

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

**APPLICATIONS OF CHEVRON U.S.A. INC.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

**CASE NOS. 21240, 21241, 21244,
& 21245**

CHEVRON'S AMENDED PRE-HEARING STATEMENT

Chevron U.S.A. Inc. ("Chevron" or "Applicant") (OGRID No. 4323) provides this amended pre-hearing statement for the above-referenced cases as required by the rules of the New Mexico Oil Conservation Division ("Division").

APPEARANCES

APPLICANT

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INTERESTED PARTY

EOG Resources, Inc.

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STATEMENT OF THE CASES

Case No. 21240

In **Case No. 21240**, Applicant seeks an order pooling all uncommitted interests in the **Bone Spring** formation (Lower Avalon: Red Tank; Bone Spring East and TBS: WC-025 G-06 S213326D; Bone Spring) underlying a standard 640-acre, more or less, horizontal spacing unit comprised of the E/2 of Section 3 and E/2 of Section 10, Township 22 South, Range 33 East, Lea County, New Mexico, N.M.P.M. Applicant seeks to dedicate the above-referenced horizontal spacing unit to the following four proposed initial wells, all of which will be horizontally drilled from a common surface location in the SW/4SE/4 (Unit O) of Section 10. The bottom hole location of the **DL 10 3 Morag Fed Com 210H** well will be in the NW/4NE/4 (Unit B) and the bottom hole location of the **DL 10 3 Morag Fed Com 211H** well, the **DL 10 3 Morag Fed Com 212H** well and the **DL 10 3 Morag Fed Com 506H** well will be in the NE/4NE/4 (Unit A) of Section 3. The completed intervals of these wells will comply with statewide setbacks.

As part of a final order of the Division, Chevron requests that the Division, among other things, authorize Chevron to recover its costs of drilling, equipping and completing the initial wells, approve the actual operating costs associated with the initial wells, grant an extension of the 120-day period for drilling and completing the initial wells, and impose a 200% charge for the risk assumed by Chevron in drilling and completing the initial wells against any working interest owner who does not voluntarily participate in the drilling and completion of the initial wells.

Case No. 21241

In **Case No. 21241**, Applicant seeks an order pooling all uncommitted interests in the **Wolfcamp** formation (WCA: WC-025 G-10 S213328O) underlying a standard 640-acre, more or

less, horizontal spacing unit comprised of the E/2 of Section 3 and E/2 of Section 10, Township 22 South, Range 33 East, Lea County, New Mexico, N.M.P.M. Applicant seeks to dedicate the above-referenced horizontal spacing unit to the following three proposed initial wells, all of which will be horizontally drilled from a common surface location in the SW/4SE/4 (Unit O) of Section 10. The bottom hole locations of the **DL 10 3 Morag Fed Com 610H** well and the **DL 10 3 Morag Fed Com 611H** will be in the NW/4NE/4 (Unit B) of Section 3, and the bottom hole location of the **DL 10 3 Morag Fed Com 612H** well will be in the NE/4NE/4 (Unit A) of Section 3. The completed intervals of all wells will comply with statewide setbacks.

As part of a final order of the Division, Chevron requests that the Division, among other things, authorize Chevron to recover its costs of drilling, equipping and completing the initial wells, approve the actual operating costs associated with the initial wells, grant an extension of the 120-day period for drilling and completing the initial wells, and impose a 200% charge for the risk assumed by Chevron in drilling and completing the initial wells against any working interest owner who does not voluntarily participate in the drilling and completion of the initial wells.

Case No. 21244

In **Case No. 21244**, Applicant seeks an order (1) pooling all uncommitted interests in the **Bone Spring** formation (Lower Avalon: Red Tank; Bone Spring East and TBS: WC-025 G-06 S213326D; Bone Spring) underlying a standard 640-acre, more or less, horizontal spacing unit comprised of the W/2 of Section 3 and W/2 of Section 10, Township 22 South, Range 33 East, Lea County, New Mexico, N.M.P.M., and (2) approving a non-standard location for one of the initial wells, the **DL 10 3 Morag Fed Com 505H** well. Applicant seeks to dedicate the above-referenced horizontal spacing unit to the following five proposed initial wells:

- **DL 10 3 Kraken Fed Com 207H** well to be drilled from a surface hole location in the SE/4SW/4 (Unit N) of Section 10 to a bottom hole location in the NW/4NW/4 (Unit D) of Section 3.
- **DL 10 3 Kraken Fed Com 208H** well to be drilled from a surface hole location in the SE/4SW/4 (Unit N) of Section 10 to a bottom hole location in the NW/4NW/4 (Unit D) of Section 3.
- **DL 10 3 Kraken Fed Com 209H** well to be drilled from a surface location in the SE/4SW/4 (Unit N) of Section 10 to a bottom hole location in the NE/4NW/4 of Section 3.
- **DL 10 3 Kraken Fed Com 504H** well to be drilled from a surface location in the SW/4SE/4 (Unit O) of Section 10 to a bottom hole location in the NW/4NW/4 (Unit D) of Section 3.
- **DL 10 3 Morag Fed Com 505H** well to be drilled from a surface location in the SW/4SE/4 (Unit O) of Section 10 to a bottom hole location in the NE/4NW/4 of Section 3. The completed interval of this well will be at an unorthodox location 78 feet from the east boundary of the proposed spacing unit, thereby encroaching on the acreage to the east of the proposed spacing unit. The last take points of the completed interval to the north and south will be orthodox.

With the exception of the **DL 10 3 Morag Fed Com 505H** well, the completed intervals of these wells will comply with statewide setbacks.

As part of a final order of the Division, Chevron requests that the Division, among other things, authorize Chevron to recover its costs of drilling, equipping and completing the initial wells, approve the actual operating costs associated with the initial wells, grant an extension of the 120-day period for drilling and completing the initial wells, and impose a 200% charge for the risk assumed by Chevron in drilling and completing the initial wells against any working interest owner who does not voluntarily participate in the drilling and completion of the initial wells. Chevron further requests the Division approve the unorthodox location of the **DL 10 3 Morag Fed Com 505H** well.

Case No. 21245

In **Case No. 21245**, Applicant seeks an order pooling all uncommitted interests in the **Wolfcamp** formation (WCA: WC-025 G-10 S213328O) underlying a standard 640-acre, more or less, horizontal spacing unit comprised of the W/2 of Section 3 and W/2 of Section 10, Township

22 South, Range 33 East, Lea County, New Mexico, N.M.P.M. Applicant seeks to dedicate the above-referenced horizontal spacing unit to the following three proposed initial wells, all of which will be horizontally drilled from a common surface location in the SE/4SW/4 (Unit N) of Section 10. The bottom hole locations of the **DL 10 3 Kraken Fed Com 607H** well and the **DL 10 3 Kraken Fed Com 608H** will be in the NW/4NW/4 (Unit D) of Section 3, and the bottom hole location of the **DL 10 3 Kraken Fed Com 609H** well will be in the NE/4NW/4 (Unit C) of Section 3. The completed intervals of all wells will comply with statewide setbacks.

As part of a final order of the Division, Chevron requests that the Division, among other things, authorize Chevron to recover its costs of drilling, equipping and completing the initial wells, approve the actual operating costs associated with the initial wells, grant an extension of the 120-day period for drilling and completing the initial wells, and impose a 200% charge for the risk assumed by Chevron in drilling and completing the initial wells against any working interest owner who does not voluntarily participate in the drilling and completion of the initial wells.

Under the current rules of the Division, all of the proposed spacing and proration units are standard horizontal spacing and proration units. The completed intervals for all of the proposed wells will be orthodox with the exception of the **DL 10 3 Morag Fed Com 505H** well in Case No. 21244. Chevron has properly noticed all interest owners and affected parties of the respective applications pursuant to NMAC 19.15.4.12.A.(1). Chevron has made a good faith effort but has been unable to obtain voluntary agreement for the development of the respective lands from all interest owners within the horizontal spacing units. Chevron will present evidence and testimony demonstrating that the pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

PROPOSED EVIDENCE

Chevron U.S.A. Inc.

<u>WITNESS</u>	<u>ESTIMATED TIME</u>	<u>EXHIBITS</u>
Shalyce Holmes Landman	Affidavit	Approx. 21
Sarah Wright Geologist	Affidavit	Approx. 11
Gerardo Jimenez Petroleum Engineer	Affidavit	Approx. 6

EOG Resources, Inc.

<u>WITNESS</u>	<u>ESTIMATED TIME</u>	<u>EXHIBITS</u>
None anticipated		

PROCEDURAL MATTERS

The above-referenced cases will be consolidated for hearing. Entries of Appearance have been filed by EOG Resources, Inc. (“EOG”), Antelope Energy Company, LLC (“Antelope”), Michael L and Patricia S. Stewart (“Stewarts”), Helms Oil & Gas LLC (“Helms”), JAFT Investments, LLC (“JAFT”), and Patrick K. and Shelly R. Worrell (“Worrells”). EOG, however, is the only party with an interest in the application lands at issue in Case Nos. 21240, 21241, 21244 and 21245.

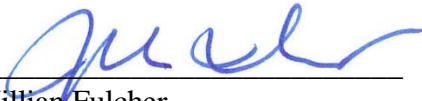
On June 19, 2020, the Division issued an Amended Prehearing Order governing, among other things, the prehearing deadlines and procedures governing the above-captioned cases, and scheduling the above-captioned cases for a contested hearing on July 9, 2020. On July 1, 2020, Chevron requested the Amended Prehearing Order be vacated as to Case Nos. 21240, 21241, 21244 and 21245, based on the impending settlement between Chevron and EOG. Further,

Chevron requested that Case Nos. 21240, 21241, 21244 and 21245 be presented by affidavit, because EOG no longer opposed the respective applications. On July 2, 2020, the Division issued an order vacating the Amended Prehearing Order as to Case Nos. 21240, 21241, 21244 and 21245, along with the July 9, 2020 hearing, and authorized the above-referenced cases to be presented by affidavit on July 9, 2020.

At this time, Chevron does not anticipate any opposition to the above-referenced cases and intends to present these cases by affidavit.

Respectfully submitted,

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ATTORNEYS FOR CHEVRON U.S.A. INC.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on the Division and counsel of record by electronic mail on July 2, 2020.

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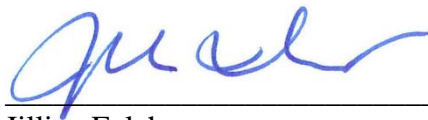
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