

**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 WOLFCAMP  
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 Wolfcamp formation (Purple Sage; Wolfcamp (Gas) Pool), and (2) pooling all uncommitted interests in the Upper Wolfcamp interval of the Wolfcamp formation, from a depth of 9,227 feet, to the base of the Wolfcamp C formation, at a depth of 10,541 feet, 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 following proposed wells:
  - The **CB TANO 26 35 FEE 11 401H 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; and

- The **CB TANO 26 35 FEE 11 402H Well** and the **CB TANO 26 35 FEE 11 403H Well**, both are to be horizontally drilled from surface hole locations in the NE/4 NE/4 (Unit A) of Section 26 to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 35.

3. Pursuant to the Special Rules for the Purple Sage; Wolfcamp (Gas) Pool (Pool Code 98220), the completed interval for each of these proposed initial wells will comply with the 330-foot setback requirement.

4. Applicant requests approval of this standard horizontal spacing unit which will overlap an existing 320-acre horizontal spacing unit in the Purple Sage; Wolfcamp (Gas) Pool approved under Division Order R-13872 comprised of the E/2 of Section 35. This existing spacing unit is currently dedicated to the **Layla 35 W2OB 3H well** (API No. 30-015-42407), completed in the lower Wolfcamp D interval of the Wolfcamp formation.

5. Accordingly, Chevron seeks to pool only the Upper Wolfcamp interval from the top of the Wolfcamp formation at a true vertical depth of 9,227 feet, to the base of the Wolfcamp C formation, at a true vertical depth of 10,541 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).

6. Chevron's proposed two-mile overlapping horizontal spacing unit will efficiently and effectively develop the Upper Wolfcamp interval underlying the E/2 of Section 35.

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

8. 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.

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

10. 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 these proposed horizontal wells and spacing unit.

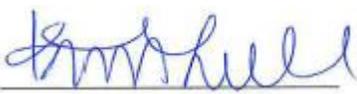
WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 5, 2020, and, after notice and hearing as required by law, the Division enter an order:

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

- 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 wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

HOLLAND & HART LLP

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