

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

**APPLICATION OF OXY USA INC.
FOR COMPULSORY POOLING
LEA COUNTY, NEW MEXICO**

CASE NO. _____

APPLICATION

Oxy USA, Inc. (“Applicant”), OGRID No. 16696, through its undersigned attorneys, hereby makes an application to the Oil Conservation Division pursuant to the provisions of NMSA (1978), Section 70-2-17, for an order pooling all uncommitted mineral interests in the Bone Spring formation in a horizontal spacing unit underlying the W/2 W/2 of Sections 1 and 12, Township 22 South, Range 32 East, and the W/2 W/2 of Section 36, Township 21 South, Range 32 East, NMPM, Lea County, New Mexico. In support of its application, Applicant states as follows:

1. Applicant is an interest owner in the proposed horizontal spacing unit and has a right to drill a well thereon.
2. Applicant seeks to dedicate the W/2 W/2 of Sections 1 and 2, Township 22 South, Range 32 East, and the W/2 W/2 of Section 36, Township 21 South, Range 32 East, NMPM, Lea County, New Mexico to form a standard 480-acre, more or less, horizontal spacing unit.
3. Applicant proposes to drill the **PAW SWAP 12-36 FED COM #21H** well to a depth sufficient to test the Bone Spring formation. This well is a horizontal well with a surface location in the NE/4 NW/4 (Unit C) of Section 13, Township 22 South, Range 32 East, NMPM, Lea County, and an intended bottom hole location in the NW/4 NW/4 (Unit D) of Section 36, Township 21 South, Range 32 East, NMPM, Lea County. A portion of the well location is within the potash

development area.

4. This well is proposed to be drilled vertically to a depth of approximately 9,510' to the Bone Spring formation and laterally in a northerly direction within the formation to the referenced bottom hole location.
5. This well will be located within the Red Tank; Bone Spring Pool (Pool Code 51683) and will comply with the Division's statewide setback requirements.
6. Applicant has in good faith sought, but has been unable to obtain, a voluntary agreement from all other interest owners in the Bone Spring formation underlying the proposed spacing unit to participate in the drilling of the well or to otherwise commit their interest to the well.
7. The creation of a horizontal spacing unit and the pooling of all interests in the Bone Spring formation underlying the proposed unit will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.
8. Applicant previously submitted an application for the Paw Swap 12-36 Fed Com #11H Well in the same proposed spacing unit. That application was heard on August 18, 2022, Case No. 22928, when it was taken under advisement. If an Order is issued in Case No. 22928 prior to action on this application, Applicant may request that that Order be amended to include the additional well proposed in this application.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on December 1, 2022, and after notice and hearing as required by law, the Division enter an order:

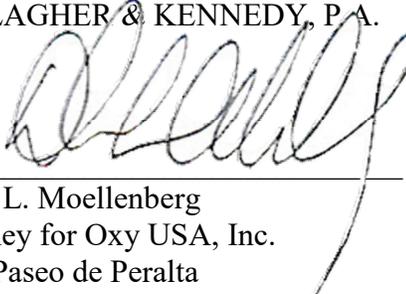
- A. Creating an approximately 480-acre horizontal spacing unit in the Bone Spring

formation comprised of the W/2 W/2 of Sections 1 and 12, Township 22 South, Range 32 East, and the W/2 W/2 of Section 36, Township 21 South, Range 32 East, NMPM, Lea County, New Mexico;

- B. Pooling all uncommitted mineral interests in the Bone Spring formation underlying a horizontal spacing unit within the W/2 W/2 of Sections 1 and 12, Township 22 South, Range 32 East, and the W/2 W/2 of Section 36, Township 21 South, Range 32 East, NMPM, Lea County, New Mexico;
- C. Designating Applicant as the operator of this unit and the well to be drilled thereon;
- D. Authorizing Applicant to recover its costs of drilling, equipping and completing the well;
- E. Approving the actual operating charges and costs charged for supervision, together with a provision adjusting the rate pursuant to COPAS accounting procedures; and
- F. Setting a 200% charge for the risk in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully Submitted,

GALLAGHER & KENNEDY, P.A.

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[PROPOSED LEGAL NOTICE FOR PUBLICATION]

Case No. _____: Application of Oxy USA, Inc. for compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order pooling all uncommitted interest owners in the Bone Spring formation underlying a standard 480-acre, more or less, horizontal spacing unit comprised of the W/2 W/2 of Sections 1 and 12, Township 22 South, Range 32 East, and the W/2 W/2 of Section 36, Township 21 South, Range 32 East, NMPM, Lea County, New Mexico. Applicant seeks to dedicate the above-referenced horizontal spacing unit to the proposed Paw Swap 12-36 Fed Com #21H well, to be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) of Section 13, Township 22 South, Range 32 East to a bottom hole location in the NW/4 NW/4 (Unit D) of Section 36, Township 21 South, Range 32 East, NMPM, Lea County. The completed interval of the well will comply with statewide setback requirements for oil wells. Also, to be considered will be the cost of drilling and completing said well, the allocation of these costs as well as the actual operating costs, and charges for supervision, designation of Applicant as operator of the well, and a 200% charge for risk involved in drilling and completing said well. Said area is located approximately 28 miles west of Eunice, New Mexico.