

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

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

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CASE NO: 16665

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 S/2 S/2 of Section 21 and the S/2 S/2 of Section 22, 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 its proposed **Cedar Canyon 21-22 Federal Com No. 34H Well**, which will be horizontally drilled from a surface location in the NW/4 SW/4 (Unit L) of Section 21 to a standard bottom hole location in SE/4 SE/4 (Unit P) of Section 22. The completed interval for this well will remain within the 330-foot standard offset required by the Statewide Rules set forth in 19.15.15 NMAC.

3. 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.

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

5. 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 well and spacing unit.

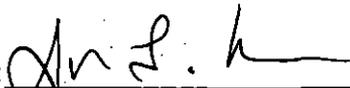
WHEREFORE, OXY requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 30, 2017, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 320-acre spacing and proration unit comprised of the S/2 S/2 of Section 21 and the S/2 S/2 of Section 22, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico;
- B. Pooling all uncommitted interests in the non-standard spacing and proration unit;
- C. Designating OXY USA Inc. operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing OXY to recover its costs of drilling, equipping and completing the well;
- E. 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

- F. 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 well.

Respectfully submitted,

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ATTORNEYS FOR OXY USA INC.

CASE 15665

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 spacing and proration unit comprised of the S/2 S/2 of Section 21 and the S/2 S/2 of Section 22, 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 is to be dedicated to applicant's proposed **Cedar Canyon 21-22 Federal Com No. 34H Well**, which will be horizontally drilled from a surface location in the NW/4 SW/4 (Unit L) of Section 21 to a standard bottom hole location in SE/4 SE/4 (Unit P) of Section 22. The completed interval for this well will remain within the 330-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing said well 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 well and a 200% charge for risk involved in drilling said well. Said area is located approximately 5 miles east of Malaga, N.M.