

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

**APPLICATION OF CHEVRON U.S.A.
INC. FOR COMPULSORY POOLING,
AND NOTICE OF PARTIALLY OVERLAPPING UNIT,
LEA 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 NMSA 1978, § 70-2-17, for an order pooling all uncommitted interests in the Bone Spring formation underlying a 320-acre, more or less, standard horizontal spacing unit comprised of the E/2E/2 of Sections 18 and 19, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico. In support of this application, Chevron states:

1. Chevron is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.
2. Chevron seeks to dedicate the E/2E/2 of Sections 18 and 19, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico to form a 320-acre, more or less, Bone Spring horizontal spacing unit.
3. Chevron plans to drill the following proposed wells to a depth sufficient to test the Bone Spring formation:
 - **SD 18 19 Federal Com 425H well** to be drilled from a surface location in NW/4 NE/4 of Section 18 (Unit B) to a bottom hole location in SE/4 SE/4 of Section 19 (Unit P).
 - **SD 18 19 Federal Com 426H well** to be drilled from a surface location in NW/4 NE/4 of Section 18 (Unit B) to a bottom hole location in SE/4 SE/4 of Section 19 (Unit P).

4. The wells will be horizontally drilled.
5. The completed interval for the **SD 18 19 Federal Com 425H** well is expected to be less than 330 feet from the adjoining tracts. Chevron intends to submit a non-standard location application for administrative approval.
6. There is an existing well within the proposed spacing unit, the SD EA 18 19 Fed Com P15 20H well, which is a one-mile well in Section 19. This well was the subject of Case No. 16113.
7. Chevron sought, but has been unable to obtain, a voluntary agreement from all interest owners in the Bone Spring formation underlying the proposed spacing unit to participate in the drilling of the wells or to otherwise commit their interests to the wells.
8. The pooling of interests in the proposed horizontal well spacing unit will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

WHEREFORE, Chevron requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 4, 2023, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the Bone Spring formation underlying a horizontal spacing unit comprised of the E/2E/2 of Sections 18 and 19, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico;
- B. Designating Chevron as the operator of the horizontal spacing unit and the wells to be drilled thereon;
- C. Authorizing Chevron to recover its costs of drilling, equipping and completing the wells;

D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and

E. Imposing a 200% charge for the risk assumed by Chevron in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of wells.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.

By: /s/ Earl E. DeBrine, Jr.

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CASE NO. _____: Application of Chevron U.S.A. Inc. for compulsory pooling, and notice of partially overlapping unit, Lea County, New Mexico. Chevron U.S.A. Inc. seeks an order from the Division pooling all uncommitted mineral interest owners within a 320-acre Bone Spring horizontal spacing unit underlying the E/2E/2 of Sections 18 and 19, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico. The unit will be dedicated to the **SD 18 19 Federal Com 425H** and **SD 18 19 Federal Com 426H** wells, to be horizontally drilled. The completed interval for the **SD 18 19 Federal Com 425H** well is expected to be less than 330 feet from the adjoining tracts. Chevron intends to submit a non-standard location application for administrative approval. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Chevron U.S.A Inc. as operator of the wells, a 200% charge for the risk involved in drilling and completing the wells. Said area is located approximately 25 miles west of Jal, New Mexico.