BEFORE THE OIL CONSERVATION DIVISION EXAMINER HEARING FEBRUARY 15, 2024

CASE NO. 23918

EVIL OLIVE 26 35 FED COM #31H, #32H, #33H, #34H, #35H, #36H & #37H

EDDY COUNTY, NEW MEXICO



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

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

CASE NO. 23918

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

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

CASE NO. 23918

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 a 960-acre, more or less, non-standard horizontal well spacing unit in the Wolfcamp 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

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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 Wolfcamp 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 31H and 32H, to be drilled from ac common surface location in the NE/4 SW/4 (Unit K) of Section 26 to bottomhole locations in the SW/4 SW/4 (Unit M) of Section 35;
- Evil Olive 26 35 Fed Com 33H, 34H, and 35H, to be drilled from a common surface location in the NW/4 SE/4 (Unit J) of Section 26 to bottomhole locations in the SE/4 SW/4 (Unit N) and the SW/4 SE/4 (Unit O) of Section 35; and
- Evil Olive 26 35 Fed Com 36H and 37H, to be drilled from a common surface location in the NE/4 SE/4 (Unit I) of Section 26 to bottomhole locations in the SE/4 SE/4 (Unit P) of Section 35.
- 6. 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.

7. The pooling of interests will avoid the drilling of unnecessary wells, will prevent

waste, and will protect correlative rights.

8. Approval of this application will allow OXY to efficiently locate surface facilities,

reduce surface disturbance, lower operating costs and facilitate effective well spacing.

9. 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 non-standard horizontal well spacing unit and pooling all uncommitted interests therein;
- B. Designating Applicant as operator of this 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,

HOLLAND & HART LLP

By:

Michael H. Feldewert Adam G. Rankin Paula Vance Post Office Box 2208 Santa Fe, NM 87504 505-988-4421 505-983-6043 Facsimile mfeldewert@hollandhart.com agrankin@hollandhart.com

ATTORNEYS FOR OXY USA INC.

Application of OXY USA Inc. for Approval of a 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 Wolfcamp 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 31H and 32H, to be drilled from ac common surface location in the NE/4 SW/4 (Unit K) of Section 26 to bottomhole locations in the SW/4 SW/4 (Unit M) of Section 35;
- Evil Olive 26 35 Fed Com 33H, 34H, and 35H, to be drilled from a common surface location in the NW/4 SE/4 (Unit J) of Section 26 to bottomhole locations in the SE/4 SW/4 (Unit N) and the SW/4 SE/4 (Unit O) of Section 35; and
- Evil Olive 26 35 Fed Com 36H and 37H, to be drilled from a common surface location in the NE/4 SE/4 (Unit I) of Section 26 to bottomhole locations in the SE/4 SE/4 (Unit P) of Section 35.

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.

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

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

CASE NO. 23918

SELF-AFFIRMED STATEMENT OF COURTNEY CARR

1. My name is Courtney Carr. I work for OXY USA Inc. ("OXY") as a Senior Land Negotiator.

2. I have previously testified before the New Mexico Oil Conservation Division ("Division") as an expert witness in petroleum land matters. My credentials as a landman have been accepted by the Division and made a matter of record.

3. I am familiar with the application filed by OXY in this case, and I am familiar with the status of the lands in the subject area.

4. OXY was able to reach voluntary agreement with all interest owners and therefore no longer requires pooling of those interests. OXY still requires approval of the non-standard spacing unit.

5. Under **Case No. 23918**, OXY seeks approval of a 960-acre, more or less, nonstandard horizontal well spacing unit in the Wolfcamp formation underlying Section 35 and the S/2 of Section 26, Township 22 South, Range 31 East, NMPM, Eddy County, New Mexico.

6. 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. Due to the nature and

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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, then 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.

7. 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.

8. 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 31H and 32H, to be drilled from a common surface location in the NE/4 SW/4 (Unit K) of Section 26 to bottomhole locations in the SW/4 SW/4 (Unit M) of Section 35;
- Evil Olive 26 35 Fed Com 33H, 34H, and 35H, to be drilled from a common surface location in the NW/4 SE/4 (Unit J) of Section 26 to bottomhole locations in the SE/4 SW/4 (Unit N) and the SW/4 SE/4 (Unit O) of Section 35; and
- Evil Olive 26 35 Fed Com 36H and 37H, to be drilled from a common surface location in the NE/4 SE/4 (Unit I) of Section 26 to bottomhole locations in the SE/4 SE/4 (Unit P) of Section 35.
- 9. **OXY Exhibit B-1** contains a draft Form C-102 for the wells. The exhibit shows that the wells will be assigned to a Wildcat Wolfcamp Pool. OXY has followed up with the Division to confirm the correct pool.

Page 10 of 26

10. **OXY Exhibit B-2** is a plat showing the proposed non-standard spacing unit, including the subject Federal leases. This exhibit also shows the affected offset acreage, and identifies the respective affected parties, for the proposed non-standard spacing unit. The affected offset acreage compromises the S/2 N/2 of Section 26, T22S-R31E, SW/4 NW/4 and the W/2 SW/4 of Section 25, T22S-R31E, the W/2 W/2 of Section 36, T22S-R31E, Lot 4 of Section 1, T23S-R31E, Lots 1-4 of Section 2, T23S-R31E, Lot 1 of Section 3, T23S-R31E, the E/2 E/2 of Section 34, T22S-R31E, E/2 SE/4 and the SE/4 NE/4 of Section 27, T22S-R31E.

11. OXY has provided the law firm of Holland & Hart LLP with the names and addresses of the affected parties in this case and instructed that they be notified of this hearing. *See* **OXY Exhibit C** and **D**. OXY has conducted a diligent search of all public records in the county where the property is located, reviewed telephone directories, and conducted computer searches to locate contact information for each interest owner.

12. **OXY Exhibits B-1 through B-2** were either prepared by me or compiled under my direction and supervision.

13. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature below.

Country Carr

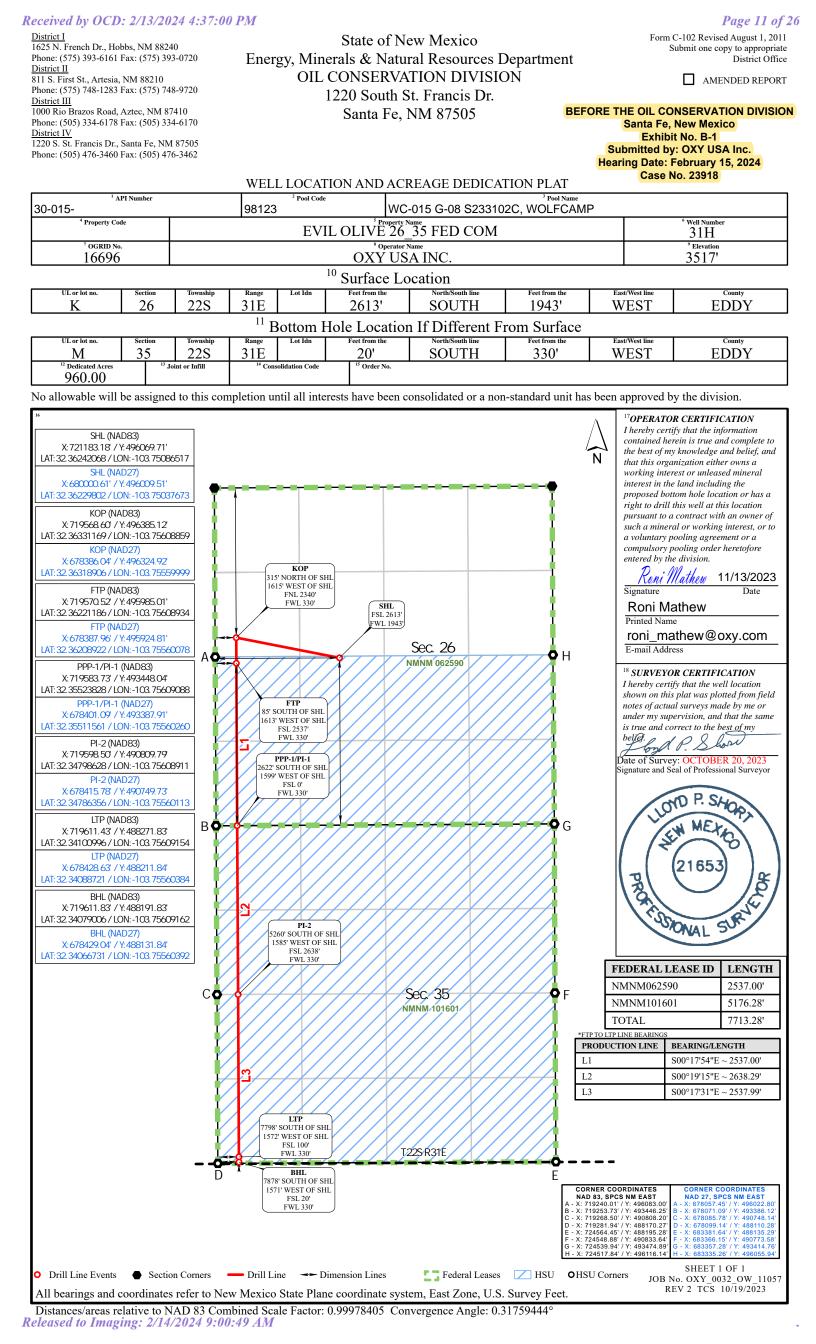
Courtney Carr

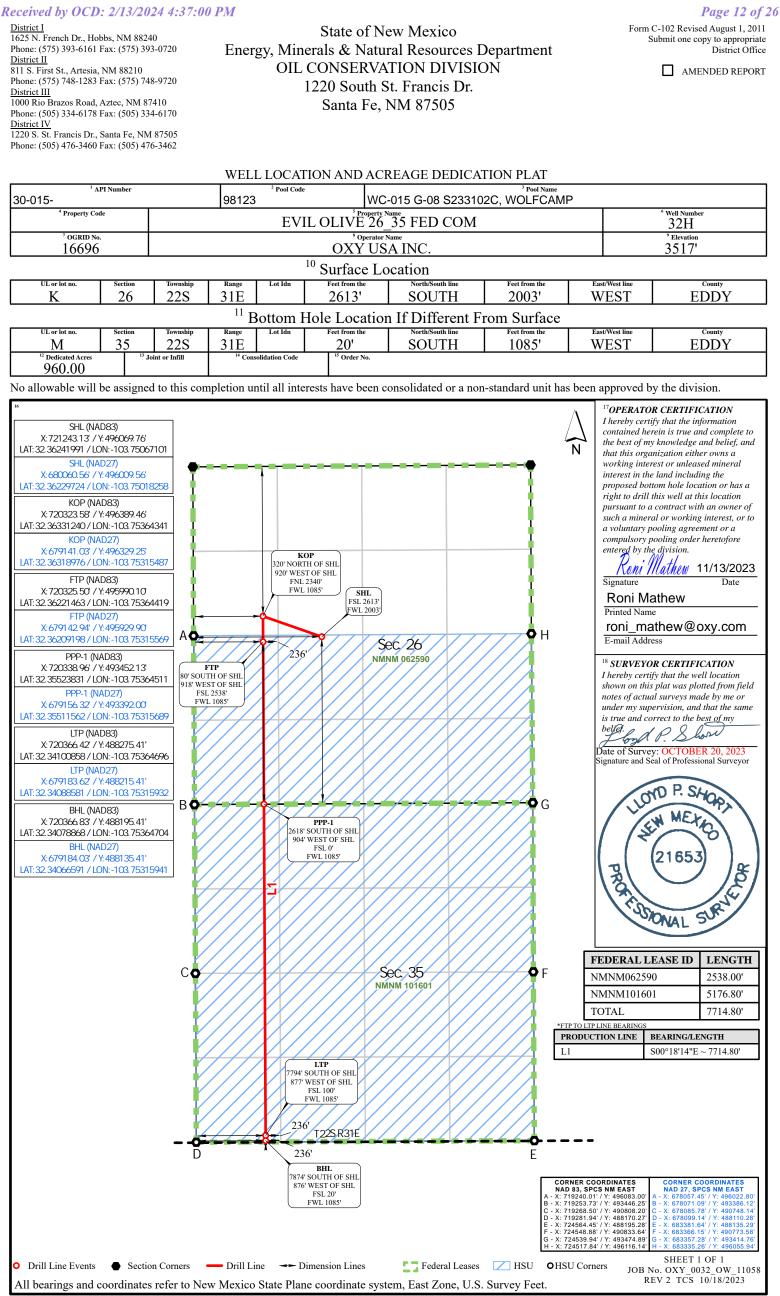
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February 13, 2024

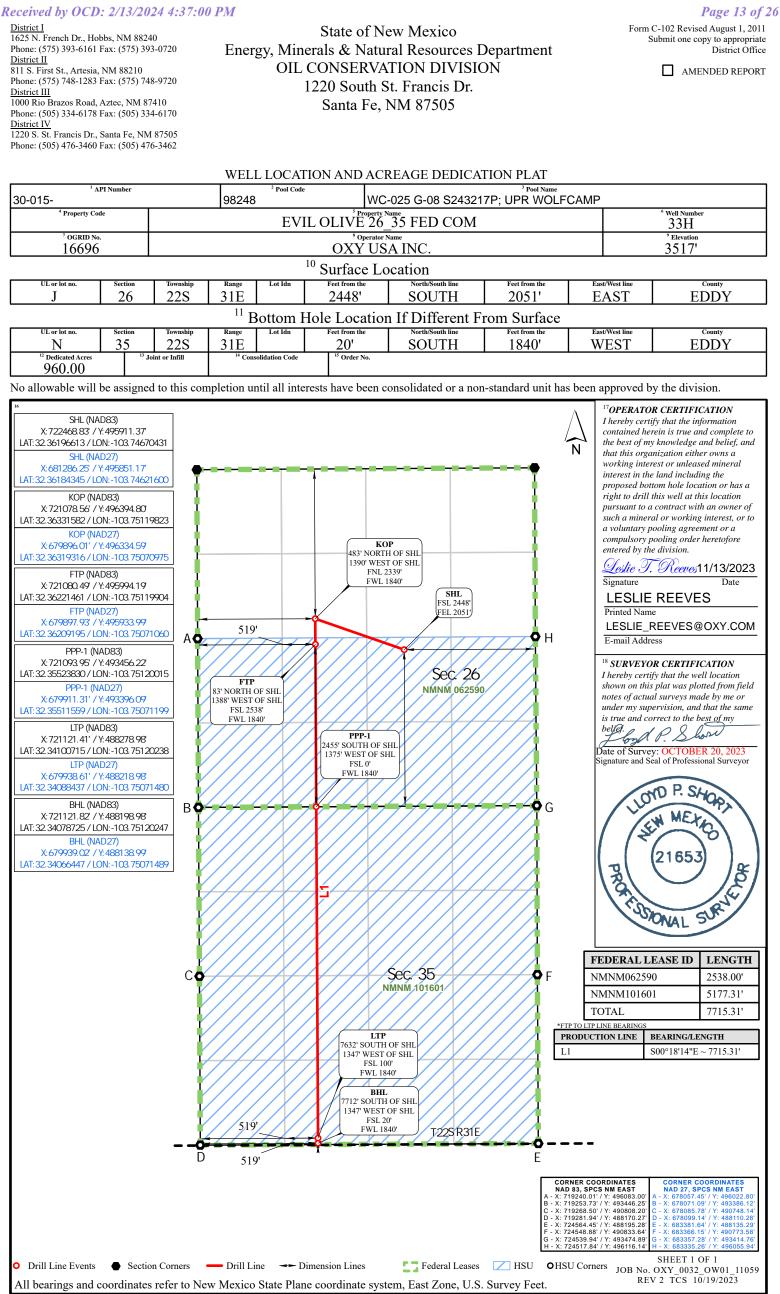
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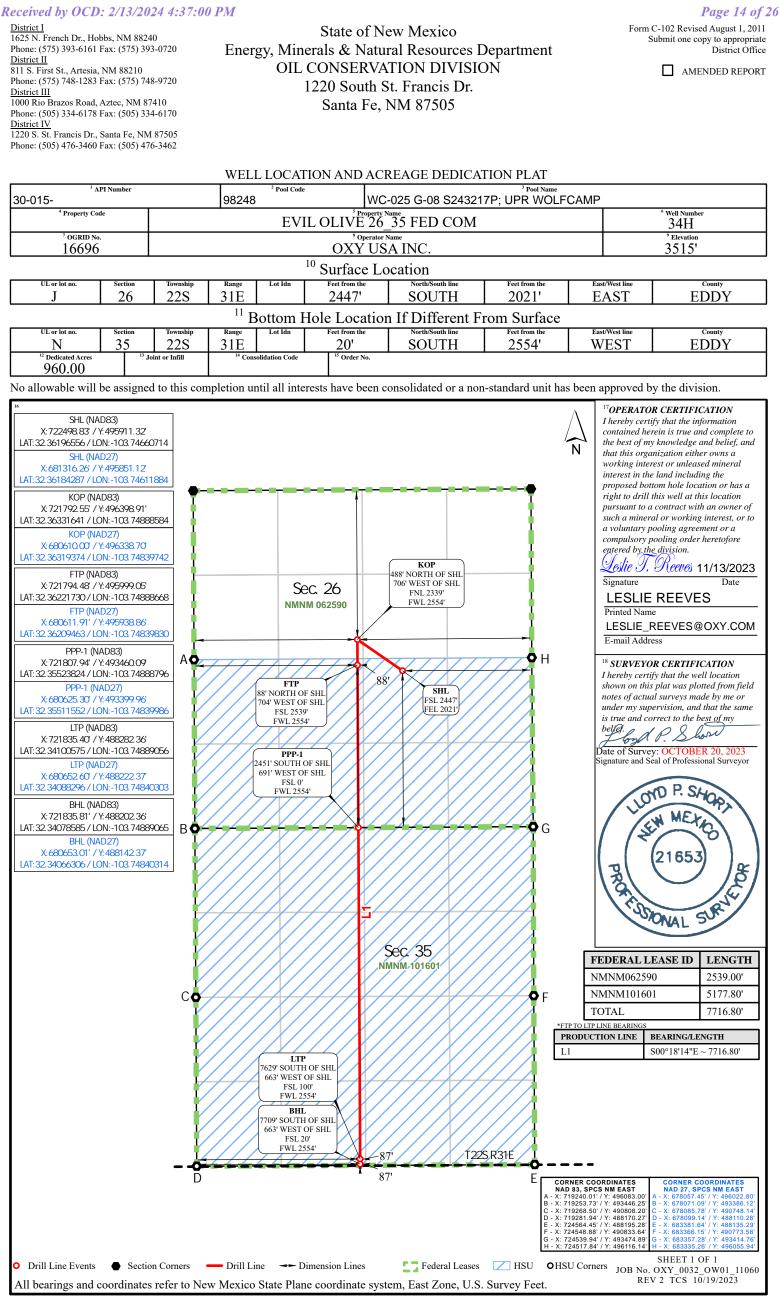




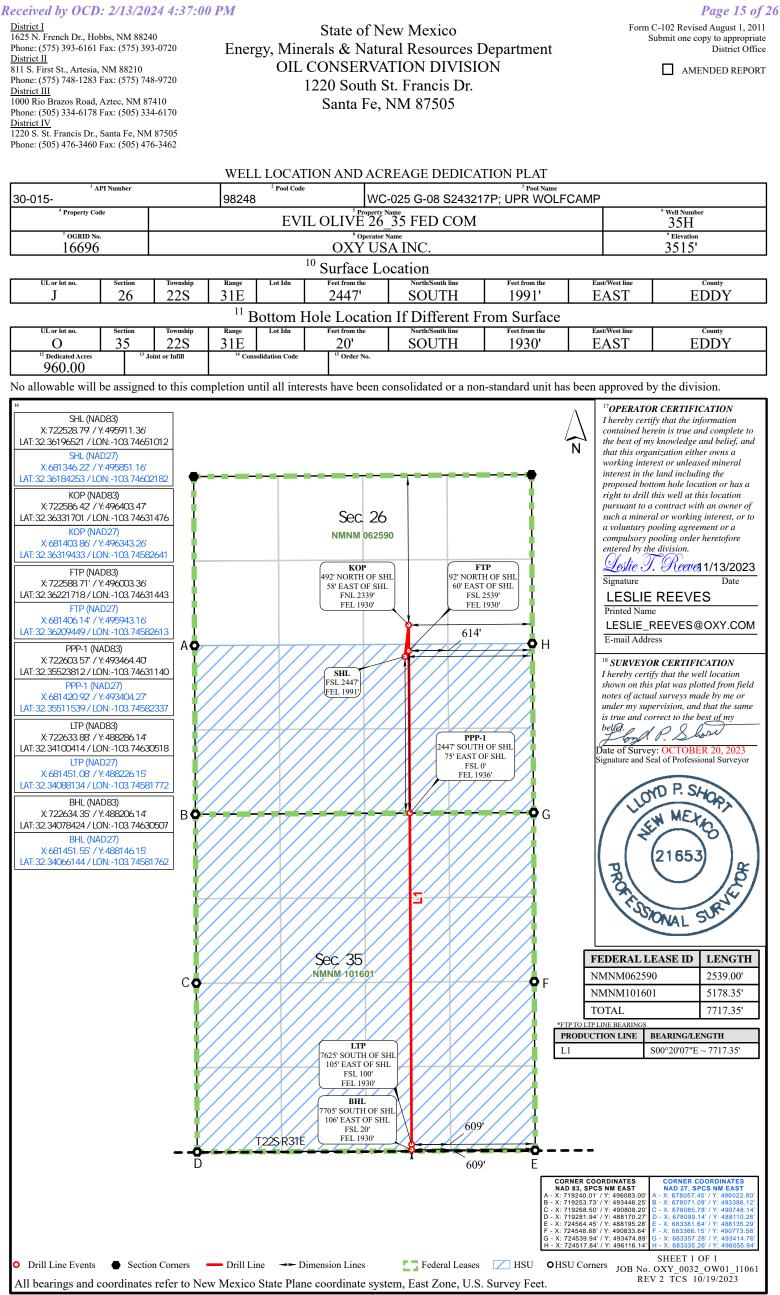
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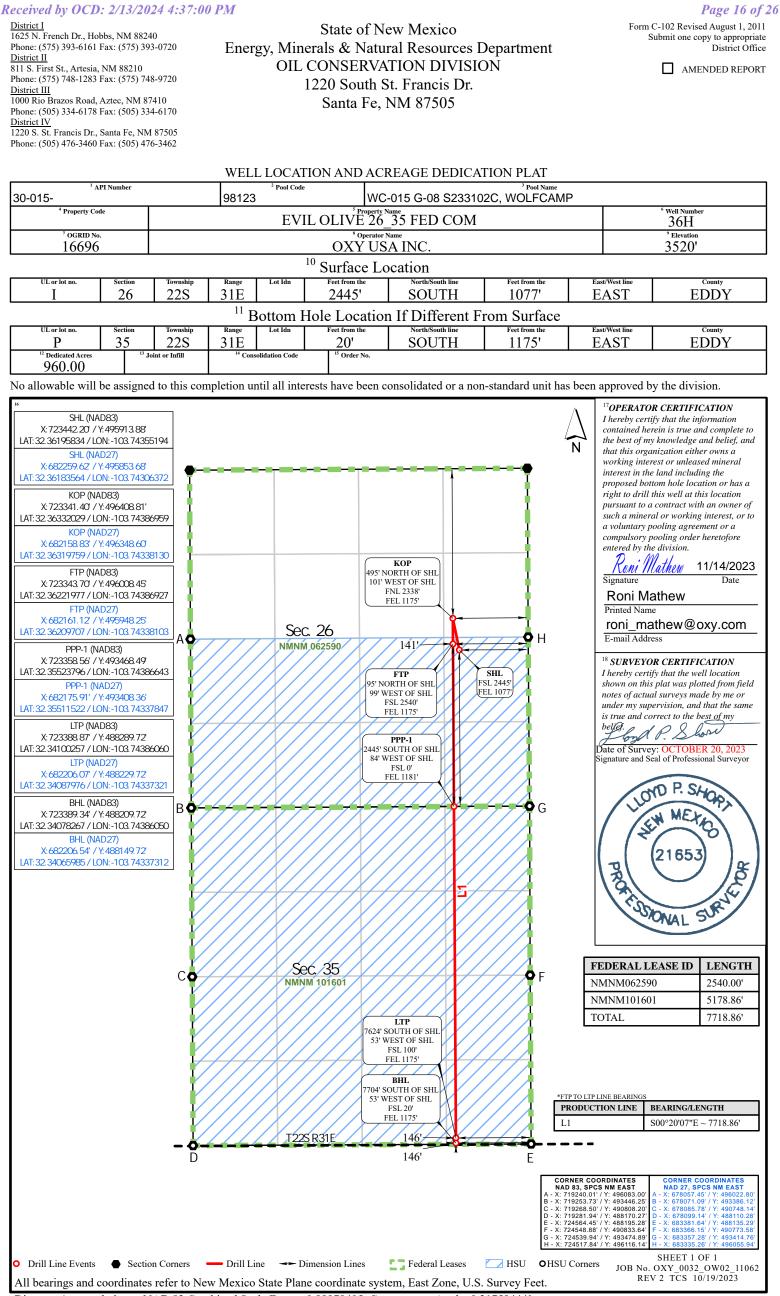
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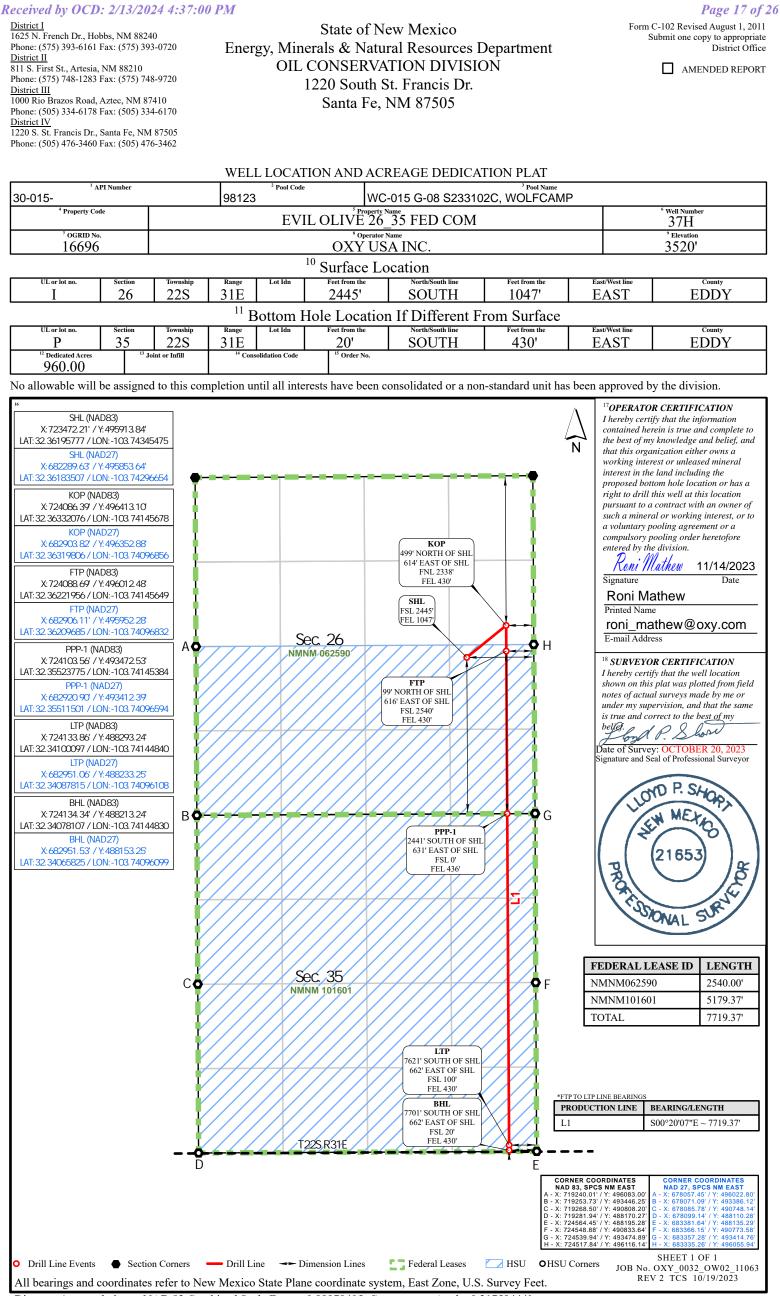
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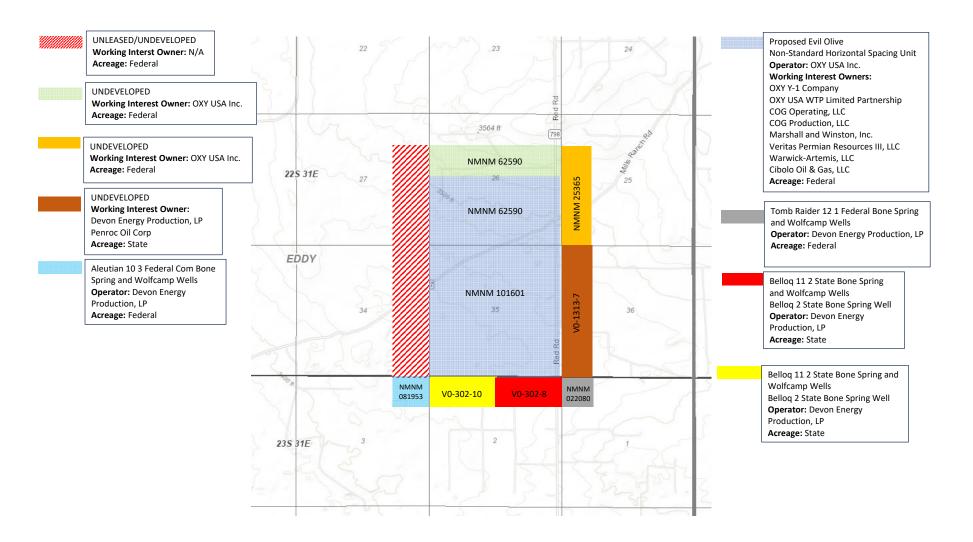
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STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

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

CASE NO. 23918

SELF-AFFIRMED STATEMENT OF PAULA M. VANCE

1. I am attorney in fact and authorized representative of OXY USA Inc. ("Oxy"), the Applicant herein. I have personal knowledge of the matter addressed herein and am competent to provide this self-affirmed statement.

2. The above-referenced application and notice of the hearing on this application was sent by certified mail to the affected parties on the date set forth in the letter attached hereto.

3. The spreadsheet attached hereto contains the names of the parties to whom notice was provided.

4. The spreadsheet attached hereto contains the information provided by the United States Postal Service on the status of the delivery of this notice as of January 12, 2024.

5. I caused a notice to be published to all affected parties subject to this proceeding.

An affidavit of publication from the publication's legal clerk with a copy of the notice publication is attached herein.

6. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature below.

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Pathin

Paula M. Vance

<u>2/13/2024</u> Date

Holland & Hart

Adam G. Rankin Partner Phone (505) 988-4421 agrankin@hollandhart.com

October 13, 2023

<u>VIA CERTIFIED MAIL</u> <u>CERTIFIED RECEIPT REQUESTED</u>

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Application of OXY USA Inc. for Approval of a 960-Acre Non-Standard Horizontal Well Spacing Unit and Compulsory Pooling, Eddy County, New Mexico: *Evil Olive* 26 35 Fed Com 31H-37H wells

Ladies & Gentlemen:

This letter is to advise you that Oxy USA Inc. has filed the enclosed application with the New Mexico Oil Conservation Division. A hearing has been requested before a Division Examiner on November 2, 2023, and the status of the hearing can be monitored through the Division's website at <u>http://www.emnrd.state.nm.us/ocd/</u>.

Due to the remodeling of the state building where the New Mexico Oil Conservation Division is located, hearings will be conducted remotely beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted on the OCD Hearings website: https://www.emnrd.nm.gov/ocd/hearing-info/.

You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date. Parties appearing in cases are required to file a Pre-hearing Statement four business days in advance of a scheduled hearing that complies with the provisions of NMAC 19.15.4.13.B.

If you have any questions about this matter, please contact Courtney Carr at (713) 599-4116 or at Courtney_Carr@oxy.com.

Sincerely,

Adam G. Rankin ATTORNEY FOR OXY USA INC.

Location 110 North Guadalupe, Suite 1 Santa Fe, NM 87501-1849 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208 Contact p: 505.988.4421 | f: 505.983.6043 www.hollandhart.com

Holland & Hart LLP Anchorage Aspen Billings Boise Boulder Cheyenne Denver Jackson Hole Las Vegas Reno Salt Lake City Santa Fe Washington, D.C.

OXY - Evil Olive 31H and 37H wells - Case no. 23918 Postal Delivery Report

						Your item was delivered to the
						front desk, reception area, or
						mail room at 8:02 am on
						October 17, 2023 in MIDLAND,
9414811898765492624257	COG Operating LLC	600 W Illinois Ave	Midland	тх	79701-4882	
5414011050705452024257					75701 4002	Your item was delivered to the
						front desk, reception area, or
						mail room at 8:02 am on
						October 17, 2023 in MIDLAND,
9414811898765492624264	COG Production LLC	600 W Illinois Ave	Midland	тх	79701-4882	
5414811858705452024204			Wildiand		75701-4002	Your item was delivered at
						12:20 pm on October 16, 2023
9414811898765492624226	Marshall and Winston Inc	PO Box 50880	Midland	тх	70710 0990	in MIDLAND, TX 79705.
9414811898763492624226			IVIIUIAIIU	1	79710-0880	Your package will arrive later
						than expected, but is still on its
		6608 N. Western Avenue		.		way. It is currently in transit to
9414811898765492624202	Warwick-Artemis, LLC	Box 417	Oklahoma City	ОК	/311/	the next facility.
						Your item was delivered to an
						individual at the address at
		777 N Eldridge Pkwy Ste				10:43 am on October 17, 2023
9414811898765492624295	O&G Equity Holding LLC	270	Houston	ТХ	77079-4500	in HOUSTON, TX 77079.
						Your item has been delivered
						to the original sender at 10:09
		2700 Post Oak Blvd Ste				am on November 2, 2023 in
9414811898765492624240	O&G Equity Holding LLC	1400	Houston	ТΧ	77056-5708	SANTA FE, NM 87501.
						Your item was delivered to an
						individual at the address at
		5599 San Felipe St Ste				2:50 pm on October 17, 2023
9414811898765492624288	McCombs Energy Ltd.	1200	Houston	ТΧ	77056-2728	in HOUSTON, TX 77056.
						Your item has been delivered
						to an agent for final delivery in
						HOUSTON, TX 77002 on
9414811898765492624233	Chevron USA, Inc.	1400 Smith St Unit 41094	Houston	тх	77002-7327	October 19, 2023 at 10:43 am.
						Your item was delivered to an
						individual at the address at
		6301 Deauville Attn Land				individual at the address at 12:47 pm on October 16, 2023

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						Your item was delivered to the
						front desk, reception area, or
						mail room at 12:19 pm on
						October 16, 2023 in SANTA FE,
9414811898765492624813	BLM	301 Dinosaur Trl	Santa Fe	NM	87508-1560	NM 87508.
						Your package will arrive later
						than expected, but is still on its
						way. It is currently in transit to
9414811898765492624851	Devon Energy Production Company, LP	333 W Sheridan Ave	Oklahoma City	ОК	73102-5010	the next facility.
						Your item was picked up at the
						post office at 1:13 pm on
						October 20, 2023 in HOBBS,
9414811898765492624868	Penroc Oil Corp.	PO Box 2769	Hobbs	NM	88241-2769	NM 88240.
						Your item was delivered to the
						front desk, reception area, or
						mail room at 8:02 am on
						October 17, 2023 in MIDLAND,
9414811898765492624820	COG Production, LLC	600 W Illinois Ave	Midland	тх	79701-4882	TX 79701.

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OXY - Evil Olive 31H and 37H wells - Case no. 23918

Postal Delivery Report

	9214 8901 9403 8337 4477 30	Cibolo Oil & Gas LLC 3600 Bee Cave Road Suite #102 West Lake Hills TX 78746	Delivered Signature Received
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Carlsbad Current Argus.

Affidavit of Publication Ad # 0005844972 This is not an invoice

HOLLAND AND HART PO BOX 2208

SANTA FE, NM 87504-2208

I, a legal clerk of the **Carlsbad Current Argus**, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof in editions dated as follows:

10/17/2023

Legal Clerk

Subscribed and sworn before me this October 17, 2023:

State of WI, County of Brown

NOTARY PUBLIC 6-27

My commission expires

DENISE ROBERTS Notary Public State of Wisconsin

Ad # 0005844972 PO #: 23918 # of Affidavits1

This is not an invoice

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

The State of New Mexico, Energy Minerals and Natural Resources Department, Oil Conservation Division ("Division") hereby gives notice that the Division will hold public hearings before a hearing examiner on the following cases. The hearings will be conducted remotely on Thursday, November 2, 2023, beginning at 8:15 a.m. To participate in the hearings, see the instructions posted below. The docket may be viewed at https://www.emnrd.nm.gov/ocd/hearing-info/ or obtained from Marlene Salvidrez, at Marlene.Salvidrez@e mnrd.nm.gov. Documents filed in these cases may be viewed at https://ocdimage.emnrd.nm.gov/Imaging/Default. aspx. If you are an individual with a disability who needs a reader, amplifier, qualified sign language interpreter, or other form of auxiliary aid or service to attend or participate in a hearing, contact Marlene Salvidrez at Marlene.Salv idrez@emnrd.nm.gov, or the New Mexico Relay Network at 1-800-659-1779, no later than October 22, 2023.

Persons may view and participate in the hearings through the following link: https://nmemnrd.webex.com/nmemnrd/j. php?MTID=m2782857f226867528004f8664692193a

Webinar number: 2480 928 8744

Join by video system: 24809288744@nmemnrd.webex.com You can also dial 173.243.2.68 and enter your webinar number

Join by phone: 1-844-992-4726 United States Toll Free +1-408-418-9388 United States Toll

Access code: 2480 928 8744 Panelist password: gVU2PbUBJ68 (48827282 from phones and video systems)

> STATE OF NEW MEXICO TO: All named parties and persons having any right, title, interest or claim in the following case and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

To: All affected interest owners, including: COG Operating, LLC; COG Production, LLC; Marshall and Winston, Inc.; Warwick-Artemis, LLC; O&G Equity Holding LLC; McCombs Energy Ltd.; Chevron USA, Inc.; Bureau of Land Management; Devon Energy Production Company, LP; Penroc Oil Corp.; and COG Production, LLC.

Case No. 23918: Application of OXY USA Inc. for Approval of a 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 Wolfcamp 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 31H and 32H, to be drilled from ac common surface location in the NE/4 SW/4 (Unit K) of Section 26 to bottomhole locations in the SW/4 SW/4 (Unit M) of Section 35;

• Evil Olive 26 35 Fed Com 33H, 34H, and 35H, to be drilled from a common surface location in the NW/4 SE/4 (Unit J) of Section 26 to bottomhole locations in the SE/4 SW/4 (Unit N) and the SW/4 SE/4 (Unit O) of Section 35; and

• Evil Olive 26 35 Fed Com 36H and 37H, to be drilled from a common surface location in the NE/4 SE/4 (Unit I) of Section 26 to bottomhole locations in the SE/4 SE/4 (Unit P) of Section 35.

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 #5844972, Current Argus, October 17, 2023