

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

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

MAY 29 2018 PM04:11

CASE NO. 16256

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 320-acre non-standard spacing and proration unit comprised of the W/2 W/2 of Section 27 and the W/2 W/2 of Section 34, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interests in the Red Tank Bone Spring (Pool No. 51683) 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 its proposed **Taco Cat "27-34" Federal Com No. 11H Well** and **Taco Cat "27-34" Federal Com No. 21H Well**, which will be horizontally drilled from surface locations in the NW/4 NW/4 (Unit D) of Section 27, Township 22 South, Range 32 East, NMPM, to bottom hole locations in the SW/4 SW/4 (Unit M) of Section 34, Township 22 South, Range 32 East, NMPM. The completed intervals for these wells will remain within the 330-foot standard offset required by the Statewide Rules set forth in 19.15.15 NMAC.

3. 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.

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

5. 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 the proposed spacing unit.

WHEREFORE, OXY requests that this application be set for hearing before an Examiner of the Oil Conservation Division on June 28, 2018, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating the proposed 320-acre non-standard spacing and proration unit;
- B. Pooling all uncommitted interests in the non-standard spacing and proration unit;
- C. Designating OXY USA Inc. operator of this non-standard spacing and proration unit and the horizontal wells to be drilled thereon;
- D. Authorizing OXY to recover its costs of drilling, equipping and completing the wells;
- 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 wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

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ATTORNEYS FOR OXY USA INC.

CASE 16256 :

Application of OXY USA Inc. for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 320-acre non-standard spacing and proration unit comprised of the W/2 W/2 of Section 27 and the W/2 W/2 of Section 34, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interests in the Red Tank Bone Spring (Pool No. 51683) underlying this acreage. Said non-standard unit will be the project area for its proposed **Taco Cat "27-34" Federal Com No. 11H Well** and **Taco Cat "27-34" Federal Com No. 21H Well**, which will be horizontally drilled from surface locations in the NW/4 NW/4 (Unit D) of Section 27, Township 22 South, Range 32 East, NMPM, to bottom hole locations in the SW/4 SW/4 (Unit M) of Section 34, Township 22 South, Range 32 East, NMPM. The completed intervals for these wells 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 wells. Said area is located approximately 31 miles southwest of Eunice, N.M.