth sufficient to test the Wolfcamp formation, and dedicate the W $\frac{1}{2}$ of Section 33 and the W $\frac{1}{2}$ of Section 28 to the well to form a non-standard standard 463.13 acre gas spacing and proration unit in the Wolfcamp formation. Applicant further seeks to pool all mineral interests in the Wolfcamp formation underlying the non-standard unit. The well is a horizontal well, with a surface location 330 feet from the south line and 2210 feet from the East line of Section 33, and a terminus 230 feet from the north line and 2409 feet from the west line of Section 28. The producing interval will be unorthodox.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W $\frac{1}{2}$ of Section 33 and the W $\frac{1}{2}$ of Section 28 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the Wolfcamp formation in the W½ of Section 33 and the W½ of Section 28, pursuant to NMSA 1978 §70-2-17.

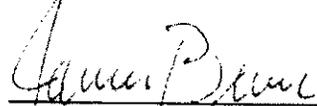
5. Approval of the non-standard spacing and proration unit, the pooling of all mineral interests in the Wolfcamp formation underlying the W½ of Section 33 and the W½ of Section 28, and approval of the unorthodox gas well location, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving the non-standard spacing and proration unit in the Wolfcamp formation in the W½ of Section 33 and the W½ of Section 28;
- B. Pooling all mineral interests in the Wolfcamp formation underlying the W½ of Section 33 and the W½ of Section 28;
- C. Approving the unorthodox gas well location;
- D. Designating applicant as operator of the well;
- E. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- F. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and

G. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for OGX Operating, LLC

PROPOSED ADVERTISEMENT

Case No. 15565:

Application of OGX Operating, LLC for a nonstandard spacing and proration unit, compulsory pooling, and an unorthodox gas well location, Eddy County, New Mexico. OGX Operating, LLC seeks an order approving a 463.13 acre non-standard spacing and proration unit in the Wolfcamp formation comprised of Lots 7-10 (the W/2) of Section 33, and the W/2 of Section 28, Township 26 South, Range 29 East, NMPM, pooling all mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit, and approving an unorthodox gas well location. The unit is to be dedicated to the Littlefield 33 Fed. Com. Well No. 2H, a horizontal well with a surface location 330 feet from the south line and 2210 feet from the west line of Section 33, and a terminus 230 feet from the north line and 2409 feet from the west line of Section 28. The producing interval will be unorthodox. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 2 miles east-northeast of the intersection of U.S. Highway 285 with the New Mexico/Texas state line.

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