

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

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**APPLICATION OF OXY USA INC.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 16478

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 pooling all uncommitted interests in the Bone Spring formation in the 640-acre, more or less, horizontal spacing unit comprised of the W/2 of Section 6, and the W/2 of Section 7, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico. In support of its application, OXY states:

1. OXY USA Inc. (OGRID No. 16696) is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.

2. OXY seeks to dedicate the above-referenced horizontal spacing unit to five proposed initial horizontal wells:

- The **Width CC 6-7 Federal Com No. 11H Well**, which will be drilled horizontally from a from a surface location in the NE/4NW/4 (Lot 3) of Section 6 to a standard bottom hole location in the SW/4SW/4 (Lot 4) of Section 7;
- The **Width CC 6-7 Federal Com No. 12H Well**, which will be drilled horizontally from a from a surface location in the NE/4NW/4 (Lot 3) of

Section 6 to a standard bottom hole location in the SE/4SW/4 (Unit N) of Section 7;

- The **Length CC 6-7 Federal Com No. 21H Well**, which will be horizontally drilled from a surface location in the NW/4NW/4 (Lot 4) of Section 6 to bottom hole location in the SW/4SW/4 (Lot 4) of Section 7;
- The **Length CC 6-7 Federal Com No. 22H Well**, which will be horizontally drilled from a surface location in the NW/4NW/4 (Lot 4) of Section 6 to bottom hole location in the SW/4SW/4 (Lot 4) of Section 7;
- The **Length CC 6-7 Federal Com No. 23H Well**, which will be drilled horizontally from a from a surface location in the NE/4NW/4 (Lot 3) of Section 6 to a standard bottom hole location in the SE/4SW/4 (Unit N) of Section 7.

3. Pursuant to NMAC 19.15.16.15(B)(1)(b), OXY will incorporate the entire W/2 of Sections 6 and 7 into its horizontal spacing unit. Incorporating the proximity tracts, the completed interval for each well will comply with Statewide setback requirements.

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

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

6. 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 horizontal 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 November 1, 2018, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the horizontal spacing unit;
- B. Approving five initial wells;
- C. Designating OXY USA Inc. operator of this 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 16478 : Application of OXY USA Inc. for compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order pooling all uncommitted interest owners in the Bone Spring formation underlying a 640-acre, more or less, horizontal spacing unit comprised of the W/2 of Section 6 and the W/2 of Section 7, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico. The above-referenced unit will be dedicated to five proposed horizontal wells:

- **The Width CC 6-7 Federal Com No. 11H Well**, which will be drilled horizontally from a from a surface location in the NE/4NW/4 (Lot 3) of Section 6 to a standard bottom hole location in the SW/4SW/4 (Lot 4) of Section 7;
- **The Width CC 6-7 Federal Com No. 12H Well**, which will be drilled horizontally from a from a surface location in the NE/4NW/4 (Lot 3) of Section 6 to a standard bottom hole location in the SE/4SW/4 (Unit N) of Section 7;
- **The Length CC 6-7 Federal Com No. 21H Well**, which will be horizontally drilled from a surface location in the NW/4NW/4 (Lot 4) of Section 6 to bottom hole location in the SW/4SW/4 (Lot 4) of Section 7;
- **The Length CC 6-7 Federal Com No. 22H Well**, which will be horizontally drilled from a surface location in the NW/4NW/4 (Lot 4) of Section 6 to bottom hole location in the SW/4SW/4 (Lot 4) of Section 7;
- **The Length CC 6-7 Federal Com No. 23H Well**, which will be drilled horizontally from a from a surface location in the NE/4NW/4 (Lot 3) of Section 6 to a standard bottom hole location in the SE/4SW/4 (Unit N) of Section 7.

The horizontal spacing unit includes the adjacent proximity tracts. Incorporating the proximity tracts, the completed interval for each well will comply with Statewide setback requirements. Also to be considered will be the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of OXY USA Inc. as operator, and a 200% charge for risk involved in drilling and completing the well. Said area is located approximately 3 miles west of northeast of Malaga, New Mexico.