

**GALLAGHER & KENNEDY**  
P.A.  
LAW OFFICES

GERMAINE R. CHAPPELLE  
OF COUNSEL  
DIRECT DIAL: (505) 989-7338  
E-MAIL: GERMAINE.CHAPPELLE@GKNET.COM

RECEIVED OOD

2013 MAY 16 P 2:39

1233 PASEO DE PERALTA  
SANTA FE, NEW MEXICO 87501  
PHONE: (505) 982-9523  
FAX: (505) 983-8160  
WWW.GKNET.COM

May 16, 2013

**VIA HAND DELIVERY**

Jami Bailey, Director  
Oil Conservation Division  
New Mexico Department of Energy, Minerals and Natural Resources  
1220 South St. Frances Drive  
Santa Fe, NM 87505

*Case 15006*

**Re: Application of OXY USA Inc. for a Non-Standard Spacing and Proration  
Unit and Compulsory Pooling, Eddy County, New Mexico.**

Dear Ms. Bailey:

OXY USA Inc. hereby files the above-referenced application for hearing before the Division and respectfully requests that it be scheduled for hearing at the June ~~27~~ 28, 2013, Examiner hearing docket. Please find enclosed with this letter the original and three copies of this application.

Your attention to this request is appreciated.

Very truly yours,

GALLAGHER & KENNEDY, P.A.

By:

*Germaine R. Chappelle*  
Germaine R. Chappelle

GRC:DAC  
Enclosures

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

2013 MAY 16 P 2:39

**IN THE MATTER OF THE APPLICATION  
OF OXY USA INC. FOR A  
NON-STANDARD SPACING AND PRORATION  
UNIT AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

CASE NO. 15006

**APPLICATION**

OXY USA Inc. (OXY) through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order (1) creating a non-standard 160-acre spacing and proration unit comprised of the S/2 S/2 of Section 26, Township 23 South Range 30 East, NMPM, Eddy County, New Mexico; and (2) pooling all mineral interests in the Lower Brushy Canyon formation underlying this acreage to form a 160-acre project area in this formation. In support of its application, OXY states:

1. OXY is a working interest owner in S/2 Section 26 and all of Section 35 and has the right to drill thereon.
2. OXY proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed FNR 26 Federal #4H well (API Well No. 30-015-41012) to be horizontally drilled from a surface location, 690 feet from the South line and 373 feet from the West line to a bottom hole location 690 feet from the South line and 330 feet from the East line of Section 26. The completed interval for this well will be within the 330-foot standard offset required by the rules.

3. OXY has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.
4. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.
5. The proposed well is authorized by a federal lease and was approved by the BLM on 1/3/13. OXY has communicated with the Bureau of Land Management (BLM) regarding this Application and BLM has conveyed that it does not oppose this Application.
6. In order to permit OXY to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard spacing unit should be pooled and OXY should be designated the operator of this proposed horizontal well and spacing unit.

WHEREFORE, OXY request that this application be set for hearing before an Examiner of the Oil Conservation Division on June 13, 2013 and, after notice and hearing as required by law, the Division enter its order;

- A. Creating a non-standard spacing and proration unit in the Lower Bushy Canyon formation comprised of the S/2 S/2 of Section 26, Township 23 South, Range 30 East, NMPPM;
- B. Pooling all mineral interests in the non-standard spacing and prorating unit;
- C. Designating OXY USA Inc. operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing OXY USA Inc. to recover its costs of drilling equipping and completing the well;

- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- F. Imposing a penalty for high risk assumed by OXY USA Inc. in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well as follows;
1. As agreed to by Operating Agreement between OXY USA Inc. and ConocoPhillips Company pertaining to the SW/4, of the SW/4 of Section 26, Township 23 South, Range 30 East, NMPM, dated 8/25/1998; and
  2. As to the remaining acreage, 200% penalty as provided by applicable law.

Respectfully submitted,

By: Germaine R. Chappelle

Germaine Chappelle  
Gallagher & Kennedy  
1233 Paseo De Peralta  
Santa Fe, NM 87501  
(505) 982-9523  
[Germaine.Chappelle@gknet.com](mailto:Germaine.Chappelle@gknet.com)

CASE <u>15006</u>	<p><b>Application of OXY USA Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.</b> Applicant in the above-styled cause seeks an order (1) creating a non-standard, 160 acre spacing and proration unit comprised of the S/2 S/2 of Section 26, Township 23 South, Range 30 East, NMPM, Eddy County, and (2) pooling all mineral interests in the Lower Bushy Canyon formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed FNR 26 Federal #4H (API Well No. 30-015-41012) to be horizontally drilled from a surface location, 690 feet from the South line and 373 feet from the West line to a bottom hole location 690 feet from the South line and 330 feet from the East line of Section 26. The completed interval for this well will be within the 330-foot standard offset required by the rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OXY USA Inc. as operator of the well and 200% charge for risk involved in drilling said well. Said area is located approximately 29 miles southeast of Carlsbad, New Mexico</p>
-------------------	---