

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
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.

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CASE NO. 18540

APPLICATION

OXY USA Inc., ("OXY") through its undersigned attorneys, hereby makes application to the Oil Conservation Division for 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. In support of this application, OXY states:

1. OXY (OGRID No. 16696) is the operator of the following Division-designated spacing units and associated wells:

(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.

2. For surface pool-lease commingling purposes, a spacing and proration unit is considered a "lease" and authorization to surface lease commingle is regulated and implemented on a "lease" basis rather than a well by well basis. *See* 19.15.12.7 NMAC.

3. The spacing units identified above have diverse ownership, as identified in Exhibit A, and therefore constitute separate "leases" under 19.15.12.7 NMAC.

4. Pursuant to NMAC 19.15.12.10.C.4(g), OXY seeks authority to commingle production from the Pierce Crossing; Bone Spring East Pool (96473) and the Corral Draw Bone Spring Pool (96238) from all existing and future wells in the spacing units identified above.

5. 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

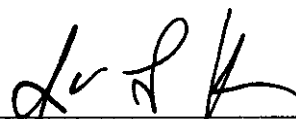
23 Federal No 3H well pad. This will be an off-lease location for all spacing units, excluding leases in the N/2 S/2 of Section 22. Oxy intends to allocate production to the spacing units using the well test method. A detailed description of OXY's oil and gas metering, storage and allocation plan is included in the C-107B, attached as Exhibit A to this application.

6. Approval of this application will result in efficient production, storage, and measurement operations for the subject leases; lessen the impact on the surface estate; and is otherwise in the best interest of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, OXY USA, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on September 1, 2016, and, after notice and hearing as required by law, the Division approve this application.

Respectfully submitted,

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ATTORNEYS FOR OXY USA, INC.

CASE 13340 **Application OXY USA Inc. For Approval of Surface Pool-Lease Commingling, Off-Lease Storage, and Off-Lease Measurement, Eddy County, New Mexico.** Applicant 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 commingle production from the Pierce Crossing; Bone Spring East Pool (96473) and the Corral Draw Bone Spring Pool (96238) from all existing and future wells and leases located in Sections 22, 23, and 24 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. Said area is approximately six miles east of Malaga, New Mexico.