

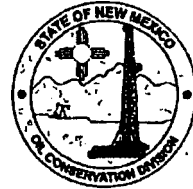
State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



June 22, 2017

Oxy USA Inc
Attn Mr David Stewart

**NM OIL CONSERVATION
ARTESIA DISTRICT**

APR 02 2018

ADMINISTRATIVE NON-STANDARD LOCATION

RECEIVED

Administrative Order NSL-7543

Oxy USA Inc.
OGRID 16696
Patton MDP1 17 Federal Well No. 2H
API No. 30-015-Pending

30-015-44460

Non-Standard Location

Proposed Location:

	<u>Footages</u>	<u>Unit</u>	<u>Sec.</u>	<u>Tsp</u>	<u>Rge</u>	<u>County</u>
Surface	170' FSL & 906' FWL	M	8	24S	31E	Eddy
Penetration Point	340' FNL & 1260' FWL	D	17	24S	31E	Eddy
Final perforation	340' FSL & 1260' FWL	M	17	24S	31E	Eddy
Terminus	170' FSL & 1260' FWL	M	17	24S	31E	Eddy

Proposed Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
W/2 W/2 of Section 17	160	Cotton Draw, Bone Spring	13367

Reference is made to your application received on May 12, 2017

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by statewide Rule 19.15 15.9 A NMAC, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary, and Rule 19 15.16.14 B(2) NMAC concerning directional wells in designated project areas. This surface location is outside the project area, and is permitted by Rule 19 15 16 15.B (4) NMAC which allows for surface locations outside project area. This location is unorthodox because portions of the proposed completed interval are closer to outside boundaries of the proposed project area than any location that would be a standard location under the applicable pool rules.

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Your application has been duly filed under the provisions of Division Rules 19 15 15 13 NMAC and 19 15 4 12 A (2) NMAC

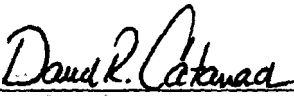
It is our understanding that the Applicant is seeking this location because the optimal development of the Bone Spring formation involves drilling six wells per section versus four wells per section. Next, increasing well density will optimize recoverable reserves. Further, any reduction in well spacing will result in untapped reserves being left in the reservoir resulting in waste. Consequently, the project area for the proposed well is unorthodox, per Oxy USA Inc engineer.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 19.15 4 12 A (2) NMAC, in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 19 15 15 13 (B) NMAC, the above-described unorthodox location is hereby approved.

The above approvals are subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 19 15.5.9 NMAC.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.


DAVID R. CATANACH
Director

DRC/mam

cc. Oil Conservation Division – Artesia District Office
Bureau of Land Management – Carlsbad Field Office