

2/24/2017 DATE IN	SUSPENSE	MAm ENGINEER	2/24/2017 LOGGED IN	CTB TYPE	PMAM1705553959 APP NO.
----------------------	----------	-----------------	------------------------	-------------	---------------------------

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☒ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply Well

[A] ☒ Working, Royalty or Overriding Royalty Interest Owners

[B] ☐ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☒ Notification and/or Concurrent Approval by BLM or SLO
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or, 30-015-42030

[F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE Bone OF APPLICATION INDICATED ABOVE. Spring 10

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

TAYLOR STILLMAN

Print or Type Name

Signature

REGULATORY ENGINEER

Title

Date

TAYLOR_STILLMAN@OXY.COM
 e-mail Address

District I
1625 N. French Drive, Hobbs, NM 88240
District II
811 S. First St., Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St Francis Dr, Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-B
Revised August 1, 2011

OIL CONSERVATION DIVISION

1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original
application to the Santa Fe
office with one copy to the
appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: OXY USA INC

OPERATOR ADDRESS: PO BOX 4294 HOUSTON, TX 77210

APPLICATION TYPE:

☐ Pool Commingling ☒ Lease Commingling ☐ Pool and Lease Commingling ☐ Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE: ☐ Fee ☐ State ☒ Federal

Is this an Amendment to existing Order? ☒ Yes ☐ No If "Yes", please include the appropriate Order No. CTB-788
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling
☒ Yes ☐ No

(A) POOL COMMINGLING

Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes

- (2) Are any wells producing at top allowables? ☐ Yes ☐ No
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☐ Yes ☐ No.
(4) Measurement type: ☐ Metering ☐ Other (Specify)
(5) Will commingling decrease the value of production? ☐ Yes ☐ No If "yes", describe why commingling should be approved

(B) LEASE COMMINGLING

Please attach sheets with the following information

- (1) Pool Name and Code.
(2) Is all production from same source of supply? ☒ Yes ☐ No
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No
(4) Measurement type: ☐ Metering ☒ Other (Specify) ALLOCATION BY WELL TEST- PLEASE SEE ATTACHED WRITE-UP

(C) POOL and LEASE COMMINGLING

Please attach sheets with the following information

- (1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT

Please attached sheets with the following information

- (1) Is all production from same source of supply? ☐ Yes ☐ No
(2) Include proof of notice to all interest owners.

(E) ADDITIONAL INFORMATION (for all application types)

Please attach sheets with the following information

- (1) A schematic diagram of facility, including legal location.
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.
(3) Lease Names, Lease and Well Numbers, and API Numbers.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: Taylor Stillman TITLE: REGULATORY ENGINEER

DATE: 2-24-17

TYPE OR PRINT NAME: TAYLOR STILLMAN TELEPHONE NO.: 713-366-5945

E-MAIL ADDRESS: Taylor_Stillman@oxy.com

APPLICATION FOR CENTRAL TANK BATTERY, OFF-LEASE MEASUREMENT, SALES AND STORAGE

OXY USA INC is amending the previously approved commingle application, CTB-788, to allow allocation by well test as per Order No. R-14299.

Federal Lease NMNM107368 (12.5% Royalty Rate)
POOL: COTTONWOOD DRAW BONE SPRING (97494)

Well Name	First Oil Production	Location	API	BOPD	OIL GRAVITY	MCFPD	BTU
Peaches 19 Federal #1H	09/06/2012	B-19-25S-27E	30-015-40250	78	44	444	1204
Peaches 19 Federal #2H	10/17/2014	P-18-25S-27E	30-015-42362	79	44	729	1204

Federal Lease NMNM109756 (12.5% Royalty Rate)
POOL: COTTONWOOD DRAW BONE SPRING (97494)

Well Name	First Oil Production	Location	API	BOPD	OIL GRAVITY	MCFPD	BTU
Peaches 19 Federal #3H	10/18/2015	N-19-25S-27E	30-015-42446	80	44	1366	1204
Peaches 19 Federal #4H	10/24/2015	1-19-25S-27E	30-015-42030	132	44	1491	1204

Attached is a map which displays the federal leases and well locations.

The BLM's interest is identical in all wells. All wells are in the Cottonwood Draw Bone Spring formation.

Oil & Gas metering:

The central tank battery is located on the Peaches 19 Federal 1H location in NWNE, Sec 19, T25S, R27E. The production from each well will flow through a common three phase 6'x 20' production separator. One well will be put through the test separator at a time, while the other three will flow through the production separator. The three phase 30" x 10' test separator is sized for maximum expected one well rate and outfitted with turbine meters to meter oil (S/N 11278673828) and water (S/N 15SBFA30364), and an orifice meter (S/N T142986305) for gas measurement.

All wells have been on production for over a year and are in Range 3 of decline. The wells can be reasonably expected to have a decline rate of less than 5 percent, as specified in Hearing Order R-14299. Therefore, wells will be tested monthly for a minimum of 24 hours.

Production from Peaches 19 Federal 3H and 4H, produced on BLM Lease NMNM 109756 will be sent to the Peaches 19 CTB, located on lease NMNM 107368, therefore off lease measurement, sales and storage approval will be required.

The oil production from the wells listed will be commingled, measured and sold using a LACT Unit (S/N 3318133). Produced water will be trucked from the lease to a commercial SWD facility.

The gas will be sold to Enterprise off-lease through a meter (S/N 68813) located at 32.122403, -104.245878 after it is measured by Oxy check meter (S/N 535622) located on lease. The oil and gas meters will be calibrated on a regular basis per API, NMOCD and BLM specifications. The BLM and OCD will be notified of any future changes to the facility.

The amount of flash gas generated as the oil is reduced to atmospheric pressure is too minimal to install and operate a vapor recovery unit (VRU). Therefore, a Vapor Combustion Unit (VCU) is installed in order to comply with EPA 40 CFR Part 60, Subpart OOOO. All flash gas will be metered prior to combustion.

Process and Flow Descriptions:

The flow of production is shown in detail on the enclosed facility diagram. Also enclosed is a map detailing the lease boundaries and well locations as well as a plat showing the right-of-way from the CTB to the gas sales meter. Commingling this production is the most effective means of producing the reserves. OXY USA INC understands the requested approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument. These applications will be submitted separately for approval per NMOCD and BLM regulations.

The working interest, royalty interest and overriding royalty interest owners have been notified of this proposal by certified mail (see attached).

**Township 25 South, Range 27 East
Eddy County, New Mexico**

14

13

18

17

16

23

24

19

20

21

26

25

30

29

28

PEACHES '19'
FEDERAL #4H

Federal Lease:
NMNM 109756

PEACHES '19'
FEDERAL #3H

Peaches 19 CTB
PEACHES 19
FEDERAL #1H

Federal Lease
NMNM 107368

PEACHES 19
FEDERAL #2H

 **Occidental Petroleum**
5 Greenway Plaza, Houston, TX 77046

North American Datum 1927
Last Updated: December 21, 2016
Author: A.Cordas
File: Commenge_919_T25SR27E_20181221

0 750 1,500 3,000 Feet

● Well
---- Lateral

Peaches 19 Production Data

Peaches 19 Federal #1H (30-015-40250)

Cumulative Oil	27943	bbls	
	Oil (bbls)	Gas (mcf)	Water (bbls)
May	7751	43722	3289
Jun	5488	31795	2605
Jul	4334	23134	2102
Aug	4093	23360	1636
Sep	3517	19590	1609
Oct	2760	18240	1889
Avg Daily Prod	153	876	72

Peaches 19 Federal #2H (30-015-42362)

Cumulative Oil	18126	bbls	
	Oil (bbls)	Gas (mcf)	Water (bbls)
May	4263	30994	1369
Jun	3366	30698	2540
Jul	2798	33337	2289
Aug	2738	24105	1918
Sep	2459	19874	1657
Oct	2502	23012	1120
Avg Daily Prod	99	888	60

Peaches 19 Federal #3H (30-015-42446)

Cumulative Oil	39662	bbls	
	Oil (bbls)	Gas (mcf)	Water (bbls)
May	7637	60399	3443
Jun	7206	76369	4879
Jul	8980	72448	4343
Aug	7812	62397	2283
Sep	3465	57688	1330
Oct	4562	51539	2443
Avg Daily Prod	217	2088	103

Peaches 19 Federal #4H (30-015-42030)

Cumulative Oil	33244	bbls	
	Oil (bbls)	Gas (mcf)	Water (bbls)
May	10905	97714	8273
Jun	7358	88484	4538
Jul	3434	73254	1846
Aug	2465	63466	740
Sep	4824	60052	783
Oct	4258	56215	337
Avg Daily Prod	182	2408	91



OXY USA WTP Limited Partnership / OXY USA INC /
OCCIDENTAL PERMAN LP
A subsidiary of Occidental Petroleum Corporation

5 Greenway Plaza, Suite 110, Houston, Texas 77046
P.O. Box 4294, Houston, Texas 77210-4294
Direct: 713.366.5945 Cell: 832.744.1256
Taylor_Stillman@oxy.com

February 24, 2017

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Re: Request for Lease Commingling, a Central Tank Battery & Off-lease Gas Measurement, Sales,
& Storage for the Peaches 19-1 Central Tank Battery
Wells: Peaches 19 #1H-4H
Leases: NM 107368, NM 109756
Eddy County, New Mexico

To Whom It May Concern:

This is to advise you that OXY USA INC is amending the previously approved Peaches 19 Central Tank Battery commingling application to remove unnecessary equipment. A copy of the application submitted to the Division is attached.

Any objections or requests for a hearing regarding this application must be submitted to the New Mexico Oil Conservation Division Santa Fe Office within 20 Days from the date of this letter.

For questions regarding this application, please contact Taylor Stillman at (713) 366-5945.

Respectfully,

OXY USA INC
Taylor Stillman
Regulatory Engineer
Taylor_Stillman@oxy.com

Peaches 19 Tracking No

OWNER NAME	ADDRESS	CITY	STATE	ZIP	Tracking No
MINERALS MANAGEMENT SERVICE	PO BOX 25627	DENVER	CO	80225	7016 0750 0000 2763 7959
CHEVRON MIDCONTINENT LP	P O BOX 730365	DALLAS	TX	75373	7016 0750 0000 2763 7966
CORNERSTONE FAMILY TRUST	PO BOX 17656	GOLDEN	CO	80402	7016 0750 0000 2763 7973
HH&P ENERGY LLC	PO BOX 687	GRAHAM	TX	76450	7016 0750 0000 2763 7980
LIMPINBEAR FAMILY PRTRNSHP LTD	600 17TH ST STE 1700N	DENVER	CO	80202	7016 0750 0000 2763 7997
MORSE FAMILY SECURITY TRUST	410 17TH ST SUITE 1150	DENVER	CO	80202	7016 0750 0000 2763 8000
TALUS, INC	PO BOX 1210	GRAHAM	TX	76450	7016 0750 0000 2763 8017
THOMA,SANDRA M	8530 MILL RUN ROAD	ATHENS	TX	75751	7016 0750 0000 2763 8024
TWIN MONTANA, INC	PO BOX 1210	GRAHAM	TX	76450	7016 0750 0000 2763 8031
OXY USA INC	P O BOX 27570	HOUSTON	TX	77227	N/A
CHEVRON USA INC	P O BOX 730436	DALLAS	TX	75373	7016 0750 0000 2763 8048
THE ALLAR COMPANY	P O BOX 1567	GRAHAM	TX	76450	7016 0750 0000 2763 8055
TLW INVESTMENTS LLC	P O BOX 301535	DALLAS	TX	75303	7016 0750 0000 2763 8062
AMERICAN ENERGY NONOP LLC	P O BOX 18756	OKLAHOMA CITY	OK	73154	7016 0750 0000 2763 8079

District I
1825 W. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease- 4 Copies
Fee Lease- 3 Copies

☒ AMENDED REPORT

David Stewart

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-40250	Pool Code 97494	Pool Name Cottonwood Draw Bone Spring
Property Code 39207	Property Name PEACHES 19 FEDERAL	Well Number 1H
OCRD No. 16696	Operator Name OXY USA INC.	Deviation 3199.2'

Surface Location

UL or lot no.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
B	19	25 SOUTH	27 EAST, N.M.P.M.		330'	NORTH	2310'	EAST	EDDY

Bottom Hole Location if Different From Surface

UL or lot no.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
0	19	25 SOUTH	27 EAST, N.M.P.M.		330'	SOUTH	1986'	EAST	EDDY
Dedicated Acres 1.60		Joint or lot N	Consolidation Code	Order No.					

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the Division.

<p>SURFACE LOCATION NEW MEXICO EAST NAD 1927 Y=403370.8 X=333082.8 LAT.: N 32.1216618° LONG.: W 104.2278492°</p> <p>BOTTOM HOLE LOCATION NEW MEXICO EAST NAD 1927 Y=403370.8 X=333082.8 LAT.: N 32.1088373° LONG.: W 104.2284889°</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>David Stewart</i> 10/14/11 Signature Date</p> <p>David Stewart Printed Name</p>
	<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was obtained from field notes or actual surveys made by me or under my supervision, and that the same are true and correct to the best of my belief.</p> <p>15079 SEPTEMBER 21 2011 Date of Survey</p> <p><i>Terry D. Paul</i> 10/8/11 Signature and Seal of Professional Surveyor Certificate Number 15079</p> <p>NO. 110821NL-g (04)</p>

State of New Mexico
 Energy, Minerals & Natural Resources Department
 OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals & Natural Resources Department
 OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

Form C-102
 Revised August 1, 2011
 Submit one copy to appropriate
 District Office

☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-42362	Pool Code 07494	Pool Name COTTONWOOD DRAW BONE SPRING
Property Code 39207	Property Name PEACHES "19" FEDERAL	Well Number 2H
OCRD No. 16888	Operator Name OXY USA INC.	Elevation 3188.0'

Surface Location

UL or lot no.	Section	Township	Range	Lot	Feet from the	North/South line	Feet from the	East/West line	County
P	18	25 SOUTH	27 EAST, N.M.P.M.		90'	SOUTH	642'	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot	Feet from the	North/South line	Feet from the	East/West line	County
P	19	25 SOUTH	27 EAST, N.M.P.M.		181'	SOUTH	393'	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
180	N		

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

SURFACE LOCATION
 NEW MEXICO EAST
 NAD 1927
 Y=404370.8
 X=334310.8
 LAT: N 32.128578
 LONG: W 104.324841"

TOP HOLE
 NEW MEXICO EAST
 NAD 1927
 Y=404370.8
 X=334310.8
 LAT: N 32.128578
 LONG: W 104.324841"

BOTTOM HOLE
 NEW MEXICO EAST
 NAD 1927
 Y=404370.8
 X=334310.8
 LAT: N 32.128578
 LONG: W 104.324841"

GRID 11 = 178°28'41"
GRID 12 = 178°04'38"
GRID 13 = 178°04'38"

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief and that this organization either owns a working interest or mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order hereafter entered by the Division.

David Stewart 11/4/14
 David Stewart Sr. RA Adv.
 david.stewart@oxy.com

SURVEYOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief and that this organization either owns a working interest or mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order hereafter entered by the Division.

ERRY J. AR
 16079
 10/31/2014
 15078

Tommy Allard 10/31/2014
 15078

WSD 121018M-c (Rev. 10) (20)

District I
 1231 N. Francis Dr., Santa Fe, NM 87505
 Phone: (505) 325-4141 Fax: (505) 325-4225
 District II
 211 E. Pecos St., Alameda, NM 88210
 Phone: (505) 746-1233 Fax: (505) 746-0728
 District III
 1000 N. 2nd Street, Santa Fe, NM 87505
 Phone: (505) 325-4141 Fax: (505) 325-4225
 District IV
 1231 N. Francis Dr., Santa Fe, NM 87505
 Phone: (505) 325-4141 Fax: (505) 325-4225

State of New Mexico
 Energy, Minerals & Natural Resources Department
 OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

Form C-102
 Revised August 1, 2011
 Submit one copy to appropriate
 District Office

RECEIVED

☒ AMENDED REPORT
 As Drilled

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-42446	Pool Code 92494	Pool Name Cottonwood Draw Bone Spring
Property Code 39207	Property Name PEACHES "19" FEDERAL	Well Number 3H
OGRID No. 16696	Operator Name OXY USA INC.	Elevation 3171.3'

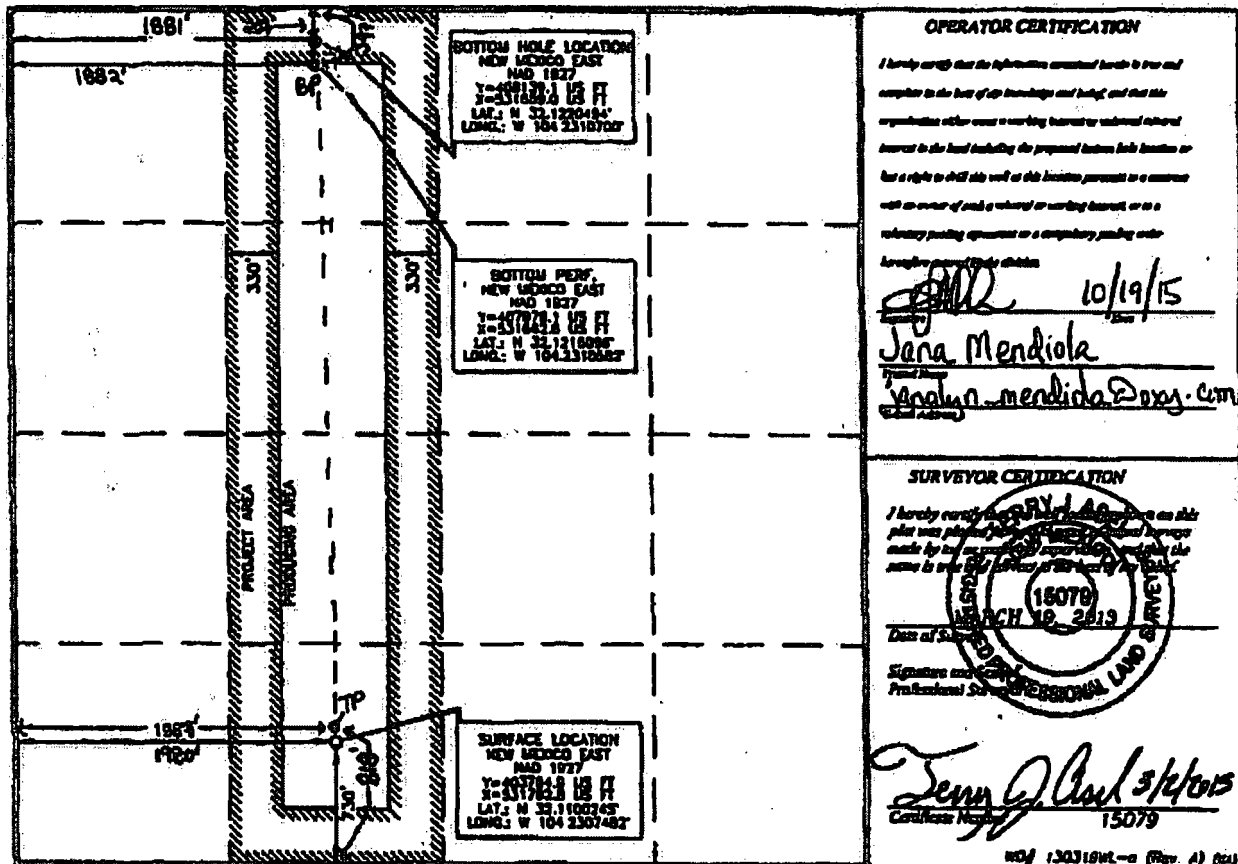
Surface Location

UL or lot no.	Section	Township	Range	Lot No.	Feet from the	North/South line	Feet from the	East/West line	County
N	10	25 SOUTH	E7 EAST, N.M.P.M.		730'	SOUTH	1080'	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot No.	Feet from the	North/South line	Feet from the	East/West line	County
C	10	25 SOUTH	E7 EAST, N.M.P.M.		180' 307'	NORTH	1080' 1821'	WEST	EDDY
Dedicated Acres 160	Join or Infill N	Consolidation Code	Order No.	Bottom Perf - 347' FWL 1882' FWL Top Perf - 818' FSL 1987' FWL					

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



NM OIL CONSERVATION
ARTESIA DISTRICT

OCT 30 2015

Form C-102

Revised August 1, 2011

Submit one copy to appropriate
District Office

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION RECEIVED
1220 South St. Francis Dr.
Santa Fe, NM 87505

☒ AMENDED REPORT
(As Drilled)

District I
1220 S. Francis Dr., Santa Fe, NM 87505
Phone: (505) 393-4141 Fax: (505) 393-4720
District II
511 S. First St., Artesia, NM 88210
Phone: (505) 745-1253 Fax: (505) 745-9720
District III
1000 E. Kansas Road, Aztec, NM 87410
Phone: (505) 334-4170 Fax: (505) 334-4170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3485 Fax: (505) 476-3463

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 20-015-42030	Pool Code 97494	Pool Name Cottonwood Draw Bone Spring
Property Code 39207	Property Name PEACHES "19" FEDERAL	Well Number 4H
COORD. No. 16696	Operator Name OXY USA INC.	Elevation 3222.9'

Surface Location

UL or lot no.	Section	Township	Range	Lot No.	Feet from the	North/South line	Feet from the	East/West line	County
1	19	25 SOUTH	27 EAST, N.M.P.M.		150'	NORTH	680'	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot No.	Feet from the	North/South line	Feet from the	East/West line	County
4	19	25 SOUTH	27 EAST, N.M.P.M.		100'	SOUTH	680'	WEST	EDDY
Dedicated Acres 158	Joint or Infill N	Consolidation Code	Order No.	Bottom Perf - 353' FSL 781' FWL Top Perf - 776' FWL 649' FWL					

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

	SURFACE LOCATION NEW MEXICO EAST NAD 1927 Y=408156.1 US FT X=330432.1 US FT LAT: N 32.12210001 LONG: W 104.2353361	OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or indirect interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order hereafter entered by the Division. Signature: <u>Jana Mendiola</u> 10/27/15 Typed Name: <u>Jana Mendiola</u> E-mail address: <u>jana.mendiola@oxy.com</u>
	BOTTOM PERF. NEW MEXICO EAST NAD 1927 Y=408156.1 US FT X=330432.1 US FT LAT: N 32.1088121 LONG: W 104.2348827	SURVEYOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or indirect interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order hereafter entered by the Division. Date of Survey: <u>MARCH 19, 2013</u> Signature and Seal: <u>Terry J. L...</u> Professional Surveyor: <u>15079</u>
BOTTOM HOLE LOCATION NEW MEXICO EAST NAD 1927 Y=408156.1 US FT X=330432.1 US FT LAT: N 32.1084988 LONG: W 104.2348716	WOF 1.30318W1-b (Rev. B) (04)	

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15540
ORDER NO. R-14299**

**APPLICATION OF OXY USA, INC. FOR APPROVAL OF SURFACE LEASE
COMMINGLING, OFF-LEASE STORAGE, AND OFF-LEASE MEASUREMENT,
EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 15, 2016 at Santa Fe, New Mexico, and again on January 5, 2017, both before Examiner William V. Jones.

NOW, on this 14th day of February, 2017, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, OXY USA, Inc. ("OXY"), seeks approval for surface lease commingling within one pool, off-lease storage, and off-lease measurement of oil and associated gas production.

(3) OXY also seeks an exception to the metering requirements of 19.15.12.10 C.(1) NMAC by authorizing the allocation of production from diversely owned, horizontally drilled oil wells on the basis of periodic well tests.

(4) OXY proposes to commingle oil and gas production from all current and future wells producing from the Pierce Crossing, Bone Spring, East Pool (96473) underlying the following acreage ("subject acreage"):

Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico.

Section 22: S/2 N/2 and N/2 S/2

Section 23: All

Section 24: W/2

(5) The following wells (with associated acreage dedication) are drilled or currently planned for drilling within the subject acreage:

Cedar Canyon 22 Federal Well No. 21H S/2 N/2 Section 22	(API No. 30-015-43642) (160 acres)
Cedar Canyon 22 Federal Com Well No. 4H N/2 S/2 Section 22	(API No. 30-015-43708) (160 acres)
Cedar Canyon 23 Federal Well No. 3H Cedar Canyon 23 Federal Well No. 4H S/2 N/2 Section 23 and S/2 NW/4 Section 24	(API No. 30-015-43290) (API No. 30-015-43281) (240 acres)
Cedar Canyon 23 Federal Well No. 5H N/2 N/2 Section 23 and N/2 SW/4 Section 24	(API No. 30-015-43282) (240 acres)
Cedar Canyon 23 Federal Com Well No. 6H Cedar Canyon 23 Federal Com Well No. 33H N/2 S/2 Section 23 and N/2 SW/4 Section 24	(API No. 30-015-Pending) (API No. 30-015-Pending) (240 acres)
S/2 S/2 Section 23 SW/4 Section 24	No Wells Permitted at this time No Wells Permitted at this time

(6) Each well proposed for commingling within this acreage produces from the Pierce Crossing; Bone Spring, East Pool (96473) which is governed by Special Rules promulgated by Division Order No. R-13248 in Case No. 14420. Said rules allow a Limiting Gas Oil Ratio of 5000 to 1, but retain all other Division rules for oil wells.

(7) OXY intends to utilize a production and a test separator at the Cedar Canyon 23-3H satellite facility (the "facility"), located at the well pad of the Cedar Canyon 23 Federal Well No. 3H in Unit I of Section 22, and use periodic well tests to allocate oil and gas production back to diversely owned wells feeding into that facility.

(8) Gas from that facility will be metered from both separators and combined into the low pressure gas gathering system and transported approximately two miles north to the Enterprise Sales Meter.

(9) Oil from that facility will be measured using a test turbine meter and a production turbine meter, then combined and transported southwest to the Cedar Canyon 22 Satellite located in Unit L of Section 22 where it will be tanked, metered through a Coriolis meter and sold at the nearby central tank battery, also within Unit L.

(10) OXY provided the following testimony at the hearing from a Landman and two engineers:

- (a) OXY proposed this diversely owned commingle using well tests for allocation in an earlier administrative application. The Division asked that it be presented before an examiner where the well test method for horizontal Bone Spring wells which have been hydraulically fractured and are exhibiting hyperbolic oil production decline behavior could be presented in more detail.
- (b) The SW/4 SW/4 of Section 23 is privately owned and leased at higher than 1/8th royalty rate. All other lands being proposed for commingling are federally owned and leased at 1/8th royalty. Four Federal oil and gas leases (NMNM013996, NMNM088138, NMNM081586, and NMNM093477) cover the federal lands being proposed for commingling.
- (c) The horizontal well project areas being proposed for commingling are diversely owned. There are numerous overriding royalty owners in the federal leases. The leases in Section 23 are 100 percent OXY working interest.
- (d) All owners, including the Bureau of Land Management ("BLM"), were noticed of the administrative application as well as the application(s) for hearing, and no one has voiced an objection.
- (e) The production from each well will be gathered into the Cedar Canyon 23-3H satellite facility, located on fee surface at the well pad of the Cedar Canyon 23 Federal Well No. 3H in Unit I of Section 22 where the oil and gas from each well will be tested and measured using periodic well tests.
- (f) The Cedar Canyon 22 Satellite is located in Unit L of Section 22 where oil production from all the wells will be tanked, metered through a Coriolis LACT and sold at the nearby central tank battery, also within Unit L.
- (g) There would be considerable additional costs to install the additional separators needed to provide constant metering from the diversely owned tracts; and those additional meters would also be turbine meters and not Coriolis meters.
- (h) Approval of this commingle as proposed would allow OXY to efficiently and effectively transport, store, and market production from the subject acreage.
- (i) OXY's proposed testing methodology is based on the American Petroleum Institute Manual of Petroleum Measurement Standards, Chapter 20 (API MPMS 20.1).

- (j) The decline life cycle of these Bone Spring horizontal wells would be partitioned into four stages beginning with the flow back after fracturing to peak production rate. For each of these stages, the wells would be tested at differing frequencies for optimum accuracy. For example, the early time stage would need more frequent testing of that well to accurately utilize well tests to allocate monthly production volumes among all wells being commingled prior to sales.
- (k) For this commingle application consisting of hyperbolically declining horizontally drilled Bone Spring wells, OXY is proposing Range 1 as the period from peak production to two months after peak production. Range 2 would be months 3 to 12. Range 3 would begin at month 12 and continue through the life of the well. Range 1 would require more frequent well testing, with an adequately sized test separator, than the frequency needed while the same well is within Range 3.
- (l) To adequately install production equipment for each well would require equipment designed for the peak production, which would be an over design for the period commencing only a few months after peak production from that well due to the rapid decline. The wells would in most cases begin production at staggered times; therefore, production equipment designed around the concept of well testing is most efficient and increases the likelihood of a proper design and utilization of the turbine and gas meters.
- (m) The initial production from these wells sometimes includes slug flow which requires larger vessels to have adequate retention time. Early flow also sometimes contains sand from the hydraulic fracture treatment which also creates problems with operation of equipment.
- (n) The time increment for sales through the custody transfer meters is monthly.
- (o) Most of the newer oil custody transfer sites (or LACT) include a Coriolis meter which is fed by a pump; while the older LACTs had displacement meters. The Coriolis meter has been accepted as a sales measurement by the BLM in Onshore Order No. 4 and is regarded as more accurate than the displacement meters. The turbine meters handle gas better than the Coriolis meters and are less expensive, so they are used upstream of the actual sales point.
- (p) OXY generated "type curves" for production from the various Bone Spring sands using available production "Rate vs Time" data and volumetric estimates of recoverable oil. The generated Rate vs

Time plots were supplied to the facilities engineer for properly designing production equipment. The engineers identified the separate segments of the decline behavior for purposes of frequency of well testing.

- (q) These wells may produce over the top allowable for a short, three month period in their early life, then are expected to produce below top allowable for the remaining life of each well. After an initial period of hyperbolic decline, production stabilizes at a more predictable exponential decline rate.

The Division concludes as follows:

(11) The application was properly advertised to affected parties including to the BLM. No other parties entered appearances in this case or otherwise opposed this application.

(12) The proposed method of measurement and allocation of production between the subject wells is reasonable and sufficiently reliable to protect the correlative rights of owners of separate interests in the production from the wells.

(13) The requested exception to the metering requirements of 19.15.12.10 C.(1) NMAC should be approved. The use of periodic well tests for diversely owned wells prior to commingling for oil and gas production and sales should be approved to ensure efficient use of surface facilities and to protect correlative rights. The operator should use more frequent well tests, as proposed in this application, during the earlier stages of each well to ensure accuracy of allocation.

(14) Measurement and allocation methods for commingling of diversely owned production is governed by Division Rule 19.15.12.10 C (1) NMAC. These methods include continuous metering or: "other methods the division has specifically approved prior to commingling." There is a need to allow the commonly used "well test method" as proposed in this case, as an "other method".

(15) Henceforth the Division, upon receiving administrative requests for diversely owned commingling of oil wells, should have the option of considering approval of the Well Testing Method. Any such proposed application should include "type curves" showing expected oil production versus time behavior, the expected completion schedule of all wells to be serviced by the test separator, the maximum number of wells to be serviced at any time by each test separator, the maximum expected daily production from any well, the size and type of the test separator and specifics of the test meters. The application should propose a well testing frequency which is acceptable based on these parameters, which varies based on the stages of oil production decline, and which follows guidance provided in the American Petroleum Institute Manual of Petroleum Measurement Standards, Chapter 20 (API MPMS 20.1). These requirements should be in the application advertised to all affected parties and the administrative application must be unopposed.

(16) OXY's proposed commingling of oil and gas production from the Pierce Crossing; Bone Spring, East Pool (96473) within the lands described above for all existing and future wells should be approved to protect correlative rights and prevent waste.

(17) Off-lease storage, measurement, and sales should be approved for all leases not located on measurement or sales points.

(18) This application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, OXY USA, Inc. ("OXY"), is hereby authorized to surface commingle oil and gas production from all current and future wells producing from the Pierce Crossing; Bone Spring, East Pool (96473) underlying the following acreage:

Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico.

Section 22: S/2 N/2 and N/2 S/2

Section 23: All

Section 24: W/2

(2) The production facilities for well testing and measurement shall be the Cedar Canyon 23-3H satellite facility, located at the well pad of the Cedar Canyon 23 Federal Well No. 3H in Unit I of Section 22, and the Cedar Canyon 22 Satellite located in Unit L. The sales point for oil is located within Unit L. The sales point for gas is located off-lease approximately two miles north of this commingle. Off-lease storage, measurement, and sales is approved for all leases not located on these measurement or sales locations.

(3) The requested exception to the metering requirements of Rule 19.15.12.10 C.(1) NMAC is hereby approved. The use of periodic well tests for diversely owned wells prior to commingling for oil and gas production and sales is approved. The operator shall use more frequent well tests, as proposed in this application, during the earlier stages of each well's oil production to ensure accuracy of allocation.

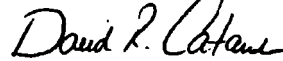
(4) Henceforth the Division, upon receiving administrative requests for commingling of oil and associated gas from diversely owned leases, shall have the option of considering approval of the Well Testing Method if the operator supplies evidence in the application acceptable to the Division of proper test facility design, proposes a well testing frequency which is acceptable, which varies based on the stages of oil production decline, and which follows guidance provided in the American Petroleum Institute Manual of Petroleum Measurement Standards, Chapter 20 (API MPMS 20.1).

(5) Expansion of this permitted area as specified in ordering Paragraph (1) or the addition of any pool other than the pool specified in ordering Paragraph (1) shall entail an amended permit application. Amendments shall be permitted administratively, after proper notice, unless deemed necessary for Division hearing by the Division Director.

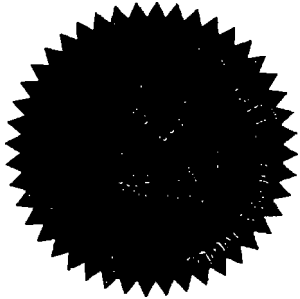
(6) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



DAVID R. CATANACH
Director



SEAL