

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

**APPLICATION OF CHEVRON U.S.A.
INC. FOR AN OVERLAPPING
SPACING UNIT IN THE BONE
SPRING FORMATION AND
COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

Chevron U.S.A. Inc. ("Chevron" or "Applicant") (OGRID No. 4323), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M.S.A. 1978, § 70-2-17, for an order (1) approving a 640-acre, more or less, overlapping spacing unit in the Bone Spring formation, and (2) pooling all uncommitted interests in the Third Bone Spring interval of the Bone Spring formation, from a depth of 9,227 feet to the base of the Bone Spring formation at a depth of 9,541, underlying the E/2 of Sections 26 and 35, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico. In support of its application, Chevron states:

1. Applicant is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.
2. Applicant seeks to dedicate the above-referenced horizontal spacing unit to the proposed initial **CB TANO 26 35 FEE 11 301H Well**, to be horizontally drilled from a surface hole location in the NE/4 NE/4 (Unit A) of Section 26 to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 35.

3. The completed interval for the proposed **CB TANO 26 35 FEE 11 301H Well** will be within 330' of the quarter-quarter line separating the W/2 E/2 and the E/2 E/2 of Sections 26 and 35 to allow inclusion of this acreage into a standard 640-acre horizontal well spacing unit.

4. Applicant requests approval of this standard horizontal spacing unit which will overlap two existing 160-acre horizontal spacing units in the Culebra Bluff; Bone Spring, South Pool (Pool Code 15011) approved under Division Orders R-13750 and R-13773. Division Order R-13750 approved a horizontal spacing unit comprised of the E/2 E/2 of Section 35 and Division Order R-13773 approved a horizontal spacing unit that is comprised of the W/2 E/2 of Section 35 for the entire Bone Spring formation.

5. The existing Bone Spring E/2 E/2 spacing unit is currently dedicated to the **Layla 35 PA 001H well** (API No. 30-015-40967) completed in the Second Bone Spring interval of the Bone Spring formation. The existing W/2 E/2 spacing unit is currently dedicated to the **Layla 35 OB 001H well** (API No. 30-015-40968) completed in the Second Bone Spring interval of the Bone Spring formation.

6. Accordingly, Chevron seeks to pool only a portion of the Bone Spring formation from the stratigraphic equivalent of the top of the Third Bone Spring formation, at a true vertical depth of 9,227 feet, to the base of the Bone Spring formation, at a true vertical depth of 9,541 feet as encountered in the Pardue Farms Gas Com 001 well in Section 26, Township 23 South, Range 28 East, N.M.P.M., Eddy County, New Mexico (API #30-015-22452).

7. Chevron's proposed two-mile overlapping horizontal spacing unit will efficiently and effectively develop the Third Bone Spring interval underlying the E/2 of Sections 26 and 35.

8. Notice of this application will be provided to all "affected persons" in the existing and proposed overlapping horizontal spacing units.

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

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

11. In order to permit Applicant 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 Applicant should be designated the operator of the proposed horizontal well and spacing unit.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 5, 2020, and, after notice and hearing as required by law, the Division enter an order:

- A. Approving an overlapping 640-acre horizontal spacing unit in the Third Bone Spring interval of the Bone Spring formation;
- B. Pooling all uncommitted interests in the Third Bone Spring interval of the Bone Spring formation underlying the proposed spacing unit;
- C. Approving the initial well in the horizontal well spacing unit;
- D. Designating Applicant as operator of the horizontal spacing unit and the horizontal well to be drilled thereon;
- E. Authorizing Applicant to recover its costs of drilling, equipping and completing the well;

- F. 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
- G. Imposing a 200% charge for the risk assumed by Applicant 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 CHEVRON U.S.A. INC

CASE _____: **Application of Chevron Production Company for an overlapping horizontal spacing unit in the Bone Spring formation and compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order (1) approving a 640-acre, more or less, overlapping spacing unit in the Bone Spring formation, and (2) pooling all uncommitted interests in the Third Bone Spring interval of the Bone Spring formation, from a depth of 9,227 feet to the base of the Bone Spring formation at a depth of 9,541 feet, underlying the E/2 of Sections 26 and 35, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico. The above-referenced unit will be dedicated to the proposed initial **CB TANO 26 35 FEE 11 301H Well**, to be horizontally drilled from a surface hole location in the NE/4 NE/4 (Unit A) of Section 26 to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 35. The completed interval for the proposed **CB TANO 26 35 FEE 11 301H Well** will be within 330' of the quarter-quarter line separating the W/2 E/2 and the E/2 E/2 of Sections 26 and 35 to allow inclusion of this acreage into a standard 640-acre horizontal well spacing unit. The proposed 640-acre standard horizontal spacing unit will overlap two existing 160-acre horizontal spacing units in the Culebra Bluff; Bone Spring, South Pool (Pool Code 15011) approved under Division Orders R-13750 and R-13773, which are currently dedicated to the Layla 35 PA 001H well (API No. 30-015-40967), and the Layla 35 OB 001H well (API No. 30-015-40968). Also, to be considered will be the cost of drilling and completing the wells, the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator, and a 200% charge for risk involved in drilling and completing the well. Said area is located approximately 3 miles southeast of Loving, New Mexico.