

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



June 27, 2017

Oxy USA Inc
Attn: Mr. David Stewart

NM OIL CONSERVATION
ARTESIA DISTRICT

FEB 14 2018

ADMINISTRATIVE NON-STANDARD LOCATION

RECEIVED

Administrative Order NSL-7548

Oxy USA Inc.
OGRID 16696
Palladium MDP1 7-6 Federal Com Well No. 2H
API No. 30-015-Pending 44299

Non-Standard Location

Proposed Location:

| | Footages | Unit/Lot | Sec. | Tsp | Rge | County |
|-------------------|----------------------|----------|------|-----|-----|--------|
| Surface | 609' FSL & 742' FWL | M/4 | 7 | 24S | 31E | Eddy |
| Penetration Point | 340' FSL & 1260' FWL | M/4 | 7 | 24S | 31E | Eddy |
| Final perforation | 340' FNL & 1260' FWL | D/4 | 6 | 24S | 31E | Eddy |
| Terminus | 180' FNL & 1260' FWL | D/4 | 6 | 24S | 31E | Eddy |

Proposed Project Area:

| Description | Acres | Pool | Pool Code |
|----------------------|--------|--------------------------|-----------|
| W/2 W/2 of Section 7 | 334.89 | Cotton Draw, Bone Spring | 13367 |
| W/2 W/2 of Section 6 | | | |

Reference is made to your application received on April 26, 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-7548
Oxy USA Inc
June 27, 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 the Applicant is seeking this location because they intend to increase their horizontal well spacing from four wells per section to six wells per section to effectively develop the Bone Spring and Wolfcamp formations. Next, increasing well density will optimize recoverable reserves.

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, including, but not limited to Division Rule 19.15.5.9 NMAC.

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