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

APPLICATION FOR SURFACE COMMINGLING
SUBMITTED BY OXY USA, INC. **ORDER NO. PLC-670-B**

ORDER

The Director of the New Mexico Oil Conservation Division ("OCD"), having considered the application and the recommendation of the OCD Engineering Bureau, issues the following Order.

FINDINGS OF FACT

1. Oxy USA, Inc. ("Applicant") submitted a complete application to surface commingle the oil production from the pools, leases, and wells identified in Exhibit A ("Application").
2. Applicant proposed a method to allocate the oil production to the pools, leases, and wells to be commingled.
3. To the extent that ownership is identical, Applicant submitted a certification by a licensed attorney or qualified petroleum landman that the ownership in the pools, leases, and wells to be commingled is identical as defined in 19.15.12.7.B. NMAC.
4. To the extent that ownership is diverse, Applicant provided notice of the Application to all persons owning an interest in the oil production to be commingled, including the owners of royalty and overriding royalty interests, regardless of whether they have a right or option to take their interests in kind, and those persons either submitted a written waiver or did not file an objection to the Application.
5. Applicant provided notice of the Application to the Bureau of Land Management ("BLM") or New Mexico State Land Office ("NMSLO"), as applicable.
6. Applicant certified the commingling of oil production from the pools, leases, and wells will not in reasonable probability reduce the value of the oil production to less than if it had remained segregated.
7. Applicant in the notice for the Application stated that it sought authorization to add additional pools, leases, and wells and identified the parameters to make such additions.
8. Applicant stated that it sought authorization to surface commingle and off-lease measure, as applicable, oil production from wells which have not yet been approved to be drilled, but will produce from a pool and lease identified in Exhibit A.
9. Applicant submitted or intends to submit one or more proposed communitization agreement(s) ("Proposed Agreement(s)") to the BLM or NMSLO, as applicable, identifying the acreage of each lease to be consolidated into a single pooled area ("Pooled Area"), as described in Exhibit B.

CONCLUSIONS OF LAW

10. OCD has jurisdiction to issue this Order pursuant to the Oil and Gas Act, NMSA 1978, §§ 70-2-6, 70-2-11, 70-2-12, 70-2-16, and 70-2-17, 19.15.12. NMAC, and 19.15.23. NMAC.

11. Applicant satisfied the notice requirements for the Application in accordance with 19.15.12.10.A.(2) NMAC, 19.15.12.10.C.(4)(c) NMAC, and 19.15.12.10.C.(4)(e) NMAC, as applicable.

12. Applicant satisfied the notice requirements for the Application in accordance with 19.15.23.9.A.(5) NMAC and 19.15.23.9.A.(6) NMAC, as applicable.

13. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.10.B.(1) NMAC or 19.15.12.10.C.(1) NMAC, as applicable.

14. Commingling of oil production from state, federal, or tribal leases shall not commence until approved by the BLM or NMSLO, as applicable, in accordance with 19.15.12.10.B.(3) NMAC and 19.15.12.10.C.(4)(h) NMAC.

15. Applicant satisfied the notice requirements for the subsequent addition of pools, leases, and wells in the notice for the Application, in accordance with 19.15.12.10.C.(4)(g) NMAC. Subsequent additions of pools, leases, and wells within Applicant's defined parameters, as modified herein, will not, in reasonable probability, reduce the commingled production's value or otherwise adversely affect the interest owners in the production to be added.

16. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

ORDER

1. Applicant is authorized to surface commingle oil production from the pools, leases, and wells identified in Exhibit A.

   Applicant is authorized to store and measure oil production off-lease from the pools, leases, and wells identified in Exhibit A at a central tank battery described in Exhibit A.

   Applicant is authorized to surface commingle oil production from wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A.

   Applicant is authorized to store and measure oil production off-lease from wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A at a central tank battery described in Exhibit A.

2. This Order supersedes Order PLC-670-A.

3. For each Pooled Area described in Exhibit B, Applicant shall submit a Proposed Agreement to the BLM or NMSLO, as applicable, prior to commencing oil production. If Applicant fails to submit the Proposed Agreement, this Order shall terminate on the following day.

No later than sixty (60) days after the BLM or NMSLO approves or denies a Proposed Agreement, Applicant shall submit Form C-103 to OCD with a copy of the decision and a description of the approved lands, as applicable. If Applicant withdraws or the BLM or NMSLO denies a Proposed Agreement, this Order shall terminate on the date of such action, and Applicant shall cease commingling the production from the Pooled Area. If the BLM or NMSLO approves but modifies the Proposed Agreement(s), Applicant shall comply with the approved Agreement(s), and no later than sixty (60) days after such decision, Applicant shall submit a new surface commingle application to OCD to conform this Order with the approved Agreement(s). If OCD denies the new surface commingle application, this Order shall terminate on the date of such action.

Applicant shall allocate the oil production to each lease within a Pooled Area in proportion to the acreage that each lease bears to the entire acreage of the Pooled Area described in Exhibit B until the Proposed Agreement which includes the Pooled Area is approved. After the Proposed Agreement is approved, the oil production from the Pooled Area shall be allocated as required by the BLM's or NMSLO's, as applicable, approval of the Agreement, including any production that had been allocated previously in accordance with this Order.

4. The allocation of oil production to wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A shall be determined in the same manner as to wells identified in Exhibit A that produce from that pool and lease, provided that if more than one allocation method is being used or if there are no wells identified in Exhibit A that produce from the pool and lease, then allocation of oil production to each well not included in Exhibit A shall be determined by OCD prior to commingling production from it with the production from another well.

5. The allocation of oil production shall be based on the production life of each well as measured for three periods: (a) the initial production period shall be measured from the first production until the earlier of either the peak production rate or thirty (30) days after the first production; (b) the plateau period shall be measured from the end of the initial production period to the peak decline rate; and (c) the decline period shall be measured from the end of the plateau period until the well is plugged and abandoned.

   During the initial production period, the oil production for each well identified in Exhibit A shall be allocated using a production curve calculated from a minimum of ten (10) well tests per month, except that any day in which a well test cannot achieve an accurate result due to a temporary change in oil production shall not be included in the computation of time determining the well test schedule. The production curve shall be calculated by interpolating daily production for each day using the known daily production obtained by well tests and shall use a method of interpolation that is at minimum as accurate as maintaining a constant rate of change for each day's production between the known daily production values.

   During the plateau period, the oil production for each well identified in Exhibit A shall be allocated using a minimum of three (3) well tests per month.

During the decline period, the oil production for each well identified in Exhibit A shall be allocated as follows: (a) a minimum of three (3) well tests per month when the decline rate is greater than twenty-two percent (22%) per month; (b) a minimum of two (2) well tests per month when the decline rate is between twenty-two percent (22%) and ten percent (10%) per month; and (c) a minimum of one (1) well test per month when the decline rate is less than ten percent (10%) per month.

Upon OCD's request, Applicant shall submit a Form C-103 to the OCD Engineering Bureau that contains the decline rate curve and other relevant information demonstrating the production life of a well.

Applicant shall conduct a well test by separating and metering the oil production from that well for either (a) a minimum of twenty-four (24) consecutive hours; or (b) a combination of nonconsecutive periods that meet the following conditions: (i) each period shall be a minimum of six (6) hours; and (ii) the total duration of the nonconsecutive periods shall be a minimum of eighteen (18) hours.

The well test requirements of this Order shall be suspended for any well shut-in for a period that continues for more than fifteen (15) days until the well commences production.

6. Applicant shall measure and market the commingled oil at a central tank battery described in Exhibit A in accordance with this Order and 19.15.18.15. NMAC or 19.15.23.8. NMAC.

7. Applicant shall calibrate the meters used to measure or allocate oil production in accordance with 19.15.12.10.C.(2) NMAC.

8. If the commingling of oil production from any pool, lease, or well reduces the value of the commingled oil production to less than if it had remained segregated, no later than sixty (60) days after the decrease in value has occurred Applicant shall submit a new surface commingling application to OCD to amend this Order to remove the pool, lease, or well whose oil production caused the decrease in value. If Applicant fails to submit a new application, this Order shall terminate on the following day, and if OCD denies the application, this Order shall terminate on the date of such action.

9. Applicant may submit an application to amend this Order to add pools, leases, and subsequently drilled wells with spacing units adjacent to or within the tracts commingled by this Order by submitting a Form C-107-B in accordance with 19.15.12.10.C.(4)(g) NMAC.

10. If a well is not included in Exhibit A but produces from a pool or lease identified in Exhibit A, then Applicant shall submit Forms C-102 and C-103 to the OCD Engineering Bureau after the well has been approved to be drilled and prior to off-lease measuring or commingling oil or gas production from it with the production from another well. The Form C-103 shall reference this Order and identify the well and proposed method to determine the allocation of oil production to it.

11. Applicant shall not commence commingling oil or gas production from state, federal, or tribal leases until approved by the BLM or NMSLO, as applicable.

12. If OCD determines that Applicant has failed to comply with any provision of this Order, OCD may take any action authorized by the Oil and Gas Act or the New Mexico Administrative Code (NMAC).

13. OCD retains jurisdiction of this matter and reserves the right to modify or revoke this Order as it deems necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

DATE: 2/23/2022

ADRIENNE SANDOVAL
DIRECTOR

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: PLC-670-B
Operator: Oxy USA, Inc. (16696)
Central Tank Battery: Precious Battery
Central Tank Battery Location: Unit E, Section 31, Township 23 South, Range 31 East
Gas Title Transfer Meter Location:

Pools

Pool Name	Pool Code
COTTON DRAW; BONE SPRING	13367
FORTY NINER RIDGE; BONE SPRING	24720
INGLE WELLS; BONE SPRING	33740
SAND DUNES; DELAWARE, SOUTH	53818
FORTY NINER RIDGE; DELAWARE, SW (O)	96477
WC FORTY NINER RIDGE; DELAWARE, SE	96843
PURPLE SAGE; WOLFCAMP (GAS)	98220
WC-015 G-08 S233135D; WOLFCAMP	98236

Leases as defined in 19.15.12.7(C) NMAC

Lease	UL or Q/Q	S-T-R
NMNM 0531277A	S/2	26-23S-30E
	All	35-23S-30E
NMNM 0546732A	All minus I	31-23S-31E
NMNM 0546237	I J K N O P	18-23S-31E
	B	19-23S-31E
NMNM 0546732	L	18-23S-31E
NMNM 017057	A	19-23S-31E
NMNM 021639	M	18-23S-31E
	C D E F G H I J K L	19-23S-31E
NMNM 0533177	S/2 S/2	19-23S-31E
	N/2	30-23S-31E
NMNM 021640	S/2	30-23S-31E
NMNM 0544986B	I	31-23S-31E
NMNM 082904	All	6-24S-31E

Wells

Well API	Well Name	UL or Q/Q	S-T-R	Pool
30-015-46463	Precious 30 18 Federal Com #10H	SW/4	18-23S-31E	33740
		W/2	19-23S-31E	
		W/2	30-23S-31E	
30-015-46531	Precious 30 18 Federal Com #13H	SE/4	18-23S-31E	33740
		E/2	19-23S-31E	
		E/2	30-23S-31E	

30-015-46615	Precious 30 18 Federal Com #14H	SE/4 E/2 E/2	18-23S-31E 19-23S-31E 30-23S-31E	33740
30-015-46610	Precious 30 18 Federal Com #174H	SE/4 E/2 E/2	18-23S-31E 19-23S-31E 30-23S-31E	98236
30-015-46457	Precious 30 18 Federal Com #175H	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	98236
30-015-46462	Precious 30 18 Federal Com #176H	SE/4 E/2 E/2	18-23S-31E 19-23S-31E 30-23S-31E	98236
30-015-46540	Precious 30 18 Federal Com #24H	SE/4 E/2 E/2	18-23S-31E 19-23S-31E 30-23S-31E	33740
30-015-46545	Precious 30 18 Federal Com #25H	SE/4 E/2 E/2	18-23S-31E 19-23S-31E 30-23S-31E	33740
30-015-46542	Precious 30 18 Federal Com #26H	SE/4 E/2 E/2	18-23S-31E 19-23S-31E 30-23S-31E	33740
30-015-46617	Precious 30 18 Federal Com #33H	SE/4 E/2 E/2	18-23S-31E 19-23S-31E 30-23S-31E	33740
30-015-46616	Precious 30 18 Federal Com #34H	SE/4 E/2 E/2	18-23S-31E 19-23S-31E 30-23S-31E	33740
30-015-46350	Precious 30 18 Federal Com #3H	SE/4 E/2 E/2	18-23S-31E 19-23S-31E 30-23S-31E	33740
30-015-46544	Precious 30 18 Federal Com #44H	SE/4 E/2 E/2	18-23S-31E 19-23S-31E 30-23S-31E	98236
30-015-46525	Precious 30 18 Federal Com #45H	SE/4 E/2 E/2	18-23S-31E 19-23S-31E 30-23S-31E	98236
30-015-46524	Precious 30 18 Federal Com #46H	SE/4 E/2 E/2	18-23S-31E 19-23S-31E 30-23S-31E	98236
30-015-46464	Precious 30 18 Federal Com #4H	SE/4 E/2 E/2	18-23S-31E 19-23S-31E 30-23S-31E	33740
30-015-46448	Precious 30 18 Federal Com #5H	SE/4 E/2 E/2	18-23S-31E 19-23S-31E 30-23S-31E	33740
30-015-46465	Precious 30 18 Federal Com #6H	SE/4 E/2 E/2	18-23S-31E 19-23S-31E 30-23S-31E	33740

30-015-46376	Precious 30 18 Federal Com #11H	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	33740
30-015-46533	Precious 30 18 Federal Com #12H	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	33740
30-015-46581	Precious 30 18 Federal Com #171H	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	98236
30-015-46582	Precious 30 18 Federal Com #172H	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	98236
30-015-46543	Precious 30 18 Federal Com #173H	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	98236
30-015-46373	Precious 30 18 Federal Com #1H	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	33740
30-015-46522	Precious 30 18 Federal Com #21H	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	33740
30-015-46678	Precious 30 18 Federal Com #22H	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	33740
30-015-46541	Precious 30 18 Federal Com #23H	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	33740
30-015-46473	Precious 30 18 Federal Com #2H	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	98220
30-015-46520	Precious 30 18 Federal Com #31H	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	33740
30-015-46611	Precious 30 18 Federal Com #32H	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	33740
30-015-46521	Precious 30 18 Federal Com #41H	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	98236
30-015-46609	Precious 30 18 Federal Com #42H	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	98236
30-015-46614	Precious 30 18 Federal Com #43H	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	98236
30-015-46372	Precious 30 18 Federal Com #7H	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	33740

30-015-46523	Precious 30 18 Federal Com #9H	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	33740
30-015-41647	FNR 26 Federal #2H	N/2 S/2	26-23S-30E	96477
30-015-41012	FNR 26 Federal #4H	S/2 S/2	26-23S-30E	96477
30-015-30412	FNR 26 Federal #1	M M	26-23S-30E 26-23S-30E	24720 96843
30-015-42275	FNR 35 Federal #1H	N/2 N/2	35-23S-30E	53818
30-015-42298	FNR 35 Federal #3H	N/2 S/2	35-23S-30E	53818
30-015-46619	Arkenstone 31 Federal Com #4H	B G J N O B C F G J K N O	31-23S-31E 6-24S-31E	13367
30-015-46323	Arkenstone 31 Federal Com #10H	E/2	31-23S-31E	13367
30-015-46320	Arkenstone 31 Federal Com #6H	E/2 E/2 E/2 E/2	31-23S-31E 6-24S-31E	13367
30-015-46618	Arkenstone 31 Federal #3H	E/2 W/2 E/2 W/2	31-23S-31E 6-24S-31E	13367
30-015-46370	Arkenstone 31 Federal #1H	W/2	31-23S-31E	13367
30-015-46321	Arkenstone 31 Federal Com #7H	W/2	31-23S-31E	13367
30-015-46322	Arkenstone 31 Federal #9H	W/2 W/2 W/2 W/2	31-23S-31E 6-24S-31E	13367
30-015-46677	Arkenstone 31 Federal #2H	W/2	31-23S-31E	13367
30-015-47319	Arkenstone 31 Federal Com #5H	E/2	31-23S-31E	13367

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit B

Order: PLC-670-B
Operator: Oxy USA, Inc. (16696)

Pooled Areas

Pooled Area	UL or Q/Q	S-T-R	Acres	Pooled Area ID
CA Bone Spring NMNM 143986	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	816.41	A
CA Bone Spring BLM	SE/4 E/2 E/2	18-23S-31E 19-23S-31E 30-23S-31E	800	B
CA Wolfcamp BLM	SW/4 W/2 W/2	18-23S-31E 19-23S-31E 30-23S-31E	816.41	C
CA Wolfcamp BLM	SE/4 E/2 E/2	18-23S-31E 19-23S-31E 30-23S-31E	800	D
CA Bone Spring BLM	E/2 W/2 E/2 W/2	31-23S-31E 6-24S-31E	320.15	E
CA Bone Spring BLM	B G J N O B C F G J K N O	31-23S-31E 6-24S-31E	520.32	F
CA Bone Spring BLM	E/2 E/2 E/2 E/2	31-23S-31E 6-24S-31E	320.22	G
CA Bone Spring BLM	W/2 W/2 W/2 W/2	31-23S-31E 6-24S-31E	335.53	H
CA Bone Spring BLM	E/2	31-23S-31E	320	I

Leases Comprising Pooled Areas

Lease	UL or Q/Q	S-T-R	Acres	Pooled Area ID
NMNM 0546237	E/2 SW/4	18-23S-31E	80	A
NMNM 0546732	L	18-23S-31E	41.49	A
NMNM 021639	M C D E F K L	18-23S-31E 19-23S-31E	286.27	A
NMNM 0533177	S/2 SW/4 NW/4	19-23S-31E 30-23S-31E	245.06	A
NMNM 021640	SW/4	30-23S-31E	163.59	A
NMNM 0546237	SE/4 B	18-23S-31E 19-23S-31E	200	B
NMNM 017057	A	19-23S-31E	40	B
NMNM 021639	H G J I	19-23S-31E	160	B
NMNM 0533177	S/2 SE/4 NE/4	19-23S-31E 30-23S-31E	240	B

NMNM 021640	SE/4	30-23S-31E	160	B
NMNM 0546237	E/2 SW/4	18-23S-31E	80	C
NMNM 0546732	L	18-23S-31E	41.49	C
NMNM 021639	M C D E F K L	18-23S-31E 19-23S-31E	286.27	C
NMNM 0533177	S/2 SW/4 NW/4	19-23S-31E 30-23S-31E	245.06	C
NMNM 021640	SW/4	30-23S-31E	163.59	C
NMNM 0546237	SE/4 B	18-23S-31E 19-23S-31E	200	D
NMNM 017057	A	19-23S-31E	40	D
NMNM 021639	H G J I	19-23S-31E	160	D
NMNM 0533177	S/2 SE/4 NE/4	19-23S-31E 30-23S-31E	240	D
NMNM 021640	SE/4	30-23S-31E	160	D
NMNM 0546732A	E/2 W/2	31-23S-31E	160	E
NMNM 082904	E/2 W/2	6-24S-31E	160.15	E
NMNM 0546732A	B G J N O	31-23S-31E	200	F
NMNM 082904	B C F G J K N O	6-24S-31E	320.32	F
NMNM 0546732A	A H P	31-23S-31E	120	G
NMNM 0544986B	I	31-23S-31E	40	G
NMNM 082904	E/2 E/2	6-24S-31E	160.22	G
NMNM 0546732A	W/2 W/2	31-23S-31E	167.8	H
NMNM 082904	W/2 W/2	6-24S-31E	167.73	H
NMNM 0546732A	A B G H J O P	31-23S-31E	280	I
NMNM 0544986B	I	31-23S-31E	40	I