

**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. 21499

**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. 21500

MOTION TO STAY MEWBOURNE’S COMPETING DRILLING PERMITS

Chevron U.S.A. Inc. (“Chevron”), the applicant in these pending pooling applications, moves the Director pursuant to NMAC 19.15.4.23.B and NMSA 1978, §70-2-11 to stay the permits to drilled approved by the Division for Mewbourne’s competing horizontal wells. In support of this motion, Chevron states:

1. On August 21, 2020, Chevron proposed to Mewbourne the drilling of the following Third Bone Spring well and three Upper Wolfcamp wells in the E/2 of Sections 26 and 35, Township 23 South, Range 28 East, N.M.P.M., Eddy County, New Mexico:

- CB Tano No. 26 35 Fee 11 301H
- CB Tano No. 26 35 Fee 11 401H
- CB Tano No. 26 35 Fee 11 402H
- CB Tano No. 26 35 Fee 11 403H

2. Chevron's proposed two-mile standup wells will be simultaneously drilled and completed in the Third Bone Spring and Upper Wolfcamp intervals to avoid depletion effects seen in this area from independently developing these adjacent producing intervals.

3. On August 26, 2020, Mewbourne responded to Chevron's proposed two-mile development plan by proposing to drill the following one-mile standup wells in the Wolfcamp formation under an existing Joint Operating Agreement covering the E/2 of Section 15:

- Layla 35 W0OB Fee #1H (API No. 30-015-47467)
- Layla 35 W0OB Fee #2H (API No. 30-015-47466)
- Layla 35 W0PA Fee #1H (API No. 30-015-47468)

4. On September 22, 2020, Mewbourne filed drilling permits for its proposed Layla wells, which the Division approved on September 24, 2020.

5. Mewbourne has recently informed Chevron that it intends to commence drilling the proposed one-mile Layla wells "in approximately 45 days" despite the existing pooling applications for Chevron's competing two-mile wells.

6. Chevron has filed applications with the Division to pool the Third Bone Spring interval for the proposed Tano 301H (Case No. 21499) and to pool the Upper Wolfcamp interval for the proposed Tano 401H, 402H and 403H wells (Case No. 21500). These pooling applications are on the November 5th Division Hearing Docket.

7. The Division has observed that in the Bone Spring and Wolfcamp formations, horizontal wells extending beyond one-mile are generally more effective because "increased lengths can have a production and economic advantage and thereby prevent waste and protect correlative rights." *See* R-20233 at p. 11, ¶ (40). The Division has further found:

In addition to increased production of oil and gas, wells drilled and completed at two-mile lengths have advantages over one-mile long wells including reduced surface disturbance,

half the need to drill overburden rocks, half the otherwise pumping equipment, separation, power lines, tanks and pipeline hookups.

See R-20233 at p. 11, ¶ (40).

8. Mewbourne's proposed Layla wells not only fail to take advantage of the efficiencies associated with two-mile horizontal wells, but do not include simultaneous development of the Third Bone Spring interval, which will be adversely affected by the proposed one-mile Wolfcamp wells.

9. Chevron will show at the pooling hearing that its proposed two-mile Tano wells in the Third Bone Spring and Upper Wolfcamp intervals is a more prudent and effective development plan than Mewbourne's proposed one-mile wells in the Upper Wolfcamp interval.

10. To avoid the drilling of ineffective and inefficient horizontal wells, to avoid unnecessary surface disturbances, prevent waste, protect correlative rights and avoid gross negative consequences to Chevron and other affected working interest owners, the Division should stay the Layla drilling permits until such time as the Division is able to examine the competing development plans. *See, e.g.*, Order R-20315 (staying drilling under Division pooling orders pending a de novo review "to protect the status quo, prevent waste and protect correlative rights."); Order R-14484 (staying drilling of an SWD well pending a hearing on challenges to the issuance of the administrative SWD permit).

11. Pursuant to Division Rule 19.15.4.23(B) NMAC, a proposed order is attached hereto.

WHEREFORE, Chevron respectfully request that the Director issue an order staying the drilling permits for the Layla 35 W00B Fee #1H (API No. 30-015-47467), the Layla 35 W00B Fee #2H (API No. 30-015-47466) and the Layla 35 W0PA Fee #1H

(API No. 30-015-47468) pending a hearing and decision on Chevron's pooling applications in these matters.

Respectfully submitted,

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ATTORNEYS FOR CHEVRON U.S.A. INC.

CERTIFICATE OF SERVICE

I hereby certify that on October 7, 2020, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

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Michael H. Feldewert

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CASE NO. 21500

STAY ORDER

This matter has come before the Division Director pursuant to Rule 19.15.4.23(B) NMAC and NMSA 1978, §70-2-11 on Chevron's motion to stay the drilling permits approved by the Division for Mewbourne's competing horizontal wells. Having reviewed the motion, the Director finds and concludes that:

1. Chevron has filed applications with the Division to pool the Third Bone Spring interval for the proposed Tano 301H (Case No. 21499) and to pool the Upper Wolfcamp interval for the proposed Tano 401H, 402H and 403H wells (Case No. 21500).
2. These two-mile proposed wells seek to simultaneously develop the Third Bone Spring interval and the Upper Wolfcamp interval underlying the E/2 of Sections 26 and 35, Township 23 South, Range 28 East, N.M.P.M., Eddy County, New Mexico.

3. Chevron's pooling applications are currently set for hearing on the November 5th Division Hearing Docket.

4. Mewbourne has recently filed and received drilling permits from the Division for the following one-mile wells to be drilled in the Upper Wolfcamp interval underlying the E/2 of Section 35:

- Layla 35 W0OB Fee #1H (API No. 30-015-47467)
- Layla 35 W0OB Fee #2H (API No. 30-015-47466)
- Layla 35 W0PA Fee #1H (API No. 30-015-47468)

5. Mewbourne's proposed Layla wells directly compete and interfere with Chevron's proposed development plan for the E/2 of Sections 26 and 35.

6. Mewbourne has informed Chevron that under an existing Joint Operating Agreement covering the E/2 of Section 15, Mewbourne intends to commence drilling the proposed one-mile Layla wells despite Chevron's pooling applications for the competing two-mile wells.

7. Chevron intends to show at the pooling hearing that its proposed two-mile Tano wells in the Third Bone Spring and Upper Wolfcamp intervals are a more prudent and effective development plan than Mewbourne's proposed one-mile wells in the Upper Wolfcamp interval.

8. The Director finds that a stay of the drilling permits for the Mewbourne Layla wells until a hearing is held on Chevron's pooling applications is necessary to prevent gross negative consequences to Chevron and other affected mineral owners, and that consideration of Chevron's competing development plan is appropriate to protect correlative rights and to prevent waste.

IT IS THEREFORE ORDERED THAT the drilling permits for the Layla 35 W0OB Fee #1H (API No. 30-015-47467), the Layla 35 W0OB Fee #2H (API No. 30-015-47466) and the Layla 35 W0PA Fee #1H (API No. 30-015-47468) are hereby

STAYED pending a hearing and decision on Chevron's pooling applications under these matters.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

ADRIENNE SANDOVAL
Director

DATE: _____, 2020