

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

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

CASE NO. 15849

APPLICATION

OXY USA Inc. ("OXY") through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a 320.25-acre non-standard spacing and proration unit comprised of the W/2 W/2 of Section 5, and the W/2 W/2 of Section 8, Township 24 South, Range 31 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. In support of its application, OXY states:

1. OXY USA Inc. (OGRID No. 16696) is a working interest owner in the proposed non-standard spacing and proration unit and has the right to drill thereon.
2. OXY proposes to dedicate the above-referenced spacing and proration unit as the project area for two initial proposed wells: the proposed **Sunrise MDP1 8-5 Federal Com No. 1H Well** and the proposed **Sunrise MDP1 8-5 Federal Com No. 2H Well**, to be simultaneously drilled and completed in the Bone Spring formation. These two horizontal wells will be pad drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 8 to a bottom hole location in NW/4 NW/4 (Lot 4) of Section 5. The completed interval for the **Sunrise MDP1 8-5 Federal Com No. 1H Well** will remain within the 330-foot standard offset required by the Statewide Rules set forth in 19.15.15 NMAC. The completed interval for the **Sunrise MDP1 8-5 Federal Com No. 2H**

Well is non-standard because it is less than 330 feet from the outer boundary of the spacing unit. OXY has applied administratively and obtained approval for an unorthodox location for the Sunrise MDP1 8-5 Federal Com No. 2H Well.

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

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

5. In order to permit OXY to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this non-standard spacing unit should be pooled and OXY USA Inc. should be designated the operator of the two proposed horizontal wells and spacing unit.

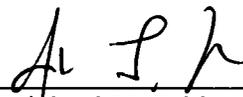
WHEREFORE, OXY requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 12, 2017, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 320.25-acre spacing and proration unit comprised of the W/2 W/2 of Section 5, and the W/2 W/2 of Section 8, Township 24 South, Range 31 East, NMPM, Eddy County, New Mexico;
- B. Pooling all uncommitted interests in the Bone Spring formation in the non-standard spacing and proration unit;
- C. Dedicating two initial wells for the proposed non-standard spacing and proration unit;
- D. Designating OXY USA Inc. operator of this non-standard spacing unit and the horizontal wells to be drilled thereon;

- E. Authorizing OXY to recover its costs of drilling, equipping and completing the wells;
- F. 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
- G. Imposing a 200% penalty for the risk assumed by OXY in drilling and completing each well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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ATTORNEYS FOR OXY USA INC.

CASE 15849:

Application of OXY USA Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 320.25-acre spacing and proration unit comprised of W/2 W/2 of Section 5, and the W/2 W/2 of Section 8, Township 24 South, Range 31 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to two initial wells: applicant's proposed the proposed **Sunrise MDP1 8-5 Federal Com No. 1H Well** and the **proposed Sunrise MDP1 8-5 Federal Com No. 2H Well**, to be simultaneously drilled and completed in the Bone Spring formation. These two horizontal wells will be pad drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 8 to a bottom hole location in NW/4 NW/4 (Lot 4) of Section 5. The completed interval for the **Sunrise MDP1 8-5 Federal Com No. 1H Well** will remain within the 330-foot standard offset required by the Statewide Rules set forth in 19.15.15 NMAC. The completed interval for the **Sunrise MDP1 8-5 Federal Com No. 2H Well** is non-standard because it is less than 330 feet from the outer boundary of the spacing unit. OXY has applied administratively and obtained approval for an unorthodox location for the **Sunrise MDP1 8-5 Federal Com No. 2H Well**. Also to be considered will be the cost of drilling and completing each well 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 a 200% charge for risk involved in drilling each well. Said area is located approximately 15 miles east of Malaga, N.M.