

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

APR 17 2018 PM02:50

**APPLICATION OF OXY USA INC. TO RE-  
OPEN CASE NO. 16013, OR TO AMEND ITS  
APPLICATION, FOR PURPOSES OF  
DEDICATING THE PROPOSED NON-  
STANDARD SPACING AND PRORATION  
UNIT TO THE NIMITZ MDP1 "13" FEDERAL  
COM NO. 2H WELL, EDDY COUNTY, NEW  
MEXICO.**

**CASE NO. 16013**

**APPLICATION**

OXY USA Inc. ("OXY"), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, to amend its application or re-open Case No. 16013 for purposes of dedicating the proposed 160-acre non-standard spacing and proration unit comprised of the W/2 E/2 of Section 13, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico, to its proposed **Nimitz MDP1 "13" Federal Com No. 2H Well**. In support of its application, OXY states:

1. OXY USA Inc., (OGRID No. 16696) is a working interest owner in the proposed non-standard spacing and proration unit and has the right to drill thereon. OXY filed an application in Case No. 16013 requesting an order (1) creating a 160-acre non-standard spacing and proration unit comprised of the W/2 E/2 of Section 13, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage.

2. OXY originally proposed to dedicate the above-referenced spacing and proration unit as the project area for its proposed Nimitz MDP1 "13" Federal Com No. 1H Well, which

was to be horizontally drilled from a surface location in the NE/4 NW/4 (Unit C) to a standard bottom hole location in SW/4 SE/4 (Unit O) of Section 13.

3. OXY presented a landman and geologist at a Division examiner hearing on March 8, 2018 in support of its application. At the completion of its presentation of testimony and exhibits in support of Case Nos. 16009 through 16014, OXY requested that the Division continue all of its cases until the March 22, 2018 examiner hearing to perfect notice in Case Nos. 16009 through 16012.

4. To date, no order has been entered in Case No. 16013.

5. OXY no longer seeks to dedicate the proposed Nimitz MDP1 "13" Federal Com No. 1H Well to the proposed 160-acre non-standard spacing and proration unit in the W/2 E/2 of Section 13. OXY now seeks to dedicate in its place the proposed **Nimitz MDP1 "13" Federal Com No. 2H Well** to the subject acreage. It will have a surface location in the SE/4 SE/4 (Unit P) of Section 12, Township 24 South, Range 30 East, and a bottom hole location in the SW/4 SE/4 (Unit O) of Section 13, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico.

6. The completed interval for this well will remain within the 330-foot standard offset required by the Statewide Rules set forth in 19.15.15 NMAC.

7. OXY had previously proposed to dedicate the Nimitz MDP1 "13" Federal Com No. 2H Well, along with the Nimitz MDP1 "13" Federal Com No. 3H Well, to the E/2 E/2 of Section 13, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico, in Case No. 16014. OXY no longer seeks to dedicate the Nimitz MDP1 "13" Federal Com No. 2H Well to the E/2 E/2 of Section 13. The Nimitz MDP1 "13" Federal Com No. 3H Well will now be the only well dedicated to that non-standard spacing and proration unit.

8. OXY has sought and been unable to obtain voluntary agreement for the development of these lands from all of the interest owners in the subject spacing unit.

9. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

10. In order to permit OXY to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this non-standard spacing unit should be pooled and OXY USA Inc. should be designated the operator of this proposed horizontal well and spacing unit.

WHEREFORE, OXY requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 17, 2018, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 160-acre non-standard spacing and proration unit comprised of the W/2 E/2 of Section 13, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico;
- B. Pooling all uncommitted interests in the non-standard spacing and proration unit;
- C. Designating OXY USA Inc. operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing OXY 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 200% penalty for the risk assumed by OXY in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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ATTORNEYS FOR OXY USA INC.

**CASE 16013:**

**Application of OXY USA Inc. to re-open Case No. 16013, or to amend its application, for purposes of dedicating the proposed non-standard spacing and proration unit to the Nimitz MDP1 "13" Federal Com No. 2H Well, Eddy County, New Mexico.** Applicant in the above-styled cause seeks to re-open Case No. 16013, or to amend its application, for an order (1) creating a 160-acre non-standard spacing and proration unit comprised of the W/2 E/2 of Section 13, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico; (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage; and (3) dedicating the non-standard unit to applicant's proposed **Nimitz MDP1 "13" Federal Com No. 2H Well**, which will be horizontally drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 12 to a standard bottom hole location in SW/4 SE/4 (Unit O) of Section 13, Township 24 South, Range 30 East, NMPM, Eddy County, New Mexico. The completed interval for this well will remain within the 330-foot standard offset required by the Division's 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 a 200% charge for risk involved in drilling said well. Said area is located approximately 14 miles east of Malaga, N.M.