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-834**

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. ("Applicant") submitted a complete application to surface commingle the oil and gas production from the pools, leases, and wells identified in Exhibit A ("Application").
2. Applicant proposed a method to allocate the oil and gas production to the pools, leases, and wells to be commingled.
3. 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.
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 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. 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 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 stated that it sought authorization to surface commingle and off-lease measure, as applicable, oil and gas production from wells which have not yet been approved to be drilled, but will produce from a pool and lease identified in Exhibit A.
9. Applicant submitted or intends to submit one or more application(s) to the BLM or NMSLO, as applicable, to form or revise a participating area ("PA") and has identified the acreage of each lease within each spacing unit ("Pooled Area") to be included in the application(s), 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, 19.15.12. NMAC, and 19.15.23. NMAC.

11. Applicant satisfied the notice requirements for the Application in accordance with 19.15.12.10.A.(2) NMAC, 19.15.12.10.C.(4)(c) NMAC, and 19.15.12.10.C.(4)(e) NMAC, as applicable.

12. Applicant satisfied the notice requirements for the Application in accordance with 19.15.23.9.A.(5) NMAC and 19.15.23.9.A.(6) NMAC, as applicable.

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

14. 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) NMAC and 19.15.12.10.C.(4)(h) NMAC.

15. Applicant satisfied the notice requirements for the subsequent addition of pools, leases, and wells in the notice for the Application, in accordance with 19.15.12.10.C.(4)(g) NMAC. 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.

16. 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 oil and gas production from the pools, leases, and wells identified in Exhibit A.

   Applicant is authorized to store and measure oil and gas production off-lease from the pools, leases, and wells identified in Exhibit A at a central tank battery described in Exhibit A.

   Applicant is authorized to surface commingle oil and gas production from wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A.

   Applicant is authorized to store and measure oil and gas production off-lease from wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A at a central tank battery described in Exhibit A.

2. No later than sixty (60) days after the BLM or NMSLO, as applicable, approves Applicant's paying well determination for a well, Applicant shall submit to the BLM or NMSLO an application to form or revise a PA that includes the Pooled Area as defined in Applicant's Form C-102 and Exhibit B ("PA Application"). If Applicant fails to submit the PA Application, this Order shall terminate on the following day. No later than sixty (60) days after the BLM or NMSLO approves or denies the PA Application, Applicant shall submit a

Form C-103 to OCD with a copy of the decision. If Applicant withdraws or the BLM or NMSLO denies the PA Application, this Order shall terminate on the date of such action. If the BLM or NMSLO approves but modifies the PA Application, Applicant shall comply with the approved PA, and no later than sixty (60) days after such decision, Applicant shall submit a new surface commingling application to OCD to conform this Order with the approved PA. If Applicant fails to submit the new surface commingling application or OCD denies the new surface commingling application, this Order shall terminate on the date of such action.

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 until the Pooled Area is included in a PA. After a Pooled Area is included in a PA, the oil and gas production from the Pooled Area shall be allocated as required by the BLM's or NMSLO's, as applicable, approval of the PA, including any production that had been allocated previously in accordance with this Order.

3. The allocation of oil and gas production to wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A shall be determined in the same manner as to wells identified in Exhibit A that produce from that pool and lease, provided that if more than one allocation method is being used or if there are no wells identified in Exhibit A that produce from the pool and lease, then allocation of oil and gas production to each well not included in Exhibit A shall be determined by OCD prior to commingling production from it with the production from another well.

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, 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.

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

6. Applicant shall measure and market the commingled gas at a well pad, central delivery point, central tank battery, or gas title transfer meter described in Exhibit A in accordance with this Order and 19.15.19.9. NMAC, provided however that if the gas is vented or flared, and regardless of the reason or authorization pursuant to 19.15.28.8.B. NMAC for such venting or flaring, Applicant shall measure or estimate the gas in accordance with 19.15.28.8.E. 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, no later than sixty (60) days after the decrease in value has occurred Applicant 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 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.

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 in accordance with 19.15.12.10.C.(4)(g) NMAC, provided the pools, leases, and subsequently drilled wells are within the identified parameters included in the Application.

10. If a well is not included in Exhibit A but produces from a pool or lease identified in Exhibit A, then Applicant shall submit Forms C-102 and C-103 to the OCD Engineering Bureau after the well has been approved to be drilled and prior to off-lease measuring or commingling oil

or gas production from it with the production from another well. The Form C-103 shall reference this Order and identify the well, proposed method to determine the allocation of oil and gas production to it, and the location(s) that commingling of its production will occur.

11. Applicant shall not commence commingling oil or gas production from state, federal, or tribal leases until approved by the BLM or NMSLO, as applicable.

12. If OCD determines that Applicant has failed to comply with any provision of this Order, OCD may take any action authorized by the Oil and Gas Act or the New Mexico Administrative Code (NMAC).

13. OCD retains jurisdiction of this matter and reserves the right to modify or revoke this Order as it deems necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

DATE: 6/16/2022

ADRIENNE E. SANDOVAL
DIRECTOR

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: PLC-834
Operator: Oxy USA, Inc. (16696)
Central Tank Battery: Lost Tank 18 Central Processing Facility
Central Tank Battery Location: UL M, Section 18, Township 22 South, Range 32 East
Gas Title Transfer Meter Location: UL M, Section 18, Township 22 South, Range 32 East

Pools

Pool Name	Pool Code
BILBREY BASIN; BONE SPRING	5695
BILBREY BASIN; BONE SPRING, SOUTH	97366
WC-025 G-09 S233216K; UPR WOLFCAMP	98166
WC-025 G-09 S223219D; WOLFCAMP	98296

Leases as defined in 19.15.12.7(C) NMAC

Lease	UL or Q/Q	S-T-R
NMNM 137458	A B C D E G H L	7-22S-32E
NMNM 096574	F	7-22S-32E
NMNM 090585	K M N	7-22S-32E
NMNM 069372	SE/4	7-22S-32E
NMNM 069373	C E F L M	8-22S-32E
NMNM 090586	E/2, D K N	8-22S-32E
NMNM 090588	C D E	18-22S-32E
NMNM 053990	F	18-22S-32E
NMNM 090587	L M P	18-22S-32E
NMNM 032411	A B G H I J K N O	18-22S-32E
NMNM 128362	All	17-22S-32E

Wells

Well API	Well Name	UL or Q/Q	S-T-R	Pool
30-025-49147	Dr Pi Federal Unit 17 8 DA #31H	W/2 W/2 W/2 W/2	8-22S-32E 17-22S-32E	98166
30-025-49148	Dr Pi Federal Unit 17 8 DA #32H	E/2 W/2 E/2 W/2	8-22S-32E 17-22S-32E	98166
30-025-48951	Dr Pi Federal Unit 17 8 DA #34H	E/2 E/2	8-22S-32E 17-22S-32E	98166
30-025-48952	Dr Pi Federal Unit 17 8 DA #35H	E/2 E/2 E/2 E/2	8-22S-32E 17-22S-32E	97366
30-025-49152	Dr Pi Federal Unit 17 8 DA #311H	W/2 W/2	8-22S-32E 17-22S-32E	97366
30-025-48955	Dr Pi Federal Unit 17 8 DA #312H	W/2 E/2 W/2 E/2	8-22S-32E 17-22S-32E	97366
30-025-48956	Dr Pi Federal Unit 17 8 DA #313H	E/2 E/2 E/2 E/2	8-22S-32E 17-22S-32E	97366
30-025-48160	Dr Pi Federal Unit 18 7 IPP #31H	W/2 W/2 W/2 W/2	7-22S-32E 18-22S-32E	98296

30-025-48024	Dr Pi Federal Unit 18 7 IPP #32H	E/2 W/2 E/2 W/2	7-22S-32E 18-22S-32E	98296
30-025-48025	Dr Pi Federal Unit 18 7 IPP #34H	E/2 E/2	7-22S-32E 18-22S-32E	98296
30-025-48166	Dr Pi Federal Unit 18 7 IPP #311H	W/2 W/2	7-22S-32E 18-22S-32E	5695
30-025-48167	Dr Pi Federal Unit 18 7 IPP #312H	W/2 E/2 W/2 E/2	7-22S-32E 18-22S-32E	5695
30-025-48168	Dr Pi Federal Unit 18 7 IPP #313H	E/2 E/2 E/2 E/2	7-22S-32E 18-22S-32E	5695

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit B

Order: PLC-834
Operator: Oxy USA, Inc. (16696)

Pooled Areas

Pooled Area	UL or Q/Q	S-T-R	Acres	Pooled Area ID
PA Wolfcamp Dr Pi Unit	W/2 W/2 W/2 W/2	8-22S-32E 17-22S-32E	320	A
PA Wolfcamp Dr Pi Unit	E/2 W/2 E/2 W/2	8-22S-32E 17-22S-32E	320	B
PA Wolfcamp Dr Pi Unit	E/2 E/2	8-22S-32E 17-22S-32E	640	C
PA Wolfcamp Dr Pi Unit	W/2 W/2 W/2 W/2	7-22S-32E 18-22S-32E	355.4	D
PA Wolfcamp Dr Pi Unit	E/2 W/2 E/2 W/2	7-22S-32E 18-22S-32E	320	E
PA Wolfcamp Dr Pi Unit	E/2 E/2	7-22S-32E 18-22S-32E	640	F
PA Bone Spring Dr Pi Unit	W/2 W/2	8-22S-32E 17-22S-32E	640	G
PA Bone Spring Dr Pi Unit	W/2 E/2 W/2 E/2	8-22S-32E 17-22S-32E	320	H
PA Bone Spring Dr Pi Unit	E/2 E/2 E/2 E/2	8-22S-32E 17-22S-32E	320	I
PA Bone Spring Dr Pi Unit	W/2 W/2	7-22S-32E 18-22S-32E	675.4	J
PA Bone Spring Dr Pi Unit	W/2 E/2 W/2 E/2	7-22S-32E 18-22S-32E	320	K
PA Bone Spring Dr Pi Unit	E/2 E/2 E/2 E/2	7-22S-32E 18-22S-32E	320	L

Leases Comprising Pooled Areas

Lease	UL or Q/Q	S-T-R	Acres	Pooled Area ID
NMNM 090586	D	8-22S-32E	40	A
NMNM 069373	E L M	8-22S-32E	120	A
NMNM 128362	E/2 E/2	17-22S-32E	160	A
NMNM 069373	C F	8-22S-32E	80	B
NMNM 090586	K N	8-22S-32E	80	B
NMNM 128362	E/2 W/2	17-22S-32E	160	B
NMNM 090586	E/2	8-22S-32E	320	C
NMNM 128362	E/2	17-22S-32E	320	C
NMNM 137458	D E L	7-22S-32E	132.86	D
NMNM 090585	M	7-22S-32E	44.38	D

NMNM 090588	D E	18-22S-32E	88.94	D
NMNM 090587	L M	18-22S-32E	89.22	D
NMNM 137458	C	7-22S-32E	40	E
NMNM 096574	F	7-22S-32E	40	E
NMNM 090585	K N	7-22S-32E	80	E
NMNM 090588	C	18-22S-32E	40	E
NMNM 053990	F	18-22S-32E	40	E
NMNM 032411	K N	18-22S-32E	80	E
NMNM 137458	NE/4	7-22S-32E	160	F
NMNM 069372	SE/4	7-22S-32E	160	F
NMNM 032411	E/2 minus P	18-22S-32E	280	F
NMNM 090587	P	18-22S-32E	40	F
NMNM 090586	D	8-22S-32E	40	G
NMNM 069373	C E F L M	8-22S-32E	200	G
NMNM 090586	K N	8-22S-32E	80	G
NMNM 128362	W/2	17-22S-32E	320	G
NMNM 090586	W/2 E/2	8-22S-32E	160	H
NMNM 128362	W/2 E/2	17-22S-32E	160	H
NMNM 090586	E/2 E/2	8-22S-32E	160	I
NMNM 128362	E/2 E/2	17-22S-32E	160	I
NMNM 137458	C D E L	7-22S-32E	172.86	J
NMNM 096574	F	7-22S-32E	40	J
NMNM 090585	K M N	7-22S-32E	124.38	J
NMNM 090588	C D E	18-22S-32E	128.94	J
NMNM 053990	F	18-22S-32E	40	J
NMNM 090587	L M	18-22S-32E	89.22	J
NMNM 032411	K N	18-22S-32E	80	J
NMNM 137458	B G	7-22S-32E	80	K
NMNM 069372	J O	7-22S-32E	80	K
NMNM 032411	W/2 E/2	18-22S-32E	160	K
NMNM 137458	A H	7-22S-32E	80	L
NMNM 069372	I P	7-22S-32E	80	L
NMNM 032411	A H I	18-22S-32E	120	L
NMNM 090587	P	18-22S-32E	40	L