

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

**APPLICATION OF OXY USA INC.
FOR APPROVAL OF 1,280-ACRE
NON-STANDARD SPACING UNIT IN THE
BONE SPRING AND WOLFCAMP FORMATIONS
COMPRISED OF ACREAGE SUBJECT TO PROPOSED
COMMUNITIZATION AGREEMENTS,
LEA COUNTY, NEW MEXICO.**

**CASE NO. 21908
ORDER NO. R-21777**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on June 17, 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 1,280-acre non-standard horizontal spacing unit for production from all Division-designated pools in the Bone Spring and Wolfcamp formations underlying all of Sections 27 and 34, Township 22 South, Range 32 East, NMPM Lea County, New Mexico (“Spacing Unit”).
2. The Spacing Unit will be initially dedicated to the following horizontal wells (“wells”) in the respective formations:

Bone Spring formation:

- Taco Cat “27_34” Federal Com #011H well (30-025-44933)
- Taco Cat “27_34” Federal Com #021H well (30-025-44934)
- Taco Cat “27_34” Federal Com #024H well (30-025-44949)
- Taco Cat “27_34” Federal Com #025H well (30-025-44934)
- Taco Cat “27_34” Federal Com #026H well (30-025-44935)
- Taco Cat “27_34” Federal Com #032H well (30-025-44925)
- Taco Cat “27_34” Federal Com #034H well (30-025-44936)

Wolfcamp formation:

- Taco Cat “27_34” Federal Com #031H well (30-025-44935)
- Taco Cat “27_34” Federal Com #033H well (30-025-44926)
- Taco Cat “27_34” Federal Com #035H well (30-025-44937)

3. The Wells will be or have been drilled and completed in the following pools:
 - Red Tank; Bone Spring Pool (Pool Code 51683)
 - WC-025 G-08 S223227D; Upper Wolfcamp Pool (Pool Code 98286)
4. Oxy appeared at hearing and presented evidence by affidavit.
5. The Spacing Unit is comprised of the following five leases:
 - Federal Lease NMNM-069376 containing Section 27: W/2
 - Federal Lease NMNM-081272 containing Section 27: E/2
 - Federal Lease NMNM-077060 containing Section 34: SW/4 SE/4, N/2 SE/4, N/2, SE/4 SW/4, N/2 SW/4
 - Federal Lease NMNM-134874 containing Section 34: SW/4 SW/4
 - Federal Lease NMNM-134875 containing Section 34: SE/4 SE/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. Oxy presented evidence that consolidating facilities would result in a cost savings of \$9.046 million, and a reduction in surface disturbances of 5.5 acres.
10. The Wells will efficiently and effectively develop the Spacing Unit and will result in significant efficiencies due to the ability to consolidate surface facilities.
11. 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.
12. Oxy published notice of the Application and hearing in a newspaper of general circulation in Eddy County, New Mexico.
13. No other party appeared at the hearing or opposed granting the Application.

CONCLUSIONS OF LAW

14. OCD has jurisdiction to issue this Order pursuant to Section 70-2-18(C), NMSA 1978.

15. Oxy has met the notice requirements for approval of non-standard horizontal spacing units in accordance with 19.15.16.15(B)(5) NMAC.
16. 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.
17. 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).
18. 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

19. The Application to create a 1,280-acre non-standard horizontal spacing unit for production from all Division-designated pools in the Bone Spring and Wolfcamp formations underlying all of Sections 27 and 34, Township 22 South, Range 32 East, NMPM Lea County, New Mexico, **is hereby approved.**
20. Oxy shall file amended Forms C-102 reflecting the correct acreage dedicated for each of the Wells.
21. 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/jag

Date: 7/16/2021