

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

**APPLICATION OF OXY USA INC.
FOR APPROVAL OF 1,277.08-ACRE
NON-STANDARD SPACING UNIT IN THE
BONE SPRING AND WOLFCAMP FORMATIONS
COMPRISED OF ACREAGE SUBJECT TO PROPOSED
COMMUNITIZATION AGREEMENTS,
EDDY COUNTY, NEW MEXICO.**

**CASE NO. 21873
ORDER NO. R-21776**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on May 6, 2021, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. OXY USA INC. (“Oxy”) filed an application (“Application”) seeking approval of a 1,277.08 acre non-standard horizontal spacing unit for production from all Division-designated pools in the Bone Spring and Wolfcamp formations underlying all of Sections 4 and 9, Township 24 South, Range 29 East, NMPM Eddy County, New Mexico (“Spacing Unit”). Oxy amended its application to remove the Wolfcamp formation from the Spacing Unit.
2. The Spacing Unit will be initially dedicated to the following horizontal wells in the Bone Spring formation (“Wells”):
 - Heads CC 9_4 Federal Com #22H well (30-015-47335)
 - Heads CC 9_4 Federal Com #23H well (30-015-47334)
 - Heads CC 9_4 Federal Com #24H well (30-015-47337)
 - Heads CC 9_4 Federal Com #25H well (30-015-47338)
 - Heads CC 9_4 Federal Com #26H well (30-015-47192)
3. The Wells will be or have been drilled and completed in the Pierce Crossing; Bone Spring, East Pool (Pool Code 96473).
4. Oxy appeared at hearing and presented evidence by affidavit.
5. The Spacing Unit is comprised of the following three leases:
 - Federal Lease NMNM-099034 containing Section 4: Lots 1-4, S/2NW/4, S/2; Section 9: N/2NW/4, SE/4NW/4, NE/4, NW/4SE/4
 - Federal Lease NMNM-119754 containing Section 4: S/2NE/4

- Private Lease Oxy #63021514 containing Section 9: SW/4, SW/4NW/4, S/2SE/4, NE/4SE/4
6. Oxy is the designated operator under a Joint Operating Agreement covering the federal leases in the Spacing Unit.
 7. The Bureau of Land Management (“BLM”) informed Oxy that it will approve a communitization agreement covering the Bone Spring formation for the same acreage as the Spacing Unit. Oxy testified that the BLM will only approve the communitization agreement if the OCD approves the Spacing Unit.
 8. Oxy will consolidate facilities and commingling production from existing and future wells in the Spacing Unit to minimize surface disturbance. Oxy testified that without approval of the Spacing Unit, Oxy would need to construct separate facilities for the separate standard spacing units.
 9. The Wells will efficiently and effectively develop the Spacing Unit and will result in significant efficiencies due to the ability to consolidate surface facilities.
 10. Oxy gave notice of the Application to operators and lessees, in the Spacing Unit, all affected parties in the tracts that adjoin the Spacing Unit, and BLM.
 11. Oxy published notice of the Application and hearing in a newspaper of general circulation in Eddy County, New Mexico.
 12. No other party appeared at the hearing or opposed granting the Application.

CONCLUSIONS OF LAW

13. OCD has jurisdiction to issue this Order pursuant to Section 70-2-18(C), NMSA 1978.
14. Oxy has met the notice requirements for approval of non-standard horizontal spacing units in accordance with 19.15.16.15(B)(5) NMAC.
15. OCD’s rules allow the approval of a non-standard horizontal spacing unit, after notice and opportunity for hearing, “if necessary to prevent waste or protect correlative rights” 19.15.16.15(B)(5)(a) NMAC.
16. While the OCD is authorized to approve a non-standard spacing unit, Rutter & Wilbanks Corp. v. Oil Conservation Comm’n, 1975-NMSC-006, OCD lacks the authority to approve unitization and will disapprove an application if it determines that it is actually unitization. Order R-13554 (May 18, 2012) (disapproving application for a non-standard spacing unit consisting of 16 standard spacing units).

17. Approval of the Spacing Unit promotes effective well spacing and allows Oxy to reduce surface disturbance, efficiently locate surface facilities, and reduce development costs, and therefore prevents waste and protects correlative rights.

ORDER

18. The Application to create a 1,277.08-acre non-standard horizontal spacing unit for production from all Division-designated pools in the Bone Spring formation underlying all of Section 4 and 9, Township 24 South, Range 29 East, NMPM Eddy County, New Mexico **is hereby approved.**
19. Oxy shall file amended Forms C-102 reflecting the correct acreage dedicated for each of the Wells.
20. OCD retains jurisdiction of this case for entry of such further orders as the Division may deem necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



ADRIENNE SANDOVAL
DIRECTOR
AES/bb

Date: 7/16/2021