

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

**APPLICATION OF OXY USA INC.  
FOR APPROVAL OF AN  
OVERLAPPING 960-ACRE NON-  
STANDARD HORIZONTAL WELL  
SPACING UNIT AND COMPULSORY  
POOLING, EDDY COUNTY, NEW  
MEXICO.**

CASE NO. \_\_\_\_\_

**APPLICATION**

OXY USA Inc. (“OXY” or “Applicant”) (OGRID No. 16696) through its undersigned attorneys, files this application with the Oil Conservation Division for an order (a) approving an overlapping 960-acre, more or less, non-standard horizontal well spacing unit in the Bone Spring formation underlying Section 35 and the S/2 Section 26, Township 22 South, Range 31 East, NMPM, Eddy County, New Mexico, and (b) pooling all uncommitted mineral owners in this acreage. In support of this application, Oxy states:

1. OXY is a working interest owner in the subject acreage and has the right to drill thereon.
2. OXY is proposing a Joint Operating Agreement covering the subject area and seeks approval of this non-standard horizontal well spacing unit to match a corresponding Communitization Agreement for the federal leases within the subject area.
3. Due to the nature and configuration of the federal leases in the subject area, the Bureau of Land Management (“BLM”) will not approve the commingling of production at central facilities if the subject area is developed using standard horizontal well spacing units. *See, e.g.*, 43 CFR 3173.14 (addressing authorized commingling). However, if the proposed non-standard

spacing unit is approved by the Division, the OXY understands that BLM will issue a corresponding Communitization Agreement for the federal leases within the subject area to allow commingling and the corresponding reduction of the necessary surface facilities.

4. OXY seeks to minimize cost and surface disturbance by consolidating facilities and commingling production from existing and future wells in the proposed non-standard spacing unit. To allow the proposed wells to be dedicated to a Communitization Agreement, OXY requires approval of a corresponding non-standard horizontal well spacing unit in the Bone Spring formation.

5. OXY seeks to initially dedicate the proposed non-standard horizontal well spacing unit and the corresponding Communitization Agreement to the following proposed wells:

- **Evil Olive 26 35 Fed Com 4H**, to be drilled from a surface location in the NE/4 SE/4 (Unit I) of Section 26 to a bottomhole location in the SE/4 SE/4 (Unit P) of Section 35; and
- **Evil Olive 26 35 Fed Com 71H**, to be drilled from a surface location in the NE/4 SW/4 (Unit K) of Section 26 to a bottomhole location in the SW/4 SW/4 (Unit M) of Section 35.

6. This 960-acre non-standard horizontal well spacing unit will overlap an existing 240-acre standard horizontal well spacing unit comprised of the E/2 SE/4 of Section 26 and the E/2 E/2 of Section 35, Township 22 South, Range 31 East, NMPM, Eddy County, New Mexico, which is operated by COG Operating LLC and dedicated to the Tankless Federal Com #2H well (API: 30-015-44434) within the Livingston Ridge; Bone Spring (Pool Code 39350).

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

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

9. Approval of this application will allow OXY to efficiently locate surface facilities, reduce surface disturbance, lower operating costs and facilitate effective well spacing.

10. Approval of this application is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant requests that this matter be set for hearing on November 2, 2023, before an Examiner of the Oil Conservation Division, and, after notice and hearing as required by law, the Division enter an order:

- A. Approving the overlapping non-standard horizontal well spacing unit and pooling all uncommitted interests therein;
- B. Designating Applicant as operator of this overlapping horizontal well spacing unit and the horizontal wells to be drilled thereon;
- C. Authorizing Applicant to recover its costs of drilling, equipping, and completing the wells;
- D. 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
- E. Imposing a 200% charge for the risk assumed by Applicant in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

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**ATTORNEYS FOR OXY USA INC.**

**Application of OXY USA Inc. for Approval of an Overlapping 960-Acre Non-Standard Horizontal Well Spacing Unit and Compulsory Pooling, Eddy County, New Mexico.** Applicant seeks an order (a) approving an overlapping 960-acre, more or less, non-standard horizontal well spacing unit in the Bone Spring formation underlying Section 35 and the S/2 Section 26, Township 22 South, Range 31 East, NMPM, Eddy County, New Mexico, and (b) pooling all uncommitted mineral owners in this acreage. This spacing unit will be initially dedicated to the following proposed wells:

- **Evil Olive 26 35 Fed Com 4H**, to be drilled from a surface location in the NE/4 SE/4 (Unit I) of Section 26 to a bottomhole location in the SE/4 SE/4 (Unit P) of Section 35; and
- **Evil Olive 26 35 Fed Com 71H**, to be drilled from a surface location in the NE/4 SW/4 (Unit K) of Section 26 to a bottomhole location in the SW/4 SW/4 (Unit M) of Section 35.

This 960-acre non-standard horizontal well spacing unit will overlap an existing 240-acre standard horizontal well spacing unit comprised of the E/2 SE/4 of Section 26 and the E/2 E/2 of Section 35, Township 22 South, Range 31 East, NMPM, Eddy County, New Mexico, which is operated by COG Operating LLC and dedicated to the Tankless Federal Com #2H well (API: 30-015-44434) within the Livingston Ridge; Bone Spring (Pool Code 39350). Also, to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof, operating costs and charges for supervision, the designation of applicant as operator, and a 200% charge for risk involved in drilling and completing the wells. Said area is approximately 20 miles northeast of Loving, New Mexico.