

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

**APPLICATION OF CHEVRON U.S.A. INC.
FOR A HORIZONTAL SPACING UNIT
AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

Case No. _____

APPLICATION

Chevron U.S.A. Inc. (“Chevron”), OGRID No. 4323, through its undersigned attorneys, hereby files this Application with the Oil Conservation Division (“Division”) pursuant to the provisions of NMSA 1978, § 70-2-17, for an order (1) establishing a standard 640-acre, more or less, spacing and proration unit comprised of the W/2 of Sections 14 and 23, Township 24 South, Range 31 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted mineral interests in the Bone Spring formation (COTTON DRAW; BONE SPRING [Pool Code 13367]), underlying said unit.

In support of its Application, Chevron states the following:

1. Chevron is a working interest owner in the proposed horizontal spacing and proration unit (“HSU”) and has a right to drill a well thereon.
2. Chevron seeks to dedicate the HSU to its **SND 14-23 Fed Com 001 P26 226H Well**, an oil well, proposed to be horizontally drilled from a surface location in SW/4 SW/4 (Unit M) of Section 11, Township 24 South, Range 31 East to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 23. The **SND 14-23 Fed Com 001 P26 226H Well** is the Defining Well for the HSU.

3. Chevron also proposes two infill wells for the HSU as described in Paragraphs 4 and 5, below.

4. Chevron proposes the **SND 14-23 Fed Com 001 P26 225H Well**, an infill oil well, to be horizontally drilled from a surface location in SW/4 SW/4 (Unit M) of Section 11 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 23.

5. Chevron proposes the **SND 14-23 Fed Com 001 P26 227H Well**, an infill oil well, to be horizontally drilled from a surface location in SW/4 SW/4 (Unit M) of Section 11 to a bottom hole location in the SE/4 SW/4 (Unit N) of Section 23.

6. The completed intervals and first and last take points for all wells proposed in the HSU meet the setback requirements set forth in the Division's statewide rules and regulations for horizontal oil wells. Chevron will incorporate proximity tracts, pursuant to 19.15.16.15(B)(1)(b) NMAC, into its HSU, such that the completed interval for the wells will adhere to requirements of the statewide rules. Take points of Well 226H will be located (66 ft from the midsection of the W/2) to allow for proximity tracts.

7. Since production of the wells will be managed by a single well pad, Chevron plans to apply administratively for approval of surface commingling in the event such provisions are needed.

8. Chevron has sought in good faith, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the wells or in the commitment of their interests to the wells for their development within the proposed HSU.

9. The pooling of all interests in the Bone Spring formation within the proposed HSU, and creation of the spacing unit, will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights.

10. In order to provide for its just and fair share of the oil and gas underlying the subject lands, Chevron requests that all uncommitted interests in this HSU be pooled and that Chevron be designated the operator of the proposed horizontal wells and HSU.

11. Chevron reserves the right to add additional wells to the HSU when and if deemed necessary by Chevron for the proper development of the HSU and its resources.

12. Since Chevron will be drilling and completing this well as part of a simultaneous drilling program, Chevron requests that it be allowed to commence drilling the initial well at any time within one year after the date of the Order, with the option to complete the well any time within one year after the commencement of drilling.

WHEREFORE, Chevron requests that this Application be set for hearing before an Examiner of the Oil Conservation Division on October 8, 2020, and after notice and hearing as required by law, the Division enter an order:

A. Approving the creation of a standard 640-acre, more or less, spacing and proration unit comprising the W/2 of Sections 14 and 23, Township 24 South, Range 31 East, NMPM, Eddy County, New Mexico;

B. Pooling all uncommitted mineral interests in the Bone Spring formation (COTTON DRAW; BONE SPRING [Pool Code 13367]) underlying the proposed HSU;

C. Approving the three proposed wells in the HSU;

D. Designating Chevron as operator of this HSU and the horizontal wells to be drilled thereon;

E. Authorizing Chevron to recover its costs of drilling, equipping and completing these wells;

F. Approving actual operating charges and costs of supervision, to the maximum extent allowable, while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures;

G. Setting a 200% charge for the risk assumed by Chevron in drilling and completing the wells in the event a working interest owner elects not to participate in the wells;

H. Allowing the application for surface commingling to be submitted administratively; and

I. Allowing the commencement of drilling the initial well any time within one year after the date of the Order and completing the well any time within one year after commencement of drilling.

Respectfully submitted,

ABADIE & SCHILL, PC

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Application of Chevron U.S.A. Inc. for a Horizontal Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order from the Division: (1) establishing a standard 640-acre, more or less, horizontal spacing and proration unit comprised of the W/2 of Sections 14 and 23, Township 24 South, Range 31 East, NMPM, Eddy County, New Mexico, and (2) pooling all mineral interests in the Bone Spring formation (COTTON DRAW; BONE SPRING [Pool Code 13367]) underlying the unit. Said horizontal spacing unit is to be dedicated to the **SND 14-23 Fed Com 001 P26 226H Well**, an oil well, proposed to be horizontally drilled from a surface location in SW/4 SW/4 (Unit M) of Section 11, Township 24 South, Range 31 East to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 23. The **SND 14-23 Fed Com 001 P26 226H Well** is the Defining Well for the HSU. Applicant also proposes the **SND 14-23 Fed Com 001 P26 225H Well**, an infill oil well, to be horizontally drilled from a surface location in SW/4 SW/4 (Unit M) of Section 11 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 23, and proposes the **SND 14-23 Fed Com 001 P26 227H Well**, an infill oil well, to be horizontally drilled from a surface location in SW/4 SW/4 (Unit M) of Section 11 to a bottom hole location in the SE/4 SW/4 (Unit N) of Section 23. Approval of surface commingling will be applied for administratively. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof; actual operating costs and charges for supervision; the designation of the Applicant as Operator of the wells and unit; and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 15 1/2 miles north of the New Mexico state line, and approximately 18 miles east of Loving, New Mexico.