

**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-602-B

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having considered the application and the recommendation of the Engineering Bureau, 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 certified 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 stated that it intends to keep the oil and gas production from one or more group(s) of wells, as identified in Exhibit A, (“Train(s)”) segregated from the oil and gas production from all other wells prior to measuring that production with an allocation meter.
8. 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.
9. 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”), as described in Exhibit B.

CONCLUSIONS OF LAW

10. 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.
11. 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, as applicable.
12. Applicant’s proposed method of allocation, as modified herein, complies with 19.15.12.10(B)(1) or (C)(1) NMAC, as applicable.
13. Commingling of oil and gas production from 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.
14. Applicant did not give adequate notice that it sought authorization to add pools, leases, or wells as required by 19.15.12.10(C)(4)(g) NMAC.
15. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

ORDER

1. 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. This Order supersedes Order PLC-602-A.
3. For each Pooled Area described in Exhibit B, Applicant shall submit a Proposed Agreement to the BLM or NMSLO, as applicable, prior to commencing oil and gas production. If Applicant fails to submit the Proposed Agreement, this Order shall terminate on the following day.
4. No later than sixty (60) days after the BLM or NMSLO approves or denies a Proposed Agreement, Applicant shall submit Form C-103 to OCD with a copy of the decision and a description of the approved lands, as applicable. If Applicant withdraws or the BLM or NMSLO denies a Proposed Agreement, 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), 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 OCD to conform this Order with the approved Agreement(s). If OCD denies the new surface commingle application, this Order shall terminate on the date of such action.

5. 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.
6. The allocation of oil and gas production to each Train identified in Exhibit A shall be determined by separating and metering that production prior to commingling.
7. The allocation of oil and gas production shall be based on the production life of each well as measured for three periods: (a) the initial production period shall be measured from the first production until the earlier of 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.

During the initial production period, the oil and gas production for each well identified in Exhibit A shall be allocated using a production curve calculated from a minimum of ten (10) well tests per month, except that any day in which a well test cannot achieve an accurate result due to a temporary change in oil and gas production shall not be included in the computation of time determining the well test schedule. The production curve shall be calculated by interpolating daily production for each day using the known daily production obtained by well tests and shall use a method of interpolation that is at minimum as accurate as maintaining a constant rate of change for each day's production between the known daily production values.

During the plateau period, the oil and gas production for each well identified in Exhibit A shall be allocated using a minimum of three (3) well tests per month.

During the decline period, the oil and gas production for each well identified in Exhibit A shall be allocated as follows: (a) a minimum of three (3) well tests per month when the decline rate is greater than 22% per month; (b) a minimum of two (2) well tests per month when the decline rate is between 22% and 10% per month; and (c) a minimum of one (1) well test per month when the decline rate is less than 10% per month.

Upon OCD's request, Applicant shall submit a Form C-103 to the OCD Engineering Bureau that contains 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 that 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 that continues for more than fifteen (15) days until the well commences production.

8. 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.
9. 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, and 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.
10. Applicant shall calibrate the meters used to measure or allocate oil and gas production in accordance with 19.15.12.10(C)(2) NMAC.
11. 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, no later than sixty (60) days after the decrease in value has occurred Applicant shall submit a new surface commingle application to OCD to amend this Order to remove the pool, lease, or well whose oil and gas production caused the decrease in value. If Applicant fails to submit a new application, this Order shall terminate on the following day, and if OCD denies the application, this Order shall terminate on the date of such action.
12. Applicant's request for authorization to add pools, leases, and wells prospectively pursuant to 19.15.12.10(C)(4)(g) NMAC is denied.
13. Applicant shall not commence commingling oil or gas production from state, federal, or tribal leases until approved by the BLM or NMSLO, as applicable.
14. OCD retains jurisdiction and reserves the right to modify or revoke this Order as it deems necessary to prevent waste or protect correlative rights, public health, or the environment.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



ADRIENNE SANDOVAL
DIRECTOR
AS/dm

DATE: _____ 9/21/2020 _____

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: PLC-602-B

Operator: Oxy USA, Inc. (16696)

Central Tank Battery: Platinum Central Tank Battery

Central Tank Battery Location (NMPM): Units G H J I, Section 34, Township 23 S, Range 31 E

Gas Custody Transfer Meter Location (NMPM): Units G H J I, Section 34, Township 23 S, Range 31 E

Pools

Pool Name	Pool Code
COTTON DRAW; BONE SPRING	13367
PURPLE SAGE; WOLFCAMP (GAS)	98220

Leases as defined in 19.15.12.7(C) NMAC

Lease	Location (NMPM)	
NMNM 043744	E/2	Sec 34-T23S-R31E
NMNM 080645	E/2	Sec 3-T24S-R31E
NMNM 043744	W/2	Sec 34-T23S-R31E
NMNM 055142	W/2	Sec 3-T24S-R31E

Wells

Well API	Well Name	Location (NMPM)	Pool Code	Train
30-015-46776	Platinum MDPI 34-3 Fed Com 11H	C-34-23S-31E	13367	1
30-015-46785	Platinum MDPI 34-3 Fed Com 12H	C-34-23S-31E	13367	1
30-015-46778	Platinum MDPI 34-3 Fed Com 21H	D-34-23S-31E	13367	1
30-015-46775	Platinum MDPI 34-3 Fed Com 22H	D-34-23S-31E	13367	1
30-015-45226	Platinum MDP1 34-3 Fed Com 1H	D-34-23S-31E	13367	1
30-015-45227	Platinum MDP1 34-3 Fed Com 2H	D-34-23S-31E	13367	1
30-015-45228	Platinum MDP1 34-3 Fed Com 3H	C-34-23S-31E	13367	1
30-015-45250	Platinum MDP1 34-3 Fed Com 7H	C-34-23S-31E	13367	1
30-015-45230	Platinum MDP1 34-3 Fed Com 171H	D-34-23S-31E	13367	1
30-015-45231	Platinum MDP1 34-3 Fed Com 172H	D-34-23S-31E	13367	1
30-015-46046	Platinum MDP1 34-3 Fed Com 177H	C-34-23S-31E	98220	1
30-015-46192	Platinum MDP1 34-3 Fed Com 23H	C-34-23S-31E	13367	1
30-015-46191	Platinum MDP1 34-3 Fed Com 41H	C-34-23S-31E	98220	1
30-015-46187	Platinum MDP1 34-3 Fed Com 42H	C-34-23S-31E	98220	1
30-015-46188	Platinum MDP1 34-3 Fed Com 43H	B-34-23S-31E	98220	1
30-015-45229	Platinum MDP1 34-3 Fed Com 4H	C-34-23S-31E	13367	2
30-015-45171	Platinum MDP1 34-3 Fed Com 5H	A-34-23S-31E	13367	2
30-015-45172	Platinum MDP1 34-3 Fed Com 6H	A-34-23S-31E	13367	2
30-015-46190	Platinum MDP1 34-3 Fed Com 44H	B-34-23S-31E	98220	2
30-015-46189	Platinum MDP1 34-3 Fed Com 45H	A-34-23S-31E	98220	2
30-015-45232	Platinum MDP1 34-3 Fed Com 174H	C-34-23S-31E	98220	2
30-015-45251	Platinum MDP1 34-3 Fed Com 175H	A-34-23S-31E	98220	2
30-015-45233	Platinum MDP1 34-3 Fed Com 176H	A-34-23S-31E	98220	2
30-015-46193	Platinum MDP1 34-3 Fed Com 24H	C-34-23S-31E	13367	2
30-015-46179	Platinum MDP1 34-3 Fed Com 13H	B-34-23S-31E	13367	2
30-015-46180	Platinum MDP1 34-3 Fed Com 14H	B-34-23S-31E	13367	2
30-015-46558	Platinum MDPI 34-3 Fed Com 25H	A-34-23S-31E	13367	2
30-015-46559	Platinum MDPI 34-3 Fed Com 26H	A-34-23S-31E	13367	2
30-015-46787	Platinum MDPI 34-3 Fed Com 46H	A-34-23S-31E	98220	2

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit B

Order: PLC-602-B

Operator: Oxy USA, Inc. (16696)

Pooled Areas

Pooled Area	Location (NMPPM)	Acres	Pooled Area ID
CA BS BLM	E/2 Sec 34-T23S-R31E, E/2 Sec 3-T24S-R31E	640.11	A
CA BS BLM	W/2 Sec 34-T23S-R31E, W/2 Sec 3-T24S-R31E	640.33	B
CA BS BLM	E/2 Sec 34-T23S-R31E, E/2 Sec 3-T24S-R31E	640.11	C
CA BS BLM	W/2 Sec 34-T23S-R31E, W/2 Sec 3-T24S-R31E	640.33	D

Leases Comprising Pooled Areas

Lease	Location (NMPPM)	Acres	Pooled Area ID
NMNM 043744	E/2 Sec 34-T23S-R31E	320	A
NMNM 080645	E/2 Sec 3-T24S-R31E	320.11	A
NMNM 043744	W/2 Sec 34-T23S-R31E	320	B
NMNM 055142	W/2 Sec 3-T24S-R31E	320.33	B
NMNM 043744	E/2 Sec 34-T23S-R31E	320	C
NMNM 080645	E/2 Sec 3-T24S-R31E	320.11	C
NMNM 043744	W/2 Sec 34-T23S-R31E	320	D
NMNM 055142	W/2 Sec 3-T24S-R31E	320.33	D