

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

**APPLICATION OF OXY USA INC. FOR APPROVAL
OF AN OVERLAPPING 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 a standard 640-acre, more or less, overlapping horizontal well spacing unit in a portion of the Bone Spring formation, from the top of the Third Bone Spring formation to the base of the Third Bone Spring formation, comprised of the E/2 of irregular Sections 19 and 30, Township 24 South, Range 29 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. Applicant seeks to initially dedicate the above-referenced horizontal well spacing unit to the proposed **SORO CC 19_30 Fed Com 74H**, to be horizontally drilled from a surface location in the NW/4 NE/4 (Unit B) of irregular Section 19, with a first take point in the NW/4 NE/4 (Unit B) of irregular Section 19, and last take point in the SW/4 SE/4 (Unit O) of irregular Section 30; and **SORO CC 19_30 Fed Com 75H** and **SORO CC 19_30 Fed Com 76H** wells, both to be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) of irregular Section 19, with a first take point in the NE/4 NE/4 (Unit A) of irregular Section 19, and last take point in the SE/4 SE/4 (Unit P) of irregular Section 30.

3. The completed interval of the **SORO CC 19_30 Fed Com 75H** well is expected to remain within 330 feet of the adjoining quarter-quarter section (or equivalent) tracts to allow inclusion of these proximity tracts within the proposed horizontal well spacing unit under 19.15.16.15.B(1)(b) NMAC.

4. This proposed horizontal well spacing unit will overlap the following existing spacing units in the Bone Spring formation:

- 160-acre spacing unit comprised of the N/2 NE/4, NE/4 NW/4 and Lot 1 (N/2 N/2 equivalent) of irregular Section 30 dedicated to the Rock Ridge Red Com BSS 4H (API: 30-015-45730) well currently operated by 3R Operating, LLC;
- 160-acre spacing unit comprised of the S/2 NE/4, SE/4 NW/4 and Lot 2 (S/2 N/2 equivalent) of irregular Section 30 dedicated to the Rock Ridge Red Com BSS 3H (API: 30-015-39543) and Rock Ridge Red Com BSS 8H (API: 30-015-45874) wells currently operated by 3R Operating, LLC;
- 320-acres spacing unit comprised of the NW/4, E/2 NW/4, and Lots 1-2 (N/2 equivalent) of irregular Section 30 dedicated to the Rock Ridge Federal BSS 7H (API: 30-015-45731) well currently operated by 3R Operating, LLC;
- 160-acre spacing unit comprised of the N/2 SE/4, NE/4 SW/4 and Lot 3 (N/2 S/2 equivalent) of irregular Section 30 dedicated to the Malaga 30 LI Fed Com 1H (API: 30-015-42193) well currently operated by Mewbourne Oil Company; and
- 160-acre spacing unit comprised of the S/2 SE/4, SE/4 SW/4 and Lot 4 (S/2 S/2 equivalent) of irregular Section 30 dedicated to the Malaga 30 MP Fed Com 1H (API: 30-015-41461) well currently operated by Mewbourne Oil Company.

5. This proposed horizontal well spacing unit will overlap the following proposed spacing units in the Bone Spring formation:

- 320-acre spacing unit comprised of Lots 1-2, E/2 NW/4, and NE/4 (N/2 equivalent) of irregular Section 30 dedicated to the Rock Ridge Federal #551H (API: 30-015-PENDING).

6. Oxy seeks to pool only a portion of the Bone Spring formation, limited to the depths from the top of the Third Bone Spring Formation, being the stratigraphic equivalent of that certain depth of 8,653 feet TVD as found in the gamma ray log run in the Queen Lake 19 Federal 1 well

(API:30-015-24292) to the base of the Third Bone Spring Formation, being the stratigraphic equivalent of that certain depth of 9,687 feet TVD as found in the gamma ray log run in the Queen Lake 19 Federal 1 well (API:30-015-24292).

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. Approval of this overlapping horizontal well spacing unit and the pooling of interests therein will allow Applicant to obtain a just and fair share of the oil and gas underlying the subject lands, avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

WHEREFORE, Applicant requests that this matter be set for hearing on January 9, 2025, 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 proposed overlapping horizontal well spacing unit and pooling all uncommitted interests within a portion of the Bone Spring formation;
- B. Designating Applicant as operator of this overlapping 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
agrarkin@hollandhart.com
pmvance@hollandhart.com

ATTORNEYS FOR OXY USA INC.

CASE _____ : **Application of OXY USA Inc. for Approval of an Overlapping Horizontal Well Spacing Unit and Compulsory Pooling, Eddy County, New Mexico.** Applicant seeks an order (a) approving a standard 640-acre, more or less, overlapping horizontal well spacing unit in a portion of the Bone Spring formation, from the top of the Third Bone Spring formation to the base of the Third Bone Spring formation, comprised of the E/2 of irregular Sections 19 and 30, Township 24 South, Range 29 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 **SORO CC 19_30 Fed Com 74H**, to be horizontally drilled from a surface location in the NW/4 NE/4 (Unit B) of irregular Section 19, with a first take point in the NW/4 NE/4 (Unit B) of irregular Section 19, and last take point in the SW/4 SE/4 (Unit O) of irregular Section 30; and **SORO CC 19_30 Fed Com 75H** and **SORO CC 19_30 Fed Com 76H** wells, both to be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) of irregular Section 19, with a first take point in the NE/4 NE/4 (Unit A) of irregular Section 19, and last take point in the SE/4 SE/4 (Unit P) of irregular Section 30. The completed interval of the **SORO CC 19_30 Fed Com 75H** well is expected to remain within 330 feet of the adjoining quarter-quarter section (or equivalent) tracts to allow inclusion of these proximity tracts within the proposed horizontal well spacing unit under 19.15.16.15.B(1)(b) NMAC. This proposed horizontal well spacing unit will overlap the following existing spacing units in the Bone Spring formation:

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Also, to be considered will be approval of the overlapping spacing unit, 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 4 miles southeast of Malaga, New Mexico.