

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

**APPLICATION OF OXY USA INC. TO RESCIND THE HORIZONTAL SPACING
UNITS AND API NUMBERS ASSIGNED TO FOUR APPLICATIONS FOR PERMITS
TO DRILL ISSUED TO MURCHISON OIL & GAS INC, EDDY COUNTY, NEW
MEXICO.**

CASE NO. 20410

APPLICATION

OXY USA Inc. (“OXY”) files this application pursuant to 19.15.4.8 for an order rescinding the horizontal spacing units and API numbers administratively assigned by the Oil Conservation Division’s District Office on the Division Form C-102 accompanying four applications for permits to drill issued to Murchison Oil & Gas, Inc. (“Murchison”) by the Bureau of Land Management. In support of this application, Oxy states:

1. On February 15, 2019, the Oil Conservation Division’s district office administratively approved the proposed horizontal spacing units and assigned API numbers on Division Form C-102 for the following four, laydown horizontal wells to be drilled in the N/2 of Section 30, Township 24 South, Range 29 East, NMPM, in Eddy County, New Mexico (hereinafter the “Rock Ridge” wells):

- The **Rock Ridge Federal WCB 1H** well (API No. 30-015-45728) and the **Rock Ridge Federal WCXY 2H** well (API No. 30-015-45729), both dedicated to a 319.24-acre horizontal spacing unit in the Purple Sage; Wolfcamp Gas Pool comprised of the N/2 of Section 30.
- The **Rock Ridge Federal BSS 4H** well (API No. 30-015-45730), dedicated to a 159.65-acre horizontal spacing unit in the Pierce Crossing; Bone Spring, South Pool comprised of the N/2 N/2 of Section 30.
- The **Rock Ridge Federal BSS 7H** well (API No. 30-015-45731), dedicated to a 319.24-acre horizontal spacing unit in the Pierce Crossing; Bone Spring, South Pool comprised of the N/2 of Section 30.

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2. Murchison's four Rock Ridge wells are slated to be drilled from a well pad in Unit A to a bottom hole location in Unit D (Lot 1) of Section 30. The **Rock Ridge Federal BSS 7H** well (API No. 30-015-45731) is slated with a first take point and a last take point 1320 feet from the north line, thereby placing the completed interval directly on the quarter-quarter line between the N/2 N/2 and the S/2 N/2 of Section 30.

3. Oxy is a working interest owner in Section 30 and adjacent Section 19 and has proposed eight (8) standup horizontal wells in the Bone Spring formation and ten (10) standup horizontal wells in the Wolfcamp formation underlying the W/2 and the E/2 of Sections 19 and 30 (Oxy's "Royalty CC" wells). Ten of the eighteen wells proposed by Oxy will have two-mile lateral lengths while the remaining eight wells will have 1.5-mile lateral lengths.¹

4. In this area, standup horizontal spacing units should be utilized where possible to efficiently and effectively drain the Bone Spring and Wolfcamp formations.

5. The Division has observed that in the Bone Spring and Wolfcamp formations, horizontal wells extending beyond one-mile are generally more effective because "increased lengths can have a production and economic advantage and thereby prevent waste and protect correlative rights." *See* R-20233 at p. 11, ¶ (40). The Division has further found:

In addition to increased production of oil and gas, wells drilled and completed at two-mile lengths have advantages over one-mile long wells including reduced surface disturbance, half the need to drill overburden rocks, half the otherwise pumping equipment, separation, power lines, tanks and pipeline hookups.

See R-20233 at p. 11, ¶ (40).

6. Oxy's proposed wells have longer completed lateral lengths than Murchison's proposed wells and conform with the spacing and standup well orientation necessary to efficiently

¹ The 1.5-mile laterals are proposed in benches of the Bone Spring and Wolfcamp formations that are being drained by older wells completed in the S/2 of Section 30.

and effectively develop the Bone Spring and Wolfcamp formations underlying Sections 19 and 30.

7. In contrast, Murchison's proposed one-mile horizontal wells do not conform with the length, orientation and spacing necessary to efficiently and effectively develop the Bone Spring and Wolfcamp formations underlying the N/2 of Section 30. Further, Murchison's proposed one-mile laydown wells are less effective at producing the underlying hydrocarbons and will unnecessarily result in increased surface disturbances. *See* R-20233 at p. 11, ¶ (40).

8. Murchison's proposed one-mile horizontal wells in the N/2 of Section 30 will cause waste and negatively impact the correlative rights of Oxy and other working interest owners in Sections 19 and 30.

9. Murchison has rejected Oxy's good faith efforts to reach an agreement on the development of this acreage and instead informed Oxy it intends to spud the Rock Ridge wells in late March.

10. Oxy has sent well proposal letters to the affected working interest owners for its proposed Royalty CC standup horizontal wells and anticipates filing pooling applications for the May 2nd Examiner Hearing docket in the event a voluntary agreement is not reached with Murchison.

11. In order to avoid the drilling of ineffective and inefficient horizontal wells, to avoid unnecessary surface disturbances, to prevent waste, and to protect the correlative rights of Oxy and the other working interest owners in Sections 19 and 30, the Division's administrative approval of the spacing units proposed by Murchison and the assignment of API numbers on Division Form C-102 for the proposed wells should be rescinded.

12. In conjunction with the filing of this application, Oxy has filed a Motion for an Expedited Order staying the administrative approval of the spacing units proposed by Murchison and the assignment of API numbers for the proposed wells pending a hearing in this matter.

WHEREFORE, OXY requests that this application be set for an adjudicatory hearing before an Examiner of the Oil Conservation Division on April 18, 2019, before the Oil Conservation Commission at the next available hearing, or at an earlier date pursuant to NMAC 19.15.2.11. Oxy further requests that after notice and hearing as required by law, the Division or the Commission enter an order rescinding the administrative approval of the spacing units and API numbers assigned to Murchison's proposed Rock Ridge wells.

Respectfully submitted,

HOLLAND & HART LLP

By: 

Michael H. Feldewert
Adam G. Rankin
Julia Broggi
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421
(505) 983-6043 Facsimile
mfeldewert@hollandhart.com
agrarkin@hollandhart.com
jbroggi@hollandhart.com

ATTORNEYS FOR OXY USA INC.

CASE _____: **Application of Oxy USA Inc. to Rescind the Horizontal Spacing Units and API Numbers Assigned to Four Applications for Permits to Drill Issued to Murchison Oil & Gas Inc, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order rescinding the horizontal spacing units and API numbers assigned by the Oil Conservation Division's district office on the Division Form C-102 accompanying applications for permits to drill issued to Murchison Oil & Gas, Inc. by the Bureau of Land Management for the following wells to be located in the N/2 of Section 30, Township 24 South, Range 29 East, NMPM, Eddy County:

- The **Rock Ridge Federal WCB 1H** well (API No. 30-015-45728) and the **Rock Ridge Federal WCXY 2H** well (API No. 30-015-45729), both dedicated to a 319.24-acre horizontal spacing unit in the Purple Sage; Wolfcamp Gas Pool comprised of the N/2 of Section 30.
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- The **Rock Ridge Federal BSS 7H** well (API No. 30-015-45731), dedicated to a 319.24-acre horizontal spacing unit in the Pierce Crossing; Bone Spring, South Pool comprised of the N/2 of Section 30.

These wells are platted to be drilled from a well pad in Unit A to a bottom hole location in Unit D (Lot 1) of Section 30. Said area is located approximately 3 miles southeast of Malaga, New Mexico.