

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



December 4, 2017

Oxy USA Inc.  
Attn: Ms. Sarah Mitchell

ADMINISTRATIVE NON-STANDARD LOCATION

**Administrative Order NSL-7613**

**Oxy USA Inc.**  
**OGRID 16696**  
**Corral Fly 02-01 State Well No. 22H**  
**API No. 30-015-Pending**

**Non-Standard Location**

**Proposed Location:**

|                   | <u>Footages</u>      | <u>Unit/Lot</u> | <u>Sec.</u> | <u>Twsp</u> | <u>Range</u> | <u>County</u> |
|-------------------|----------------------|-----------------|-------------|-------------|--------------|---------------|
| Surface           | 1265' FNL & 120' FWL | 4               | 2           | 25S         | 29E          | Eddy          |
| Penetration Point | 1264' FNL & 340' FWL | 4               | 2           | 25S         | 29E          | Eddy          |
| Final perforation | 1264' FNL & 340' FEL | 1               | 1           | 25S         | 29E          | Eddy          |
| Terminus          | 1264' FNL & 180' FEL | 1               | 1           | 25S         | 29E          | Eddy          |

**Proposed Project Area:**

| <u>Description</u>   | <u>Acres</u> | <u>Pool</u>                        | <u>Pool Code</u> |
|----------------------|--------------|------------------------------------|------------------|
| N/2 N/2 of Section 2 | 318.88       | Pierce Crossing; Bone Spring, East | 96473            |
| N/2 N/2 of Section 1 |              |                                    |                  |

Reference is made to your application received on November 13, 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.

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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 to six wells per section in order to effectively develop the Bone Spring formation. Increasing horizontal well spacing 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.

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  
State Land Office – Oil, Gas, and Minerals Division