

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

APR 17 2018 PM02:53

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

CASE NO. 16155

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, for an order (1) creating a 240-acre non-standard spacing and proration unit comprised of the W/2 SW/4 of Section 17 and the W/2 W/2 of Section 20, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. 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.
2. OXY proposes to dedicate the above-referenced spacing and proration unit as the project area for two proposed initial wells to be drilled and simultaneously completed: the **Salt Ridge CC "20-17" Federal Com 21H Well** and the **Salt Ridge CC "20-17" Federal Com 22H Well**. The proposed **Salt Ridge CC "20-17" Federal Com 21H Well** will be drilled from a surface location in the SW/4 NW/4 (Unit E) of Section 17 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 20 and the proposed **Salt Ridge CC "20-17" Federal Com 22H Well**

will be drilled from a surface location in the SE/4 NW/4 (Unit F) of Section 17 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 20.

3. The proposed **Salt Ridge CC "20-17" Federal Com 22H Well** will be unorthodox because the completed interval for this well will be closer than 330 feet to the outer boundary of the proposed spacing and proration unit than allowed by the statewide rules. OXY has previously applied for a non-standard location for this well.

4. The completed interval for the **Salt Ridge CC "20-17" Federal Com 21H Well** will remain within the 330-foot standard offset required by the Statewide Rules set forth in 19.15.15 NMAC.

5. 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.

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

7. Because the proposed wells will be simultaneously drilled and completed, OXY requests an extension of the 120-day time period to drill and complete the wells provided by the Division's standard pooling order.


8. 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 these proposed horizontal wells 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 the proposed 240-acre non-standard spacing and proration unit;
- B. Pooling all uncommitted interests in the non-standard spacing and proration unit;
- C. Approving OXY's request for an unorthodox location for the proposed **Salt Ridge CC "20-17" Federal Com 22H Well**;
- D. Designating two initial wells for said non-standard spacing and proration unit;
- E. Designating OXY USA Inc. operator of this non-standard spacing and proration unit and the horizontal wells to be drilled thereon;
- F. Authorizing OXY to recover its costs of drilling, equipping and completing the wells;
- G. 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;
- H. 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 wells; and
- I. Providing an extension of the 120-day period to drill and complete the wells provided by the Division's standard pooling order.

Respectfully submitted,

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ATTORNEYS FOR OXY USA INC.

CASE 16155

Application of OXY USA Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 240-acre non-standard spacing and proration unit comprised of the W/2 SW/4 of Section 17 and the W/2 W/2 of Section 20, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Bone Spring formation underlying this acreage. Said non-standard unit will be the project area for two proposed initial wells to be drilled and simultaneously completed: the **Salt Ridge CC "20-17" Federal Com 21H Well** and the **Salt Ridge CC "20-17" Federal Com 22H Well**. The proposed **Salt Ridge CC "20-17" Federal Com 21H Well** will be drilled from a surface location in the SW/4 NW/4 (Unit E) of Section 17 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 20 and the proposed **Salt Ridge CC "20-17" Federal Com 22H Well** will be drilled from a surface location in the SE/4 NW/4 (Unit F) of Section 17 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 20. The proposed **Salt Ridge CC "20-17" Federal Com 22H Well** will be unorthodox because the completed interval for this well will be closer than 330 feet to the outer boundary of the proposed spacing and proration unit than allowed by the statewide rules. OXY has previously applied for a non-standard location for this well. The completed interval for the **Salt Ridge CC "20-17" Federal Com 21H Well** will remain within the 330-foot standard offset required by the rules. Also to be considered will be the cost of drilling and completing said wells 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 wells and a 200% charge for risk involved in drilling said well. Said area is located approximately 4 miles east of Malaga, N.M.