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

APPLICATION FOR SURFACE COMMINGLING
SUBMITTED BY OXY USA, INC. **ORDER NO. PLC-670**

ORDER

The Director of the New Mexico Oil Conservation Division ("OCD"), having considered the application, issues the following Order.

FINDINGS OF FACT

1. Oxy USA, Inc. ("Applicant") submitted a complete application to surface commingle and off-lease measure the oil and gas production ("Application") from the pools, leases, and wells identified in Exhibit A.

2. To the extent that ownership is identical, Applicant submitted a certification by a licensed attorney or qualified petroleum landman that the ownership in the pools, leases, and wells to be commingled is identical as defined in 19.15.12.7(B) NMAC.

3. Applicant proposed a method to allocate the oil and gas production to the pools, leases, and wells to be commingled.

4. To the extent that ownership is diverse, Applicant provided notice of the Application to all persons owning an interest in the oil and gas production to be commingled, including the owners of royalty and overriding royalty interests, regardless whether they have a right or option to take their interests in kind, and those persons either submitted a written waiver or did not file an objection to the Application.

5. Applicant provided notice of the Application to the Bureau of Land Management ("BLM") or New Mexico State Land Office ("NMSLO"), as applicable.

6. Applicant provided evidence or a certification by a qualified person that the commingling of oil and gas production from the pools, leases, and wells will not in reasonable probability reduce the value of the oil and gas production to less than if it had remained segregated.

7. Applicant in the notice for the Application stated that it sought authorization to add additional pools, leases, and wells and identified the parameters to make such additions.

8. Applicant submitted or intends to submit one or more proposed communitization agreement(s) ("Proposed Agreement(s)") to the BLM or NMSLO, as applicable, identifying the leases to be consolidated into a single pooled area ("Pooled Area").

CONCLUSIONS OF LAW

9. OCD has jurisdiction to issue this Order pursuant to the Oil and Gas Act, NMSA 1978, §§ 70-2-6, 70-2-11, 70-2-12, 70-2-16, and 70-2-17, and 19.15.12 NMAC.

10. To the extent that ownership is diverse, Applicant satisfied the notice requirements for the Application in accordance with 19.15.12.10(A)(2), (C)(4)(c), and (C)(4)(e) NMAC.

11. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.10(B)(1) or (C)(1) NMAC, as applicable.

12. Commingling involving state, federal, or tribal leases shall not commence until approved by the BLM or NMSLO, as applicable, in accordance with 19.15.12.10(B)(3) and (C)(4)(h) NMAC.

13. Subsequent additions of pools, leases, and wells within Applicant's defined parameters, as modified herein, will not, in reasonable probability, reduce the commingled production's value or otherwise adversely affect the interest owners in the production to be added. Applicant satisfied the notice requirements for subsequent additions of pools, leases, and wells in the notice for the Application, in accordance with 19.15.12.10(C)(4)(g) NMAC.

14. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

ORDER

1. Effective May 4, 2020, Applicant is authorized to surface commingle and off-lease measure oil and gas production from the pools, leases, and wells identified in Exhibit A.

2. No later than sixty (60) days after the BLM or NMSLO approves or denies a Proposed Agreement, Applicant shall submit Form C-103 with a copy of the decision and agreement. If Applicant withdraws or the BLM or NMSLO denies a Proposed Agreement, then this Order shall terminate on the date of such action, and Applicant shall cease commingling the production from the Pooled Area. If the BLM or NMSLO approves but modifies the Proposed Agreement(s), then Applicant shall comply with the approved agreement(s), and no later than sixty (60) days after such decision, Applicant shall submit a new surface commingle application to conform this Order with the approved agreement(s). If OCD denies the application, this Order shall terminate on the date of such action.

3. Applicant shall allocate the oil and gas production to each lease within a Pooled Area in proportion to the acreage that each lease bears to the entire acreage of the Pooled Area described in Exhibit B.

4. The allocation of oil and gas production shall be based on the production life of each well. The production of a well shall be measured for three periods: (a) the initial production period shall be measured from the first production until either the peak production rate or thirty (30) days after the first production; (b) the plateau period shall be measured from the

end of the initial production period to the peak decline rate; and (c) the decline period shall be measured from the end of the plateau period until the well is plugged and abandoned.

For each well, during the initial production period, the oil and gas production shall be separated and metered prior to commingling.

For each well, during the plateau period, the oil and gas production shall be allocated using a minimum of four (4) well tests per month.

For each well, during the decline period, the oil and gas production shall be allocated on the basis of: (a) four (4) well tests per month when the decline rate is greater than 21% per month; (b) three (3) well tests per month when the decline rate is between 21% and 13% per month; (c) two well tests per month when the decline rate is between 13% and 6% per month; and (d) one (1) well test per month when the decline rate is less than 6% per month.

Applicant shall submit a Form C-103 each quarter to the Engineering Bureau in Santa Fe that identifies the allocation method for each well, and for any well allocated by the well test method, Applicant shall provide the following information: (a) the current decline rate; (b) the minimum number of well tests per month required by this Order; and (c) the number of well tests conducted each month.

Upon OCD's request, Applicant shall submit a Form C-103 to the Engineering Bureau in Santa Fe that provides the decline rate curve and other relevant information demonstrating the production life of a well.

Applicant shall conduct a well test by separating and metering the oil and gas production from each well for either (a) a minimum of twenty-four (24) consecutive hours; or (b) a combination of nonconsecutive periods that meet the following conditions: (i) each period shall be a minimum of six (6) hours; and (ii) the total duration of the nonconsecutive periods shall be a minimum of eighteen (18) hours.

The well test requirements of this Order shall be suspended for any well shut-in for a period greater than fifteen (15) days until the well is no longer shut-in.

5. Applicant shall measure the commingled oil at a central tank battery described in Exhibit A in accordance with 19.15.18.15 NMAC or 19.15.23.8 NMAC.

6. Applicant shall measure the commingled gas at a central delivery point described in Exhibit A in accordance with 19.15.19.9 NMAC, provided however that if the gas is flared, regardless whether OCD has granted an exception pursuant to 19.15.18.12(B) NMAC, Applicant shall report the gas in accordance with 19.15.18.12(F) NMAC.

7. Applicant shall calibrate the meters used to measure or allocate oil and gas production in accordance with 19.15.12.10(C)(2) NMAC.

8. If the commingling of oil and gas production from any pool, lease, or well reduces the value of the commingled oil and gas production to less than if it had remained segregated, then Applicant shall submit a new surface commingle application to amend this Order to remove the pool, lease, or well whose oil and gas production caused the decrease in value no later than sixty (60) days after the decrease in value has occurred. If Applicant fails to

do so, this Order shall terminate on the following day. If OCD denies the application, this Order shall terminate on the date of such action.

9. Applicant may submit an application to amend this Order to add pools, leases, and subsequently drilled wells with spacing units adjacent to or within the tracts commingled by this Order by submitting a Form C-107-B via the OCD Fee Portal and providing notice of the application to all owners of interest in the production to be added.

10. Applicant shall not commence commingling involving state, federal, or tribal leases until approved by the BLM or NMSLO, as applicable.

11. OCD retains jurisdiction and reserves the right to modify or revoke this Order if it determines that the Application did not accurately describe the pools, leases, and wells in the Pooled Area(s) or any action affecting or related to the commingling of oil and gas production, or as deemed necessary to prevent waste or protect correlative rights, public health, or the environment.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

DATE: 5/04/2020

ADRIENNE SANDOVAL
DIRECTOR

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: PLC-670
Operator: Oxy USA, INC. (16696)
Central Tank Battery: Precious Battery
Central Tank Battery Location (NMPM): Unit E, Section 31, Township 23 South, Range 31 East
Gas Custody Transfer Meter Location (NMPM): Unit E, Section 31, Township 23 South, Range 31 East

Pools

Pool Name	Pool Code
INGLE WELLS; BONE SPRING	33740
WC-015 G-08 S233135D; WOLFCAMP	98236
PURPLE SAGE; WOLFCAMP (GAS)	98220
FORTY NINER RIDGE; DELAWARE, SW (O)	96477
WC FORTY NINER RIDGE; DELAWARE, SE	96843
FORTY NINER RIDGE; BONE SPRING	24720
SAND DUNES; DELAWARE, SOUTH	53818

Leases as defined in 19.15.12.7(C) NMAC

Lease	Location (NMPM)	
NMNM 0546237	SE/4, NW/4 NE/4	Sec 18-T23S-R31E
NMNM 017057	NE/4 NE/4	Sec 19-T23S-R31E
NMNM 021639	S/2 NE/4, N/2 SE/4	Sec 19-T23S-R31E
NMNM 0533177	S/2 SE/4 Sec 19, NE/4 Sec 30	T23S-R31E
NMNM 021640	SE/4, NW/4 NE/4	Sec 30-T23S-R31E
NMNM 0546237	E/2 SW/4	Sec 18-T23S-R31E
NMNM 0546732	NW/4 SW/4	Sec 18-T23S-R31E
NMNM 021639	SW/4 SW/4	Sec 18-T23S-R31E
	NW/4, N/2 SW/4	Sec 19-T23S-R31E
NMNM 0533177	S/2 SW/4 Sec 19, NW/4 Sec 30	T23S-R31E
NMNM 021640	SW/4	Sec 30-T23S-R31E
NMNM 0544986B	NE/4 SE/4	Sec 31-T23S-R31E
NMNM 0546732A	NE/4, W/2 SE/4, SE/4 SE/4	Sec 31-T23S-R31E
NMNM 0546732A	W/2	Sec 31-T23S-R31E

Wells

Well API	Well Name	Location (NMPM)	Pool Code	Train
30-015-46463	Precious 30 18 Fed Com 10H	A-31-23S-31E	33740	
30-015-46531	Precious 30 18 Fed Com 13H	B-31-23S-31E	33740	
30-015-46615	Precious 30 18 Fed Com 14H	B-31-23S-31E	33740	
30-015-46610	Precious 30 18 Fed Com 174H	C-31-23S-31E	98236	
30-015-46457	Precious 30 18 Fed Com 175H	A-31-23S-31E	98236	
30-015-46462	Precious 30 18 Fed Com 176H	A-31-23S-31E	98236	
30-015-46540	Precious 30 18 Fed Com 24H	C-31-23S-31E	33740	
30-015-46545	Precious 30 18 Fed Com 25H	A-31-23S-31E	33740	
30-015-46542	Precious 30 18 Fed Com 26H	A-31-23S-31E	33740	
30-015-46617	Precious 30 18 Fed Com 33H	B-31-23S-31E	33740	

30-015-46616	Precious 30 18 Fed Com 34H	B-31-23S-31E	33740
30-015-46350	Precious 30 18 Fed Com 3H	B-31-23S-31E	33740
30-015-46544	Precious 30 18 Fed Com 44H	C-31-23S-31E	98236
30-015-46525	Precious 30 18 Fed Com 45H	B-31-23S-31E	98236
30-015-46524	Precious 30 18 Fed Com 46H	A-31-23S-31E	98236
30-015-46464	Precious 30 18 Fed Com 4H	B-31-23S-31E	33740
30-015-46448	Precious 30 18 Fed Com 5H	A-31-23S-31E	33740
30-015-46465	Precious 30 18 Fed Com 6H	A-31-23S-31E	33740
30-015-46376	Precious 30 18 Fed Com 11H	C-31-23S-31E	33740
30-015-46533	Precious 30 18 Fed Com 12H	C-31-23S-31E	33740
30-015-46581	Precious 30 18 Fed Com 171H	D-31-23S-31E	98236
30-015-46582	Precious 30 18 Fed Com 172H	D-31-23S-31E	98236
30-015-46543	Precious 30 18 Fed Com 173H	C-31-23S-31E	98236
30-015-46373	Precious 30 18 Fed Com 1H	D-31-23S-31E	33740
30-015-46522	Precious 30 18 Fed Com 21H	D-31-23S-31E	33740
30-015-46678	Precious 30 18 Fed Com 22H	D-31-23S-31E	33740
30-015-46541	Precious 30 18 Fed Com 23H	C-31-23S-31E	33740
30-015-46473	Precious 30 18 Fed Com 2H	D-31-23S-31E	98220
30-015-46520	Precious 30 18 Fed Com 31H	D-31-23S-31E	33740
30-015-46611	Precious 30 18 Fed Com 32H	D-31-23S-31E	33740
30-015-46521	Precious 30 18 Fed Com 41H	D-31-23S-31E	98236
30-015-46609	Precious 30 18 Fed Com 42H	D-31-23S-31E	98236
30-015-46614	Precious 30 18 Fed Com 43H	C-31-23S-31E	98236
30-015-46372	Precious 30 18 Fed Com 7H	D-31-23S-31E	33740
30-015-46523	Precious 30 18 Fed Com 9H	C-31-23S-31E	33740
30-015-41647	FNR 26 Federal 2H	L-26-23S-30E	96477
30-015-41012	FNR 26 Federal 4H	M-26-23S-30E	96477
30-015-30412	FNR 26 Federal 1	M-26-23S-30E	96843
30-015-30412	FNR 26 Federal 1	M-26-23S-30E	24720
30-015-42275	FNR 26 Federal 1H	D-35-23S-30E	53818
30-015-42298	FNR 26 Federal 3H	L-35-23S-30E	53818
30-015-46619	Arkenstone 31 Fed Com 4H	B-31-23S-31E	33740
30-015-46323	Arkenstone 31 Fed Com 10H	A-31-23S-31E	33740
30-015-46320	Arkenstone 31 Fed Com 6H	A-31-23S-31E	33740
30-015-46618	Arkenstone 31 Federal 3H	B-31-23S-31E	33740
30-015-46370	Arkenstone 31 Federal 1H	D-31-23S-31E	33740
30-015-46321	Arkenstone 31 Fed Com 7H	D-31-23S-31E	33740
30-015-46322	Arkenstone 31 Federal 9H	C-31-23S-31E	33740
30-015-46677	Arkenstone 31 Federal 2H	D-31-23S-31E	33740

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit B

Order: PLC-670
Operator: Oxy USA, INC. (16696)

Pooled Areas

Pooled Area	Location (NMPM)		Acres	Pooled Area ID
CA BS BLM	E/2 Sec 19 and 30, SE/4 Sec 18	T23S-R31E	800	A
CA BS BLM	W/2 Sec 19 and 30, SW/4 Sec 18	T23S-R31E	816.41	B
CA BS BLM	E/2	Sec 31-T23S-R31E	320	C
CA WC BLM	E/2 Sec 19 and 30, SE/4 Sec 18	T23S-R31E	800	D
CA WC BLM	W/2 Sec 19 and 30, SW/4 Sec 18	T23S-R31E	816.41	E

Leases Comprising Pooled Areas

Lease	Location (NMPM)		Acres	Pooled Area ID
NMNM 0546237	SE/4, NW/4 NE/4	Sec 18-T23S-R31E	200	A
NMNM 017057	NE/4 NE/4	Sec 19-T23S-R31E	40	A
NMNM 021639	S/2 NE/4, N/2 SE/4	Sec 19-T23S-R31E	160	A
NMNM 0533177	S/2 SE/4 Sec 19, NE/4 Sec 30	T23S-R31E	240	A
NMNM 021640	SE/4, NW/4 NE/4	Sec 30-T23S-R31E	160	A
NMNM 0546237	E/2 SW/4	Sec 18-T23S-R31E	80	B
NMNM 0546732	NW/4 SW/4	Sec 18-T23S-R31E	41.49	B
NMNM 021639	SW/4 SW/4	Sec 18-T23S-R31E		
	NW/4, N/2 SW/4	Sec 19-T23S-R31E	286.27	B
NMNM 0533177	S/2 SW/4 Sec 19, NW/4 Sec 30	T23S-R31E	245.06	B
NMNM 021640	SW/4	Sec 30-T23S-R31E	163.59	B
NMNM 0544986B	NE/4 SE/4	Sec 31-T23S-R31E	40	C
NMNM 0546732A	NE/4, W/2 SE/4, SE/4 SE/4	Sec 31-T23S-R31E	280	C
NMNM 0546237	SE/4, NW/4 NE/4	Sec 18-T23S-R31E	200	D
NMNM 017057	NE/4 NE/4	Sec 19-T23S-R31E	40	D
NMNM 021639	S/2 NE/4, N/2 SE/4	Sec 19-T23S-R31E	160	D
NMNM 0533177	S/2 SE/4 Sec 19, NE/4 Sec 30	T23S-R31E	240	D
NMNM 021640	SE/4, NW/4 NE/4	Sec 30-T23S-R31E	160	D
NMNM 0546237	E/2 SW/4	Sec 18-T23S-R31E	80	E
NMNM 0546732	NW/4 SW/4	Sec 18-T23S-R31E	41.49	E
NMNM 021639	SW/4 SW/4	Sec 18-T23S-R31E		
	NW/4, N/2 SW/4	Sec 19-T23S-R31E	286.27	E
NMNM 0533177	S/2 SW/4 Sec 19, NW/4 Sec 30	T23S-R31E	245.06	E
NMNM 021640	SW/4	Sec 30-T23S-R31E	163.59	E