

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

**APPLICATION OF OXY USA INC FOR
APPROVAL OF 1,278.62-ACRE NON-STANDARD
SPACING UNIT IN THE BONE SPRING FORMATION
COMPRISED OF ACREAGE SUBJECT TO PROPOSED
COMMUNITIZATION AGREEMENTS,
EDDY COUNTY, NEW MEXICO.**

**CASE NO. 21540
ORDER NO. R-21606**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on December 3, 2020, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. OXY USA INC (“Oxy”) filed an application (“Application”) seeking approval of a 1,278.62-acre non-standard horizontal spacing unit for production from all Division-designated pools in the Bone Spring formation underlying all of Sections 3 and 10, Township 24 South, Range 29 East, NMPM Eddy County, New Mexico (“Spacing Unit”). The Spacing Unit will be initially dedicated to the following horizontal wells in the Bone Spring formation (“Wells”):
 - Tails CC 10_3 Federal Com #21H well (30-015-pending)
 - Tails CC 10_3 Federal Com #22H well (30-015-pending)
 - Tails CC 10_3 Federal Com #24H well (30-015-pending)
 - Tails CC 10_3 Federal Com #25H well (30-015-pending)
 - Tails CC 10_3 Federal Com #26H well (30-015-pending)
2. The Wells will be or have been drilled and completed in the Pierce Crossing; Bone Spring, East Pool (Pool Code 96473).
3. Oxy appeared at hearing and presented evidence by affidavit.
4. The Spacing Unit is comprised of the following five (5) leases:
 - Federal Lease NMNM-053373 containing Section 3: S/2 S/2
 - Federal Lease NMNM-081616 containing Section 10: N/2 & SE/4
 - Federal Lease NMNM-059385 containing Section 3: N/2 S/2
 - Federal Lease NMNM-085891 containing Section 3: Lots 1, 2, 3 & 4 & S/2 N/2
 - Private Lease 63021514 containing Section 10: SW/4

5. Oxy is the designated operator under a Joint Operating Agreement covering federal leases.
6. The Bureau of Land Management (“BLM”) informed Oxy that it will approve a communitization agreement for the Bone Spring formation.
7. Oxy will consolidate facilities and commingling production from existing and future wells in the Spacing Unit to minimize surface disturbance.
8. The Wells will efficiently and effectively develop the Spacing Unit and will result in significant efficiencies due to the ability to consolidate surface facilities.
9. Oxy gave notice of the Application to operators and lessees, in the Spacing Unit, all affected parties in the tracts that adjoin the Spacing Unit, and BLM.
10. Oxy published notice of the Application and hearing in a newspaper of general circulation in Eddy County, New Mexico.
11. No other party appeared at the hearing or opposed granting the Application.

CONCLUSIONS OF LAW

12. OCD has jurisdiction to issue this Order pursuant to Section 70-2-18(C), NMSA 1978.
13. Oxy has met the notice requirements for approval of non-standard horizontal spacing units in accordance with 19.15.16.15(B)(5) NMAC.
14. OCD’s rules allow the approval of a non-standard horizontal spacing unit, after notice and opportunity for hearing, “if necessary to prevent waste or protect correlative rights” 19.15.16.15(B)(5)(a) NMAC.
15. Approval of the Spacing Unit promotes effective well spacing and allows Oxy to reduce surface disturbance, efficiently locate surface facilities, and reduce development costs, and therefore prevents waste and protects correlative rights.

ORDER

16. The Application to create a 1,278.62-acre non-standard horizontal spacing unit for production from all Division-designated pools in the Bone Spring formation underlying all of Section 3 and 10, Township 24 South, Range 29 East, NMPM Eddy County, New Mexico **is hereby approved.**
17. Oxy shall file amended Forms C-102 reflecting the correct acreage dedicated for each of the Wells.

18. OCD retains jurisdiction of this case for entry of such further orders as the Division may deem necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



**ADRIENNE SANDOVAL
DIRECTOR**

AES/jag

Date: 2/11/2021