

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

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

CASE NO. 20448

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 (Red Tank; Bone Spring, East [Pool Code 51687]) from a depth of 10,592 feet to the base of the formation within a proposed 640-acre, more or less, horizontal spacing unit comprised of the W/2 of Sections 30 and 31, Township 22 South, Range 33 East, NMPM, Lea 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 the following wells:
 - **Avogato 30 31 State Com 21H Well**, which will be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) of Section 30 to a standard bottom hole location in the SW/4 SW/4 (Unit M) of Section 31;
 - **Avogato 30 31 State Com 22H Well**, which will be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) of Section 30 to a standard bottom hole location in the SE/4 SW/4 (Unit N) of Section 31;

- **Avogato 30 31 State Com 23H Well**, which will be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) of Section 30 to a standard bottom hole location in the SE/4 SW/4 (Unit N) of Section 31;
- **Avogato 30 31 State Com 31H Well** which will be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) of Section 30 to a standard bottom hole location in the SW/4 SW/4 (Unit M) of Section 31;
- **Avogato 30 31 State Com 32H Well** which will be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) of Section 30 to a standard bottom hole location in the SE/4 SW/4 (Unit N) of Section 31; and
- **Avogato 30 31 State Com 33H Well** which will be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) of Section 30 to a standard bottom hole location in the SE/4 SW/4 (Unit N) of Section 31.

3. Pursuant to NMAC 19.15.16.15(B)(1)(b), OXY will incorporate the W/2 W/2 of Sections 30 and 31 into its horizontal spacing unit. Incorporating the proximity tracts, the completed interval for the each well is at an orthodox well location pursuant to the statewide rules for oil wells.

4. A depth severance exists in the Bone Spring formation within the proposed horizontal spacing unit. Accordingly, OXY seeks to pool only a portion of the Red Tank; Bone Spring, East Pool [Pool Code 51687] from a depth of 10,592 feet to the base of the formation at a stratigraphic equivalent of 12,088 feet measured depth, as defined in the Red Tank 31 State 5H (API No. 30-025-41885). OXY will provide notice of this hearing to the vertical offset parties within the pool who are not subject to this pooling application. Concurrently with this application, OXY also is seeking to pool the portion of this pool above this depth severance in a separate application for compulsory pooling.

5. 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.

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

7. Since the proposed wells will be simultaneously drilled and completed, EOG requests an extension of the time period to drill and complete the initial well from 120 days to 365 days.

8. 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 May 2, 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. Authorizing an extension of the time period to drill and complete the initial well from 120 days to 365 days;
- 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% 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.

Application of OXY USA Inc. for compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks order pooling all uncommitted interests in the Bone Spring formation (Red Tank; Bone Spring, East [Pool Code 51687]) from a depth of 10,592 feet to the base of the formation within a proposed 640-acre, more or less, horizontal spacing unit comprised of the W/2 of Sections 30 and 31, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico. OXY proposes to dedicate the above-referenced spacing unit, including the adjacent proximity tracts, to the following proposed wells:

- **Avogato 30 31 State Com 21H Well**, which will be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) of Section 30 to a standard bottom hole location in the SW/4 SW/4 (Unit M) of Section 31;
- **Avogato 30 31 State Com 22H Well**, which will be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) of Section 30 to a standard bottom hole location in the SE/4 SW/4 (Unit N) of Section 31;
- **Avogato 30 31 State Com 23H Well**, which will be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) of Section 30 to a standard bottom hole location in the SE/4 SW/4 (Unit N) of Section 31;
- **Avogato 30 31 State Com 31H Well**, which will be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) of Section 30 to a standard bottom hole location in the SW/4 SW/4 (Unit M) of Section 31;
- **Avogato 30 31 State Com 32H Well**, which will be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) of Section 30 to a standard bottom hole location in the SE/4 SW/4 (Unit N) of Section 31; and
- **Avogato 30 31 State Com 33H Well**, which will be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) of Section 30 to a standard bottom hole location in the SE/4 SW/4 (Unit N) of Section 31.

Incorporating the proximity tracts, the completed interval for each well will be at a standard location. A depth severance exists in the Bone Spring formation within the proposed horizontal spacing unit. Accordingly, OXY seeks to pool only a portion of the Red Tank; Bone Spring, East Pool [Pool Code 51687] from a depth of 10,592 feet to the base of the formation at a stratigraphic equivalent of 12,088 feet measured depth, as defined in the Red Tank 31 State 5H Pilot (API No. 30-025-41885). 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.