

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



August 3, 2017

Oxy USA Inc.
Attn: Ms. Sarah Mitchell

ADMINISTRATIVE NON-STANDARD LOCATION

Administrative Order NSL-7561

Oxy USA Inc.
OGRID 16696
Patton MDP1 18 Federal Well No. 33H
API No. 30-015-44338

Non-Standard Location

Proposed Location:

	<u>Footages</u>	<u>Unit</u>	<u>Sec.</u>	<u>Tsp</u>	<u>Rge</u>	<u>County</u>
Surface	335' FNL & 2062' FEL	B	18	24S	31E	Eddy
Penetration Point	340' FNL & 1385' FEL	B	18	24S	31E	Eddy
Final perforation	340' FSL & 1385' FEL	O	18	24S	31E	Eddy
Terminus	180' FSL & 1385' FEL	O	18	24S	31E	Eddy

Proposed Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
W/2 E/2 of Section 18	160	Cotton Draw; Bone Spring	13367

Reference is made to your application received on July 11, 2017.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by statewide Rule 19.15.15.9.A NMAC, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary, and Rule 19.15.16.14.B(2) NMAC concerning directional wells in designated project areas. This location is unorthodox because portions of the proposed completed interval are closer to outside boundaries of the proposed project area than any location that would be a standard location under the applicable pool rules.

Administrative Order NSL-7561

Oxy USA Inc.

August 3, 2017

Page 2 of 2

Your application has been duly filed under the provisions of Division Rules 19.15.15.13 NMAC and 19.15.4.12.A (2) NMAC.

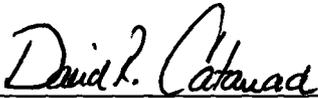
It is our understanding that Oxy USA, Inc. is seeking this location for optimal development of the Bone Spring formation that involve drilling six wells per section versus four wells per section. Next, increasing density will optimize recoverable reserves. Further, any reduction in well spacing will result in untapped reserves being left in the reservoir resulting in waste.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 19.15.4.12 A (2) NMAC, in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 19.15.15.13 (B) NMAC, the above-described unorthodox location is hereby approved.

The above approvals are subject to your being in compliance with all other applicable Division rules.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.



DAVID R. CATANACH

Director

DRC/lrl

cc: Oil Conservation Division – Artesia District Office
Bureau of Land Management – Carlsbad Field Office