

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

APPLICATION OF OXY USA INC. FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

CASE NO. 20225

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 pooling all uncommitted interests in the Bone Spring formation within a proposed 800-acre, more or less, horizontal spacing unit comprised of the SE/4 of Section 18 and the E/2 of Sections 19 and 30, Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico. In support of its application, OXY states:

1. OXY USA Inc. (OGRID No. 16696) is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.
2. OXY proposes to dedicate the above-referenced spacing unit to four proposed wells: the **Precious 30 18 Fed Com #4H**, the **Precious 30 18 Fed Com #5H**, the **Precious 30 18 Fed Com #6H**, and the **Precious 30 18 Fed Com # 9H**. The **Precious 30 18 Fed Com #4H** will be horizontally drilled from a surface location in the NW/4 NE/4 (Unit B) of Section 31, Township 23 South, Range 31 East, to a standard bottom-hole location in the NW/4 SW/4 (Unit J) of Section 18, Township 23 South, Range 31 East. The **Precious 30 18 Fed Com #5H** will be horizontally drilled from a surface location in the NE/4 SE/4 (Unit A) of Section 31, Township 23 South, Range 31 East, to a standard bottom-hole location in the NE/4 SE/4 (Unit I) of Section 18, Township 23

South, Range 31 East. The **Precious 30 18 Fed Com #6H** will be horizontally drilled from a surface location in the NE/4 SE/4 (Unit A) of Section 31, Township 23 South, Range 31 East, to a standard bottom-hole location in the NE/4 SE/4 (Unit I) of Section 18, Township 23 South, Range 31 East. The **Precious 30 18 Fed Com # 9H** will be horizontally drilled from a surface location in the NW/4 SE/4 (Unit B) of Section 31, Township 23 South, Range 31 East, to a standard bottom-hole location in the NW/4 SE/4 (Unit J) of Section 18, Township 23 South, Range 31 East.

3. Pursuant to NMAC 19.15.16.15(B)(1)(b), OXY will incorporate the W/2 SE/4 of Section 18 and the W/2 E/2 of Sections 19 and 30 into its horizontal spacing unit. Incorporating the proximity tracts, the completed interval for each well is at an orthodox well location pursuant to the Statewide rules for oil wells.

3. OXY has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working 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 proposed unit should be pooled and OXY USA Inc. should be designated the operator of the 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 January 24, 2019, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the spacing unit;
- B. Designating OXY USA Inc. operator of the horizontal spacing unit and the horizontal well to be drilled thereon;

- C. Authorizing OXY to recover its costs of drilling, equipping and completing the well;
- D. 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
- E. Imposing a 200% charge 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 _____:

Application of OXY USA Inc. for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks order pooling all uncommitted interests in the Bone Spring formation within a proposed 800-acre, more or less, horizontal well spacing unit comprised of the SE/4 of Section 18 and the E/2 of Sections 19 and 30, Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico. OXY proposes to dedicate the above-referenced spacing unit, including the adjacent proximity tracts, to four proposed wells: the **Precious 30 18 Fed Com #4H**, the **Precious 30 18 Fed Com #5H**, the **Precious 30 18 Fed Com #6H**, and the **Precious 30 18 Fed Com # 9H**. The **Precious 30 18 Fed Com #4H** will be horizontally drilled from a surface location in the NW/4 NE/4 (Unit B) of Section 31, Township 23 South, Range 31 East, to a standard bottom-hole location in the NW/4 SW/4 (Unit J) of Section 18, Township 23 South, Range 31 East. The **Precious 30 18 Fed Com #5H** will be horizontally drilled from a surface location in the NE/4 SE/4 (Unit A) of Section 31, Township 23 South, Range 31 East, to a standard bottom-hole location in the NE/4 SE/4 (Unit I) of Section 18, Township 23 South, Range 31 East. The **Precious 30 18 Fed Com #6H** will be horizontally drilled from a surface location in the NE/4 SE/4 (Unit A) of Section 31, Township 23 South, Range 31 East, to a standard bottom-hole location in the NE/4 SE/4 (Unit I) of Section 18, Township 23 South, Range 31 East. The **Precious 30 18 Fed Com # 9H** will be horizontally drilled from a surface location in the NW/4 SE/4 (Unit B) of Section 31, Township 23 South, Range 31 East, to a standard bottom-hole location in the NW/4 SE/4 (Unit J) of Section 18, Township 23 South, Range 31 East. Incorporating the proximity tracts, the completed interval for each well will be at a standard location. 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 wells. Said area is located approximately 11 miles east of Loving, New Mexico.