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-609-B**

ORDER

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

FINDINGS OF FACT

1. Oxy USA, Inc. ("Operator") 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, Operator 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. Operator 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, Operator 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 of 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. Operator provided notice of the Application to the Bureau of Land Management ("BLM") or New Mexico State Land Office ("NMSLO"), as applicable.
6. Operator 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. Operator 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. Operator stated that it sought authorization to surface commingle and off-lease measure, as applicable, oil and gas production from an infill well which produces from a pool and spacing unit dedicated to a well identified in Exhibit A.

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. Operator 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.

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

12. 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.

13. Operator 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.

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. Operator is authorized to surface commingle and off-lease measure oil and gas production from the pools, leases, and wells identified in Exhibit A.

   Operator is authorized to surface commingle and off-lease measure, as applicable, oil and gas production from an infill well producing from the same pool and spacing unit dedicated to a well identified in Exhibit A.

2. This Order supersedes Orders PLC-609 and PLC-609-A.

3. The allocation of oil and gas production to an infill well shall be determined in the same manner as oil and gas production to the well dedicated to the pool and spacing unit.

4. 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 twenty-two percent (22%) per month; (b) a minimum of two (2) well tests per month when the decline rate is between twenty-two percent (22%) and ten percent (10%) per month; and (c) a minimum of one (1) well test per month when the decline rate is less than ten percent (10%) per month.

Upon OCD's request, Operator 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.

Operator 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.

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

7. Operator 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, no later than sixty (60) days after the decrease in value has occurred Operator shall submit a new surface commingling 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 Operator 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.

9. Operator's request for authorization to add pools, leases, and wells prospectively pursuant to 19.15.12.10(C)(4)(g) NMAC is denied.

10. Operator shall submit Forms C-102 and C-103 to the OCD Engineering Bureau identifying an infill well prior to commingling and off-lease measuring, as applicable, oil and gas production from an infill well with the production from another well.
11. Operator shall not commence commingling oil or gas production from state, federal, or tribal leases until approved by the BLM or NMSLO, as applicable.
12. 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

DATE: 3/02/2021

ADRIENNE SANDOVAL
DIRECTOR
AS/dm

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: PLC-609-B
Operator: Oxy USA, Inc. (16696)
Central Tank Battery: Pure Gold Battery
Central Tank Battery Location (NMPM): Unit K, Section 29, Township 23 South, Range 31 East
Central Tank Battery: Iridium Satellite
Central Tank Battery Location (NMPM): Unit J, Section 28, Township 23 South, Range 31 East
Gas Custody Transfer Meter Location (NMPM): Unit K, Section 29, Township 23 South, Range 31 East
Gas Custody Transfer Meter Location (NMPM): Unit J, Section 28, Township 23 South, Range 31 East

Pools

Pool Name	Pool Code
INGLE WELLS; BONE SPRING	33740
WC-015 G-08 S233135D; WOLFCAMP	98236

Leases as defined in 19.15.12.7(C) NMAC

Lease	Location (NMPM)	
CA WC NMNM 139610	All Sec 21 & 28	T23S-R31E
CA BS NMNM 138937	All Sec 21 & 28	T23S-R31E

Wells

Well API	Well Name	Location (NMPM)	Pool Code	Train
30-015-45242	Iridium MDP1 28-21 Fed Com 001H	D-33-23S-31E	33740	1
30-015-45243	Iridium MDP1 28-21 Fed Com 002H	D-33-23S-31E	33740	1
30-015-45244	Iridium MDP1 28-21 Fed Com 003H	C-33-23S-31E	33740	1
30-015-45245	Iridium MDP1 28-21 Fed Com 004H	C-33-23S-31E	33740	1
30-015-45246	Iridium MDP1 28-21 Fed Com 005H	A-33-23S-31E	33740	1
30-015-45247	Iridium MDP1 28-21 Fed Com 006H	A-33-23S-31E	33740	1
30-015-45073	Iridium MDP1 28-21 Fed Com 011H	M-28-23S-31E	33740	1
30-015-45074	Iridium MDP1 28-21 Fed Com 021H	M-28-23S-31E	33740	1
30-015-45075	Iridium MDP1 28-21 Fed Com 041H	M-28-23S-31E	33740	1
30-015-45248	Iridium MDP1 28-21 Fed Com 172H	D-33-23S-31E	33740	1
30-015-45332	Iridium MDP1 28-21 Fed Com 174H	C-33-23S-31E	33740	1
30-015-45076	Iridium MDP1 28-21 Fed Com 171H	M-28-23S-31E	98236	1
30-015-45249	Iridium MDP1 28-21 Fed Com 173H	C-33-23S-31E	98236	1
30-015-45333	Iridium MDP1 28-21 Fed Com 175H	A-33-23S-31E	98236	1
30-015-45334	Iridium MDP1 28-21 Fed Com 176H	A-33-23S-31E	98236	1