

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

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

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

**APPLICATION**

OXY USA Inc. (“Oxy” or “Applicant”) through its undersigned attorneys, files this application with the Oil Conservation Division for an order (a) approving a non-standard 1,920-acre, more or less, horizontal well spacing unit in the Bone Spring formation underlying regular Sections 22, 27, and 34, Township 24 South, Range 29 East, 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 the designated operator under a Joint Operating Agreement covering the subject area and seeks approval of this non-standard horizontal well spacing unit to accommodate the proposed horizontal wells in this area of diverse ownership.
3. Approval of a non-standard spacing unit by the Division will also promote a corresponding Communalization Agreement for the federal, state, and fee leases within the subject area, thereby allowing commingling and the corresponding reduction of the necessary surface facilities.
4. Applicant seeks to initially dedicate the above-referenced horizontal well spacing unit to the following proposed horizontal wells:

- **Sapphire CC 22 34 Federal Com #71H [API 30-015-57499]** to be horizontally drilled from a surface location 397 feet from the North Line of Section 22 and 2,149 feet from the West Line of Section 22, and a bottom location located 20 feet from the South Line of Section 34 and 330 feet from the West Line of Section 34.
- **Sapphire CC 22 34 Federal Com #72H [API 30-015-57501]** to be horizontally drilled from a surface location 427 feet from the North Line of Section 22 and 2,154 feet from the West Line of Section 22, and a bottom location located 20 feet from the South Line of Section 34 and 1,210 feet from the West Line of Section 34.
- **Sapphire CC 22 34 Federal Com #73H [API 30-015-57502]** to be horizontally drilled from a surface location 708 feet from the North Line of Section 22 and 2,156 feet from the East Line of Section 22, and a bottom location located 20 feet from the South Line of Section 34 and 1,430 feet from the East Line of Section 34.
- **Sapphire CC 22 34 Federal Com #74H [API 30-015-57504]** to be horizontally drilled from a surface location 708 feet from the North Line of Section 22 and 2,126 feet from the East Line of Section 22, and a bottom location located 20 feet from the South Line of Section 34 and 550 feet from the East Line of Section 34.
- **Sapphire CC 22 34 Federal Com #75H [API 30-015-57505]** to be horizontally drilled from a surface location 456 feet from the North Line of Section 22 and 2,159 feet from the West Line of Section 22, and a bottom

location located 20 feet from the South Line of Section 34 and 2,090 feet from the West Line of Section 34.

- **Sapphire CC 22 34 Federal Com #76H [API 30-015-57506]** to be horizontally drilled from a surface location 708 feet from the North Line of Section 22 and 2,186 feet from the East Line of Section 22, and a bottom location located 20 feet from the South Line of Section 34 and 2,310 feet from the East Line of Section 34.

5. Applicant has undertaken diligent, good faith efforts to obtain voluntary agreements from all interest owners to participate in the drilling of the wells but has been unable to obtain voluntary agreements from all interest owners.
6. The pooling of interests and approval of this non-standard horizontal well spacing unit will allow Applicant to efficiently locate surface facilities and reduce surface disturbance, lower operating costs, facilitate effective well spacing, allow Applicant to obtain a just and fair share of the oil and gas underlying the subject lands, and will prevent waste and protect correlative rights.

WHEREFORE, Applicant requests that this matter be set for hearing on March 26, 2026, 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 non-standard 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 changes and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures;
- 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;
- F. Cash call required 30 days after expiration of the election period.

Respectfully submitted,

GALLAGHER & KENNEDY, P.A.

By: /s/ Dalva L. Moellenberg

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ATTORNEYS FOR OXY USA INC.

CASE NO: \_\_\_\_\_

**Application of OXY USA, INC. for Approval of a Non-standard Horizontal Well Spacing unit and Compulsory Pooling, Eddy County, New Mexico.** Applicant seeks an order (a) approving a non-standard 1,920- acre, more or less, horizontal well spacing unit in the Bone Spring formation underlying regular Sections 22, 27, and 34, Township 24 South, Range 29 East, 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 horizontal wells:

- **Sapphire CC 22 34 Federal Com #71H [API 30-015-57499]** to be horizontally drilled from a surface location 397 feet from the North Line of Section 22 and 2,149 feet from the West Line of Section 22, and a bottom location located 20 feet from the South Line of Section 34 and 330 feet from the West Line of Section 34.
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South Line of Section 34 and 2,310 feet from the East Line of Section 34.

Also, to be considered will be the necessity of the non-standard 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 26 miles southeast of Carlsbad, New Mexico.