

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

**APPLICATION OF OXY USA INC. FOR APPROVAL OF A 1,600-ACRE  
NONSTANDARD HORIZONTAL WELL SPACING UNIT IN THE WOLFCAMP  
FORMATION COMPRISED OF ACREAGE SUBJECT TO A FEDERAL  
COMMUNITIZATION AGREEMENT, EDDY COUNTY, NEW MEXICO**

**CASE NO. 22259  
ORDER NO. R-21929**

**ORDER**

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on November 4, 2021, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

**FINDINGS OF FACT**

1. OXY USA Inc. (“Oxy”) filed an application (“Application”) seeking approval of a 1,600-acre non-standard horizontal spacing unit for production from all Division-designated pools in the Wolfcamp formation underlying the S/2 of Section 17 and all of Sections 20 and 29, Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico (“Spacing Unit”).
2. The Spacing Unit will be initially dedicated to the following horizontal wells (“wells”):
  - PURE GOLD MDP1 29 17 FEDERAL COM #171H (30-015-45716)
  - PURE GOLD MDP1 29 17 FEDERAL COM #172H (30-015-45717)
  - PURE GOLD MDP1 29 17 FEDERAL COM #173H (30-015-45718)
  - PURE GOLD MDP1 29 17 FEDERAL COM #174H (30-015-45740)
  - PURE GOLD MDP1 29 17 FEDERAL COM #175H (30-015-45780)
3. The Wells will be or have been drilled and completed in the following pool:
  - WC-015 G-08 S233135D; WOLFCAMP Pool (Pool Code 98236)
4. Oxy appeared at hearing and presented evidence by affidavit.
5. The Spacing Unit is comprised of the following four leases:
  - Federal Lease USA NMNM-045235 containing Section 17: S/2
  - Federal Lease USA NMNM-038463 containing Section 20: All
  - Federal Lease USA NMNM-0545035 containing Section 29: W/2
  - Federal Lease USA NMNM-0281482A containing Section 29: E/2

6. Oxy provided testimony that Oxy is the designated operator under a Joint Operating Agreement covering federal leases in the Wolfcamp formation in the acreage comprising the Spacing Unit.
7. The Bureau of Land Management (“BLM”) informed Oxy that it will approve a communitization agreement covering the Wolfcamp formation for the same acreage as the Spacing Unit. Oxy testified that the BLM will only approve the communitization agreement if the OCD approves the Spacing Unit.
8. Oxy will consolidate facilities and commingling production from existing and future wells in the Spacing Unit to minimize surface disturbance. Oxy testified that without approval of the Spacing Unit, Oxy would need to construct separate facilities for the separate standard spacing units.
9. EOG presented evidence that consolidating facilities would result in a cost savings of \$4.9 million.
10. The Wells will efficiently and effectively develop the Spacing Unit and will result in significant efficiencies due to the ability to consolidate surface facilities.
11. Oxy gave notice of the Application to all affected parties in the tracts that adjoin the Spacing Unit, and BLM.
12. No other party appeared at the hearing or opposed granting the Application.

### **CONCLUSIONS OF LAW**

13. OCD has jurisdiction to issue this Order pursuant to Section 70-2-18(C), NMSA 1978.
14. Oxy has met the notice requirements for approval of non-standard horizontal spacing units in accordance with 19.15.16.15(B)(5) NMAC.
15. OCD’s rules allow the approval of a non-standard horizontal spacing unit, after notice and opportunity for hearing, “if necessary to prevent waste or protect correlative rights” 19.15.16.15(B)(5)(a) NMAC.
16. While the OCD is authorized to approve a non-standard spacing unit, Rutter & Wilbanks Corp. v. Oil Conservation Comm’n, 1975-NMSC-006, OCD lacks the authority to approve unitization and will disapprove an application if it determines that it is actually unitization. Order R-13554 (May 18, 2012) (disapproving application for a non-standard spacing unit consisting of 16 standard spacing units).

17. Approval of the Spacing Unit promotes effective well spacing and allows Oxy to efficiently locate surface facilities, and reduce development costs, and therefore prevents waste and protects correlative rights.

**ORDER**

18. The Application to create a 1,600-acre non-standard horizontal spacing unit for production from all Division-designated pools in the Wolfcamp formation underlying the S/2 of Section 17 and all of Sections 20 and 29, Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico, **is hereby approved.**
19. Oxy shall file amended Forms C-102 reflecting the correct acreage dedicated for each of the Wells.
20. OCD retains jurisdiction of this case for entry of such further orders as the Division may deem necessary.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
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ADRIENNE SANDOVAL  
DIRECTOR  
AES/jag

Date: 12/07/2021