

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

MAR 06 2018 PM04:20

**APPLICATION OF OXY USA INC.  
FOR A NON-STANDARD SPACING AND  
PRORATION UNIT, AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

CASE NO. 16057

**APPLICATION**

OXY USA Inc. ("OXY"), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a 480-acre non-standard spacing and proration unit comprised of the E/2 of Section 20 and the SE/4 of Section 17, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. In support of its application, OXY states:

1. OXY USA Inc. (OGRID No. 16696) is a working interest owner in the proposed non-standard spacing and proration unit and has the right to drill thereon.

2. OXY proposes to dedicate the above-referenced spacing and proration unit as the project area for three proposed initial wells to be drilled and simultaneously completed: the **Cedar Canyon "20" Federal Com 24H Well**, the **Cedar Canyon "20" Federal Com 25H Well**, and the **Cedar Canyon "20" Federal Com 26H Well**. These three proposed horizontal wells will be pad drilled from a surface location in the NW/4 NE/4 (Unit B) of Section 29, Township 24 South, Range 29 East, NMPM, to bottom hole locations in the NW/4 SE/4 (Unit J) and the NE/4 SE/4 (Unit I) of Section 17, Township 24 South, Range 29 East, NMPM.

3. The completed intervals for the **Cedar Canyon “20” Federal Com 24H Well**, the **Cedar Canyon “20” Federal Com 25H Well**, and the **Cedar Canyon “20” Federal Com 26H Well** will be at unorthodox locations because they are closer to the northern boundary of the proposed spacing and proration unit than allowed by the statewide rules.

4. OXY has sought and been unable to obtain voluntary agreement for the development of these lands from all of the interest owners in the subject spacing unit.

5. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

6. In order to permit OXY to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this non-standard spacing unit should be pooled and OXY USA Inc. should be designated the operator of this proposed horizontal wells and spacing unit.

WHEREFORE, OXY requests that this application be set for hearing before an Examiner of the Oil Conservation Division on April 5, 2018, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating the proposed 480-acre non-standard spacing and proration unit;
- B. Pooling all uncommitted interests in the non-standard spacing and proration unit;
- C. Designating three initial wells for said non-standard spacing and proration unit;
- D. Designating OXY USA Inc. operator of this non-standard spacing and proration unit and the horizontal wells to be drilled thereon;

- E. Authorizing OXY to recover its costs of drilling, equipping and completing the wells;
- F. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- G. Imposing a 200% penalty for the risk assumed by OXY in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

HOLLAND & HART LLP

By:   
\_\_\_\_\_  
Michael H. Feldewert  
Adam G. Rankin  
Post Office Box 2208  
Santa Fe, New Mexico 87504-2208  
(505) 988-4421  
(505) 983-6043 Facsimile  
mfeldewert@hollandhart.com  
agrarkin@hollandhart.com

**ATTORNEYS FOR OXY USA INC.**

CASE 16057:

**Application of OXY USA Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order (1) creating a 480-acre non-standard spacing and proration unit comprised of the E/2 of Section 20 and the SE/4 of Section 17, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit will be the project area for three proposed initial wells, to be drilled and simultaneously completed: the **Cedar Canyon "20" Federal Com 24H Well**, the **Cedar Canyon "20" Federal Com 25H Well**, and the **Cedar Canyon "20" Federal Com 26H Well**. These three proposed horizontal wells will be pad drilled from a surface location in the NW/4 NE/4 (Unit B) of Section 29, Township 24 South, Range 29 East, NMPM, to bottom hole locations in the NW/4 SE/4 (Unit J) and the NE/4 SE/4 (Unit I) of Section 17, Township 24 South, Range 29 East, NMPM. The completed intervals for the **Cedar Canyon "20" Federal Com 24H Well**, the **Cedar Canyon "20" Federal Com 25H Well**, and the **Cedar Canyon "20" Federal Com 26H Well** will be at unorthodox locations because they are closer to the northern boundary of the proposed spacing and proration unit than allowed by the Division's setback requirements for the Pierce Crossing; Bone Spring, East Pool (Pool Code 96473). Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OXY USA Inc. as operator of the wells and a 200% charge for risk involved in drilling said well. Said area is located approximately 4 miles east of Malaga, N.M.