

**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 NON-STANDARD HORIZONTAL WELL SPACING UNIT IN THE WOLFCAMP FORMATION COMPRISED OF ACREAGE SUBJECT TO A FEDERAL COMMUNITIZATION AGREEMENT, EDDY COUNTY, NEW MEXICO.

CASE NO. 22259

OXY'S PRE-HEARING STATEMENT

OXY USA Inc. ("Oxy") (OGRID No. 16696) submits this Pre-Hearing Statement, pursuant to the rules of the Oil Conservation Division.

APPEARANCES

APPLICANT

OXY USA Inc.

ATTORNEY

Michael H. Feldewert
Adam G. Rankin
Kaitlyn A. Luck
Holland & Hart LLP
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421
(505) 983-6043 Facsimile

OTHER PARTIES

None

APPLICANT'S STATEMENT OF CASE

Oxy seeks an order approving a 1,600-acre, more or less, non-standard horizontal well spacing unit in the Wolfcamp formation [WC-015 G-08 S233135D; Wolfcamp Pool (98236)], 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. The proposed spacing unit will be dedicated to the

following wells Oxy has partially drilled, but not completed, or intends to drill in the Wolfcamp formation underlying the proposed non-standard spacing unit:

- 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)

Oxy is the designated operator under a Joint Operating Agreement covering the subject area and seeks approval of this non-standard spacing unit to match a corresponding Communitization Agreement for the federal leases within this subject area. Due to the nature and configuration of these federal leases, the Bureau of Land Management (“BLM”) will not approve the commingling of production at central facilities if the subject areas are developed using standard spacing units. *See, e.g.*, 43 CFR 3173.14 (addressing authorized commingling). However, if the proposed non-standard spacing units are approved by the Division, the BLM has stated it will issue corresponding Communitization Agreements for the federal leases within the subject area to allow commingling and the corresponding reduction of the necessary surface facilities.

Oxy seeks to minimize cost and surface disturbance by consolidating facilities and commingling production from existing and future wells in the proposed non-standard spacing unit. To allow the existing and permitted wells to be dedicated to the desired Communitization Agreements, Oxy requires approval of a corresponding non-standard spacing unit in the Wolfcamp formation. Division Rules contemplate and encourage oil and gas development, where possible, in enlarged areas of common ownership, including communitized areas, to minimize surface disturbance and to promote efficient well spacing. *See, e.g.*, 19.15.16.7.P NMAC; 19.15.16.15.B(8)

NMAC; 19.15.16.15.C(7) NMAC. Approval of this application will allow Oxy to lower operating costs; efficiently locate surface facilities; reduce surface disturbance; consolidate roads, tanks and pipelines; promote effective well spacing; and prevent waste and protect correlative rights.

APPLICANT’S PROPOSED EVIDENCE

| WITNESS Name and Expertise | ESTIMATED TIME | EXHIBITS |
|---------------------------------------|-----------------------|-----------------|
| Matthew Cole, Landman | Affidavit | Approx. 5 |
| Tony Troutman, Geologist | Affidavit | Approx. 3 |
| Winslow Horne, Engineer | Affidavit | Approx. 2 |

PROCEDURAL MATTERS

If uncontested, Oxy intends to present this case by affidavit.

Respectfully submitted,

HOLLAND & HART LLP

Michael H. Feldewert
Adam G. Rankin
Kaitlyn A. Luck
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421
(505) 983-6043 Facsimile
mfeldewert@hollandhart.com
agrarkin@hollandhart.com
kaluck@hollandhart.com

ATTORNEYS FOR OXY USA INC.

District I
 1625 N. French Dr., Hobbs, NM 88240
 Phone:(575) 393-6161 Fax:(575) 393-0720

District II
 811 S. First St., Artesia, NM 88210
 Phone:(575) 748-1283 Fax:(575) 748-9720

District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
 1220 S. St Francis Dr., Santa Fe, NM 87505
 Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

QUESTIONS

Action 58496

QUESTIONS

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| Operator: OXY USA INC P.O. Box 4294 Houston, TX 772104294 | OGRID: 16696 |
| | Action Number: 58496 |
| | Action Type: [HEAR] Prehearing Statement (PREHEARING) |

QUESTIONS

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| Testimony | |
| <i>Please assist us by provide the following information about your testimony.</i> | |
| Number of witnesses | <i>Not answered.</i> |
| Testimony time (in minutes) | <i>Not answered.</i> |