

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

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

CASE NO. 15540

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by OXY USA Inc. ("OXY") as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

OXY USA Inc.

ATTORNEY

Michael H. Feldewert
Jordan L. Kessler
Holland & Hart LLP
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421

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STATEMENT OF THE CASE

OXY seeks an order authorizing 1) pool-lease commingling *from all existing and future wells* drilled on leases and associated spacing units in Sections 22, 23, and 24 of Township 23 South, Range 29 East, N.M.P.M., Eddy County, New Mexico; 2) off-lease storage; and 3) off-lease measurement. OXY seeks to surface commingle production from various pools and leases in the following areas of diverse ownership:

(a) 160-acre spacing unit comprised of S/2 N/2 of Section 22, currently dedicated to the Cedar Canyon 22 Federal No. 21H (30-015-43642) well and producing from the Pierce Crossing; Bone Spring East Pool (96473);

(b) 160-acre spacing unit comprised of N/2 S/2 of Section 22, currently dedicated to the Cedar Canyon 22 Federal No. 4H (30-015-43708) well and producing from the Pierce Crossing; Bone Spring East Pool (96473);

(c) 160-acre spacing unit comprised of N/2 S/2 of Section 22, currently dedicated to the Cedar Canyon 22 Federal No. 5H (30-015-43758) well and producing from the Corral Draw Bone Spring Pool (96238);

(d) 240-acre spacing unit comprised of N/2 S/2 of Section 23 and the N/2 SW/4 of Section 24, currently dedicated to the Cedar Canyon 23 Federal No. 3H (30-015-43290) well. The Cedar Canyon 23 Federal No. 3H (30-015-43290) well is currently producing from the Pierce Crossing; Bone Spring East Pool (96473).

(e) 240-acre spacing unit comprised of S/2 N/2 of Section 23 and the S/2 NW/4 of Section 24, currently dedicated to the Cedar Canyon 23 Federal No. 4H (30-015-43281) well and producing from the Pierce Crossing; Bone Spring East Pool (96473).

(f) 240-acre spacing unit comprised of N/2 N/2 of Section 23 and the NW/4 NW/4 of N/2 of Section 24, currently dedicated to the Cedar Canyon 23 Federal No. 5H (30-015-43282) well and producing from the Pierce Crossing; Bone Spring East Pool (96473).

(g) 160-acre spacing unit comprised of N/2 S/2 of Section 23, currently dedicated to the Cedar Canyon 23 Federal No. 6H (API No. pending) well, and the Cedar Canyon 23 Federal No. 33H (API No. pending) well. The Cedar Canyon 23 Federal No. 6H and Cedar Canyon 23 Federal No. 33H wells are expected to produce from the Pierce Crossing; Bone Spring East Pool (96473).

(h) Any future spacing unit located in the S/2 S/2 of Section 23 or the SW/4 of Section 24.

Oxy intends to meter and store production from these pools and spacing units at the Cedar Canyon 23-3H satellite facility, located at the Cedar Canyon 23 Federal No 3H well pad. This will be an off-lease location for all spacing units, excluding leases in the N/2 S/2 of Section 22. Oxy intends to allocate production to the spacing units using the well test method.

APPLICANT'S PROPOSED EVIDENCE

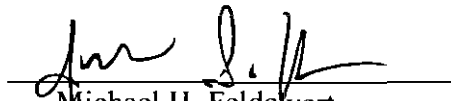
| WITNESS Name and Expertise | ESTIMATED TIME | EXHIBITS |
|---------------------------------------|-----------------------|-----------------|
| Jeremy Murphrey, Landman | Approx. 15 minutes | Approx. 8 |
| Trey Fournier, Facilities Engineer | Approx. 15 minutes | Approx. 8 |
| Robert Chan Tysor, Reservoir Engineer | Approx. 15 minutes | Approx. 8 |

PROCEDURAL MATTERS

None at this time.

Respectfully submitted,

HOLLAND & HART LLP



Michael H. Feldewert
Jordan L. Kessler
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421
(505) 983-6043 Facsimile
MFeldewert@hollandhart.com
JLKessler@hollandhart.com

ATTORNEYS FOR OXY USA INC.