

**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 SPACING UNIT IN THE BONESPRING FORMATION COMPRISED OF ACREAGE SUBJECT TO A PROPOSED COMMUNITIZATION AGREEMENT, EDDY COUNTY, NEW MEXICO.**

**CASE NO. 23917  
ORDER NO. R-23133**

**ORDER**

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on February 15, 2024, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

**FINDINGS OF FACT**

1. OXY USA Inc. (“Operator”) filed an application (“Application”) seeking approval of a 960-acre non-standard horizontal spacing unit for production from all Division-designated pools in the Bonespring formation underlying Section 35 and the S/2 Section 26, Township 22 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”):
  - Evil Olive 26 35 federal Com #4H (API No. 30-015-Pending)
  - Evil Olive 26 35 federal Com #71H (API No. 30-015-Pending)
3. The Wells will be drilled and completed in the following pool:
  - Livingston Ridge; Bone Spring (Pool Code 39350)
4. Operator appeared at hearing and presented evidence by affidavit.
5. The Spacing Unit is comprised of the following four leases:
  - Federal Lease USA NMNM 62590
  - Federal Lease USA NMNM 101601
6. Operator provided testimony that Operator owns all the working interest within the Spacing Unit.
7. The Bureau of Land Management (“BLM”) informed Operator that it will approve a communitization agreement covering the Bone Springs formation for the same

acreage as the Spacing Unit. OPERATOR testified that the BLM will only approve the communitization agreement if the OCD approves the Spacing Unit.

8. Operator will consolidate facilities and commingling production from existing and future wells in the Spacing Unit to minimize surface disturbance. Operator testified that without approval of the Spacing Unit, Operator would need to construct separate facilities for the separate standard spacing units.
9. Operator presented evidence that consolidating facilities would result in a cost savings.
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. Operator 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. Operator 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 Operator to efficiently locate surface facilities, and reduce development costs, and therefore prevents waste and protects correlative rights.

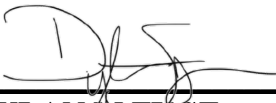
### **ORDER**

18. The Application to create a 960-acre non-standard horizontal spacing unit for production from all Division-designated pools in the Bonespring formation

underlying all of Section 35 and the S/2 Section 26, Township 22 South, Range 31 East, NMPM, Eddy County, New Mexico, **is hereby approved.**

19. OPERATOR shall file 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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**DYLAN M. FUGE**  
**DIRECTOR (ACTING)**  
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**Date:** 3/27/2024