

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

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

CASE NO. 16059

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 320-acre non-standard spacing and proration unit comprised of the E/2 W/2 of Sections 26 and 35, 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 two proposed initial well, to be drilled and simultaneously completed: The **Corral Fly "35-26" Federal Com 22H Well** and the **Corral Fly "35-26" Federal Com 23H Well**. These two proposed horizontal wells will be pad drilled from a surface location in Lot 4 (NW/4 NW/4 equivalent) of Section 2, Township 25 South, Range 29 East, NMPM, to bottom hole locations in the NE/4 NW/4 (Unit C) of Section 26, Township 24 South, Range 29 East, NMPM.

3. The completed interval for the **Corral Fly “35-26” Federal Com 22H Well** will be at an unorthodox location while the completed interval for the **Corral Fly “35-26”Federal Com 23H Well** will comply with the Division’s setback requirements for the Pierce Crossing; Bone Spring, East Pool (Pool Code 96473).

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.

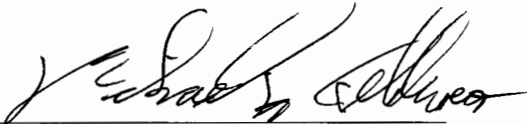
WHEREFORE, OXY requests that this application be set for hearing before an Examiner of the Oil Conservation Division on April 5, 2018, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating the proposed 320-acre non-standard spacing and proration unit;
- B. Pooling all uncommitted interests in the non-standard spacing and proration unit;
- C. Designating two 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,

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ATTORNEYS FOR OXY USA INC.

CASE 16059:

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 320-acre non-standard spacing and proration unit comprised of the E/2 W/2 of Sections 26 and 35, 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 two proposed initial wells, to be drilled and simultaneously completed: The **Corral Fly "35-26" Federal Com 22H Well** and the **Corral Fly "35-26" Federal Com 23H Well**. These two proposed horizontal wells will be pad drilled from a surface location in Lot 4 (NW/4 NW/4 equivalent) of Section 2, Township 25 South, Range 29 East, NMPM, to bottom hole locations in the NE/4 NW/4 (Unit C) of Section 26, Township 24 South, Range 29 East, NMPM. The completed interval for the **Corral Fly "35-26" Federal Com 22H Well** will be at an unorthodox location while the completed interval for the **Corral Fly "35-26" Federal Com 23H Well** will comply with 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 9 miles southeast of Malaga, N.M.