

**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING MAY 25, 2017**

CASE No. 15692

SD WE 24 FED P24 No. 6H WELL

-AND-

SD WE 24 FED P24 No. 7H WELL

LEA COUNTY, NEW MEXICO



District I
1625 N French Dr Hobbs, NM 88240
Phone (575) 393-6161 Fax (575) 393-0720
District II
811 S First St. Artesa NM 88210
Phone (575) 748 1283 Fax (575) 748 9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone (505) 334-6178 Fax (505) 334 6178
District IV
1230 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 476-3460 Fax (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

MAR 09 2017

RECEIVED

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-47673	Well Code 97955	Well Name WC-025 G-06 5263319P; B5
Property Code 317518	Property Name SD WE 24 FED P24	Well Number 6H
GRID No. 4323	Operator Name CHEVRON U.S.A. INC.	Elevation 3137'

Surface Location

UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	24	26 SOUTH	32 EAST, N.M.P.M.		200'	SOUTH	1210'	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	13	26 SOUTH	32 EAST, N.M.P.M.		180'	NORTH	1265'	EAST	LEA

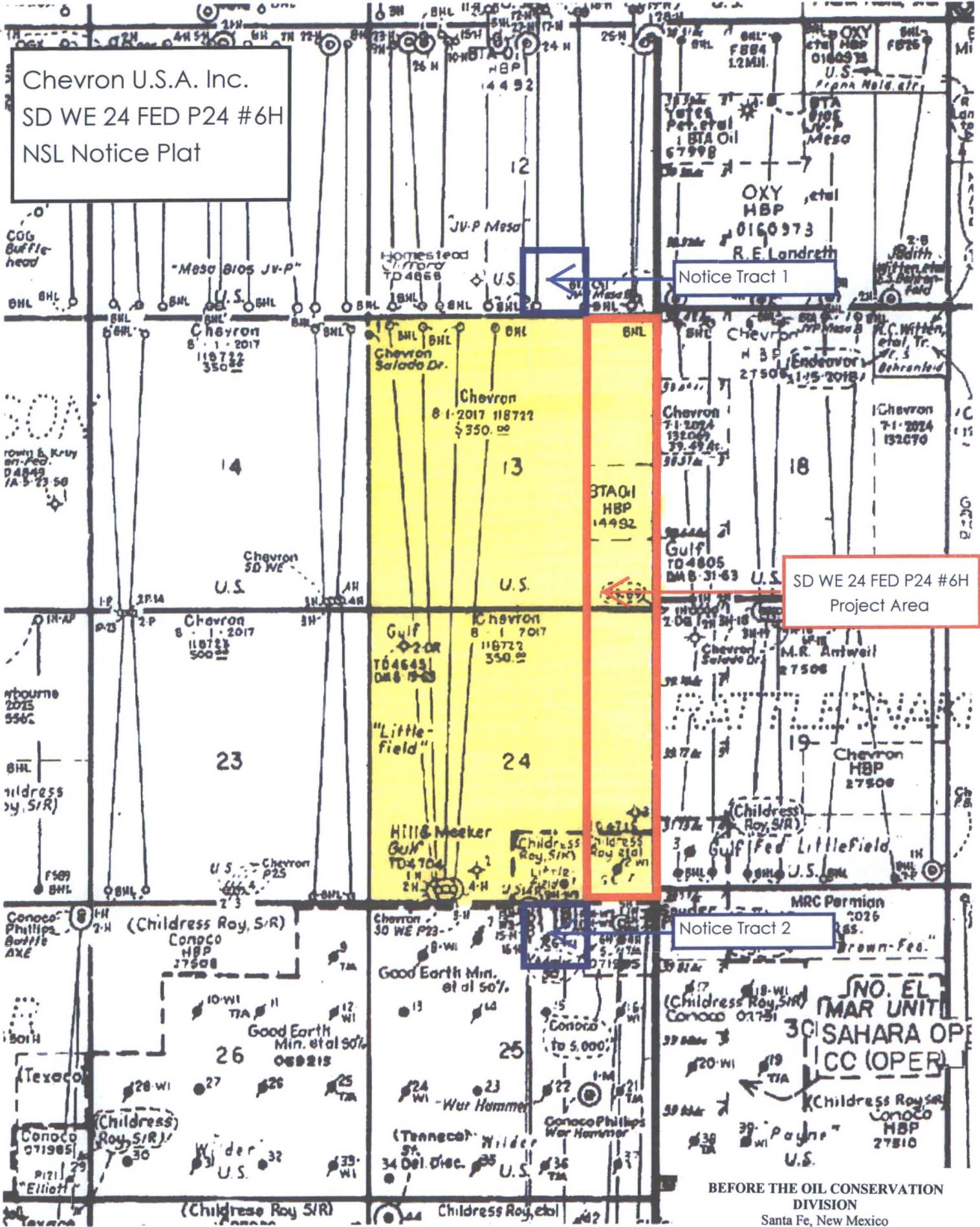
Dedicated Acres 3.20	Joint or Infill	Consolidation Code	Order No
--------------------------------	-----------------	--------------------	----------

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

<p>PROPOSED BOTTOM HOLE LOCATION</p> <p>X= 719,851 NAD 27 Y= 382,550 LAT. 32.049756 LONG. 103.623425</p> <p>X= 761,139 NAD83 Y= 382,607 LAT 32.049881 LONG. 103.623894</p>	<p>SD WE 24 FED P24 6H WELL</p> <p>X= 720,070 NAD 27 Y= 372,221 LAT 32.021363 LONG. 103.623262</p> <p>X= 761,257 NAD83 Y= 372,278 LAT 32.021488 LONG. 103.623729</p> <p>ELEVATION -3137' NAVD 88</p>	<p>Proposed Last Take Point 330' FNL, 1265' FEL</p>	<p>Proposed First Take Point 330' FSL, 1285' FEL</p>	<p>Proposed Producing Interval</p>	<p>" OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge, and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Denise Pinkerton</i> 12/15/2016 Signature Date</p> <p>Denise Pinkerton Printed Name</p> <p>lpinkert@chevron.com E-mail Address</p>
					<p>CORNER COORDINATES TABLE (NAD 27)</p> <p>A - Y=382728.88, X=719883.96 B - Y=382746.10, X=721215.23 C - Y=372020.08, X=719946.66 D - Y=372033.87, X=721281.01</p>

BEFORE THE OIL CONSERVATION
DIVISION
Santa Fe, New Mexico
Exhibit No. 1
Submitted by: CHEVRON U.S.A. INC.
Hearing Date: May 25, 2017

Chevron U.S.A. Inc.
SD WE 24 FED P24 #6H
NSL Notice Plat



Notice Tract 1

SD WE 24 FED P24 #6H
Project Area

Notice Tract 2

BEFORE THE OIL CONSERVATION
DIVISION
Santa Fe, New Mexico
Exhibit No. 2
Submitted by: CHEVRON U.S.A. INC.
Hearing Date: May 25, 2017

District I
1625 N French Dr. Hobbs, NM 88240
Phone (575) 393-6161 Fax (575) 191-0721
District II
811 S First St., Artesia, NM 88210
Phone (575) 748-1282 Fax (575) 748-0120
District III
1000 Rio Brazos Blvd. Artesia, NM 87410
Phone (505) 334-6178 Fax (505) 134-0170
District IV
1220 S St. Francis Dr., Santa Fe, NM 87505
Phone (505) 476-1460 Fax (505) 476-3162

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

HOBBS OGD
MAR 09 2017

AMENDED REPORT

RECEIVED

WELL LOCATION AND ACREAGE DEDICATION PLAN

API Number 30-025-43679		Well Name 97955 WC-025 G-06 526.3319P-AS	
Property Code 317518	Property Name SD WL 24 FED P24		Well Number 7H
OGRID No. 432.3	Operator Name CHEVRON U.S.A. INC.		Elevation 3136'

Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	24	26 SOUTH	32 EAST, N.M.P.M.		200'	SOUTH	1185'	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	13	26 SOUTH	32 EAST, N.M.P.M.		180'	NORTH	440'	EAST	LEA

Dedicated Acres 3.20	Joint or Infill	Consolidation Code	Order No.
--------------------------------	-----------------	--------------------	-----------

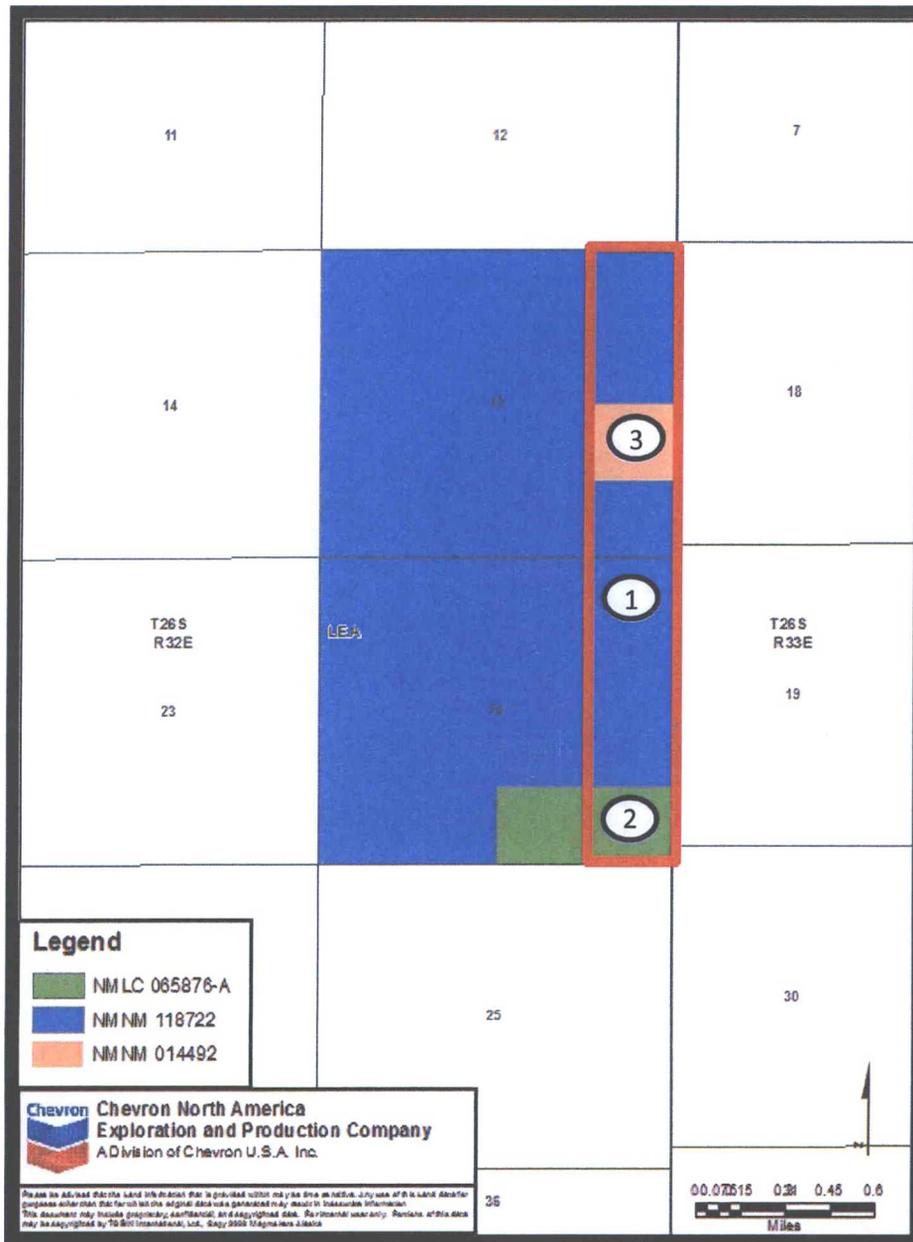
No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

<p>PROPOSED BOTTOM HOLE LOCATION</p> <p>X= 720,776 NAD 27 Y= 382,560 LAT 32 049771 LONG 103 620762</p> <p>X= 761,963 NAD83 Y= 382,618 LAT 32 049896 LONG 103 621231</p>	<p>Proposed Last Take Point 330' FNL 440' FEL</p> <p>Proposed First Take Point 330' FSL 440' FEL</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill the well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a completion pooling and production agreement by the Division.</p> <p><i>Denise Pinkerton</i> 10/13/2016 Signature Date</p> <p>Denise Pinkerton Printed Name</p> <p>kenkeid@chevron.com E-mail Address</p>
<p>SD WE 24 FED P24 7H WELL</p> <p>X= 720,095 NAD 27 Y= 372,222 LAT 32 021363 LONG 103 623181</p> <p>X= 761,282 NAD83 Y= 372,279 LAT 32 021488 LONG 103 623649</p> <p>ELEVATION -3135' NAVD 88</p>		<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plot was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>6-15-2016 Date of Survey</p> <p><i>[Signature]</i> Signature and Seal of Professional Surveyor</p> <p>23006 Certificate Number</p>
<p>CORNER COORDINATES TABLE (NAD 27)</p> <p>A - Y=382728.88, X=719883.86 B - Y=382746.10, X=721215.23 C - Y=372020.08, X=718946.66 D - Y=372033.87, X=721281.01</p>		

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 3
Submitted by: CHEVRON U.S.A. INC.
Hearing Date: May 25, 2017

E/2 E/2 of Sections 13 & 24 Township 26 South, Range 32
East

SD WE 24 Fed P24 No. 6H & 7H



Tract 1 – Working Interest Ownership

E/2 NE/4 and SE/4 SE/4 of Section 13 and E/2 NE/4 and NE/4 SE/4 of Section 24

Total: 240 acres

WI Owner	WI Percent
Chevron U.S.A. Inc.	100%

Tract 2 – Working Interest Ownership

SE/4 SE/4 of Section 24 = 40 acres

WI Owner	WI Percent
Chevron U.S.A. Inc.	100%

Tract 3 – Working Interest Ownership

NE/4 SE/4 = 40 acres

WI Owner	WI Percent
Chevron U.S.A. Inc.	91.25%
Atlas OBO Energy LP aka Pioneer Exploration LTD	7.5%
Royalty Clearinghouse 2003 LLC***	1.25%
*** Parties have elected to participate and execution of a Joint Operating Agreement is pending.	

Interest in the E/2 E/2 of Sections 13 & 24

Total = 320 acres

WI Owner	WI Percent
Chevron U.S.A. Inc.	98.90625%
Atlas OBO Energy LP aka Pioneer Exploration LTD	0.9375%
Royalty Clearinghouse 2003 LLC***	0.15625%
*** Parties have elected to participate and execution of a Joint Operating Agreement is pending.	



Shelyce Holmes
Land Representative

Mid-Continent Business Unit
North American Exploration and
Production Co.,
a division of Chevron U.S.A. Inc.
1400 Smith Street, Room 41102
Houston, Texas 77002
Tel 713-372-6051
Fax 866.819.1448
SLHolmes@chevron.com

March 2, 2017

VIA CERTIFIED RETURN RECEIPT MAIL

Royalty Clearinghouse 2003, LLC
Attention: Chelsea Solc
401 Congress Ave. Ste. 1750
Austin, Texas 78701

RE: Participation Proposal – SD WE 24 FED P24 6H
Township 26 South, Range 32 East
Section 13: E/2 E/2
Section 24: E/2 E/2
SHL: 200' FSL & 1210' FEL Sec. 24 (Unit A)
BHL: 180' FNL & 1265' FEL Sec. 13 (Unit P)
Lea County, New Mexico

Ms. Solc:

In the event Royalty Clearinghouse 2003, LLC does not wish to join the Arroyo Rojo Unit, Chevron U.S.A. Inc. ("Chevron"), as Operator, hereby proposes to drill the SD WE 24 FED P24 6H well as a horizontal well at the above captioned location, or at a legal location as approved by the governing regulatory agency, for a TVD of approximately 9,120' and MD of approximately 19,318' to test the Upper Avalon Formation (Bone Spring Pool) ("Operation"). The total cost of the Operation is estimated to be \$10,329,943.50 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

Chevron is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement is enclosed for your review and approval. The Operating Agreement covers all of the E/2 E/2 of Section 13, and all of the E/2 E/2 of Section 24. It has the following general provisions:

- 100/300 Non-Consenting Penalty
- \$7,000/\$700 Drilling and Producing Rate
- Chevron U.S.A. Inc. named as Operator

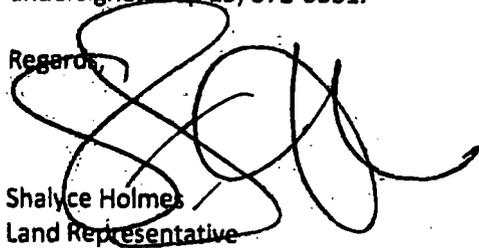
Please indicate your participation election in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFE's (Drilling, Completions & Facilities) and a copy of your geologic well requirements. A self-addressed, postage paid envelope is enclosed for your convenience. If you do not wish to participate, Chevron proposes to acquire your interest for \$20,000/net acre – or \$10,000.

Royalty Clearinghouse 2003, LLC will own an approximate 0.15625% or .0015625 working interest in the proposed well, subject to title verification.

**BEFORE THE OIL CONSERVATION
DIVISION**
Santa Fe, New Mexico
Exhibit No. 5
Submitted by: **CHEVRON U.S.A. INC.**
Hearing Date: May 25, 2017

If you have any questions regarding the aforementioned, please do not hesitate to contact the undersigned at (713) 372-6051.

Regards,



Shalyce Holmes
Land Representative

_____ I/We hereby elect to participate in the drilling of the SD WE 24 FED P24 6H well.

_____ I/We hereby elect **not** to participate in the drilling of the SD WE 24 FED P24 6H well.

Company: Royalty Clearinghouse 2003, LLC

Signature:

Name: _____

Title: _____

Date: _____



Shalyca Holmes
Land Representative

Mid-Continent Business Unit
North American Exploration and
Production Co.,
a division of Chevron U.S.A. Inc.
1400 Smith Street, Room 41102
Houston, Texas 77002
Tel 713-372-6051
Fax 866.819.1448
SLHolmes@chevron.com

April 25, 2017

VIA CERTIFIED RETURN RECEIPT MAIL

Atlas OBO Energy LP
Attention: Land Manager
15603 Kuykendahl, Suite 200
Houston, Texas 77090

RE: Participation Proposal – SD WE 24 FED P24 7H
Township 26 South, Range 32 East
Section 13: E/2 E/2
Section 24: E/2 E/2
SHL: 200' FSL & 1185' FEL Sec. 24 (Unit P)
BHL: 180' FNL & 440' FEL Sec. 13 (Unit A)
Lea County, New Mexico

Dear Sir/Madam:

In the event Atlas OBO Energy LP does not wish to join the Arroyo Rojo Unit, Chevron U.S.A. Inc. ("Chevron"), as Operator, hereby proposes to drill the SD WE 24 FED P24 7H well as a horizontal well at the above captioned location, or at a legal location as approved by the governing regulatory agency, for a TVD of approximately 9,120' and MD of approximately 19,318' to test the Upper Avalon Formation (Bone Spring Pool) ("Operation"). The total cost of the Operation is estimated to be \$10,329,943.50 and a detailed description of the cost is set out in the enclosed Authority for Expenditure ("AFE").

Chevron is proposing to drill this well under the terms of the modified 1989 AAPL form of Operating Agreement is enclosed for your review and approval. The Operating Agreement covers all of the E/2 E/2 of Section 13, and all of the E/2 E/2 of Section 24. It has the following general provisions:

- 100/300 Non-Consenting Penalty
- \$7,000/\$700 Drilling and Producing Rate
- Chevron U.S.A. Inc. named as Operator

Please indicate your participation election in the space provided below, sign and return this letter, along with a signed copy of the enclosed AFE's (Drilling, Completions & Facilities) and a copy of your geologic well requirements. A self-addressed, postage paid envelope is enclosed for your convenience. If you do not wish to participate, Chevron proposes to acquire your interest for \$20,000/net acre – or \$60,000.

Atlas OBO Energy LP will own an approximate 1.09375% or .0109375 working interest in the proposed well, subject to title verification.

If you have any questions regarding the aforementioned, please do not hesitate to contact the undersigned at (713) 372-6051.

Regards,

A handwritten signature in black ink, appearing to read 'Shalyce Holmes', written over the word 'Regards,'.

Shalyce Holmes
Land Representative

_____ I/We hereby elect to participate in the drilling of the SD WE 24 FED P24 7H well.

_____ I/We hereby elect **not** to participate in the drilling of the SD WE 24 FED P24 7H well.

Company: Atlas OBO Energy LP

Signature:

Name: _____

Title: _____

Date: _____

Chevron North American Exploration			Appropriation Request	
DRILLING AFE	Well Type Assessment	Field Delaware Basin	Block X	Well Name SD WE 24 FED P24 7H
Salado Draw	Objective Upper Avalon	Date 2/14/2018	Estimated By Justin Blackburn	Duration (days) 28.78
Est. Depth (ft MD) 19,318	Drillship Nabors X rig	Rig Rate (\$/day) 18000	Business Unit MCBU	Joint Venture No
Reason for Expenditure			Coordinates	x (ft)
Dev Project			Mud Line	0
			Bottom Hole	0
Cost Category	Code	Sub-code	Amount (\$)	
Company Drilling Equipment	0	0	0	
Rig Work	7440	1	719440	
Company Labor	6601	100	184069	
Contract Project Supervision	7000	300	48473	
Fuel Diesel	7129	100	49821	
Utilities / Potable Water	7129	300	7184	
Casing (tangible)	7190	21	547700	
Well Equipment & Materials	7190	100	0	
Wellheads (tangible)	7190	110	44000	
Materials, Parts, & Supply	7190	500	80000	
Surface Equipment Rentals	7230	100	164642	
Well Service Equipment Rentals	7230	200	62300	
Transportation Services, Land & Marine	7340	300	57000	
Transportation Air	7340	500	0	
Solid Waste Disposal	7420	300	70000	
Drilling Fluids	7440	4	124052	
Directional Survey & Services	7440	6	222031	
Drill-Pipe Rental & Bits	7440	7	136595	
Coil Tubing	7440	9	0	
Stimulation / Gravel Pack Material	7440	10	0	
Pumping Services	7440	11	0	
Perforating	7440	14	0	
Suckline Services	7440	15	0	
Coring	7440	17	0	
Testing	7440	18	0	
Logging Wireline	7440	19	0	
Logging While Drilling (LWD)	7440	20	0	
Logging Mud	7440	21	21479	
Cementing	7440	24	112000	
Fishing Services & Tools	7440	25	0	
Sitework / Locations	7450	21	0	
Mobilization	7450	23	0	
Tech Services, Affiliates, & 3rd Party	7450	200	0	
HES, Permits, & Fees	7510	500	0	
Communications Telephone	7615	600	8275	
			Total	\$2,657,061
Participation & Authorization			Share	Amount (\$)
Atlas OBO Energy LP			1.09375%	\$29,061.60
			100.00 %	
Approved (Print Name)		Approved (Signature)		
Company Confidential		Date		

COMPLETIONS AFE SD WE 24 FED P24 7H

Time Breakdown Project Time 30.9 Cost Breakdown 4,463,805.50

Code Cost Element

Tangibles		
71500100	Surface Lifting Equipment And Materials	0.0
71900020	WCR - Well Pipe - Tubing Under 2" OD	0.0
71900021	WCR - Well Pipe - Tubing 2" OD and Over	47,700.0
71900022	WCR - Well Pipe Casing	0.0
71900100	Well Equipment And Materials	47,700.0
71900110	Wellheads	15,900.0
Intangibles		
66010100	Company Labor	88,677.9
70000300	Contract Project Supervision	29,559.3
71290100	Fuel - Diesel/Motor Fuels	0.0
71290300	Utilities - Other & Potable Water	0.0
71400100	Chemicals and Treating Agents	0.0
71900120	Engineering Services (Not Drilling)	0.0
71900500	Materials, Supply, Repair Parts	0.0
72300100	Surface Equipment Rentals	267,131.5
72300200	Well Service Equipment Rentals	87,827.2
73200200	Marine Transportation - Allocated	0.0
73400300	Other Land Transportation Services - Not Rail	0.0
73400400	ATC - Air Transportation	0.0
74200300	Solid Waste Disposal	0.0
74200600	Waste Water Disposal	0.0
74400001	WCR - Rig Daywork	10,854.6
74400004	Drilling Fluids	689,000.0
74400006	WCR - Directional Survey And Service Costs	0.0
74400007	WCR - Drill String Rentals & Bits	50,724.8
74400009	WCR - Coil Tubing	103,755.2
74400010	Stim/Gravel Pack Service (Not Materials)	2,805,820.0
74400011	WCR - Pumping Services	14,045.0
74400013	WCR - Equipment Lost In Hole	0.0
74400014	WCR - Perforating & Electric Line Services	189,210.0
74400015	WCR - Slickline Services	0.0
74400017	WCR - Coring	0.0
74400018	WCR - Testing	0.0
74400019	WCR - Logging Wireline	15,900.0
74400020	WCR - LWD (Logging while Drilling)	0.0
74400021	WCR - Logging Mud	0.0
74400024	WCR - Cement & Cementing	0.0
74400025	Fishing Services And Tools	0.0
74500200	Tech Services: CPTC, CRTC, PRC & 3rd Pty	0.0
75100500	HES Permit Costs & Fees	0.0
75100503	Spill Prevention	0.0
75590200	Other Professional Services & Fees	0.0
76150500	Communications - Radio	0.0
76150600	Communications - Telephone - CITC	0.0
76200300	Other Communications - 3rd Party	0.0

	Tangible	Intangible	Total
	111,300.0		4,352,505.5
Subtotal	111,300.0		4,463,805.5
	0.0		0.0
Total Cost	111,300.0		4,463,805.5

PARTICIPATION & AUTHORIZATION SHARE AMOUNT
Atlas OBO Energy LP 1.093750% \$ 48,822.87

Approved (Print Name) Approved (Signature) Date

--	--	--

**Facilities and Central Tank Battery --
Detail of Cost Estimate**

FIELD:	Jennings; Upper Avalon
WELL NAME:	SD WE 24 FED P24 7H

Description	\$USD
Battery Total:	97,980
Contract Project Supervision	24,000
Contract Labor - Reg/Roustabout	24,000
FCR - Instruments & Electrical	16,500
Pipe, Valves & Fittings	27,500
FCR - Pressure Vessels	0
Sales Tax	5,980
Outside Battery Limits Total:	3,111,097
Fabrication & As-built drawings	10,000
Land & Lease Costs	60,000
Company Project Supervision	50,000
Contract Project Supervision	100,000
Utilities - Other/Water	459,000
Site Work/Roads/Location	949,000
Materials, Supply, Repair Parts	3,548
Contract Labor-Reg/Roustabout	212,494
Pipe, Valves & Fittings	584,177
Pipe - Line (Size 2" and over)	295,000
FCR - Instruments & Electrical	198,000
Sales Tax	189,879
TOTAL COST	3,209,077

Participation & Authorization	Share	Amount
Atlas OBO Energy LP	1.093750%	\$ 35,099.28
Approved (Print Name)	Approved (Signature)	Date

--	--	--

**Compulsory Pooled
Parties**

Atlas OBO Energy LP
15603 Kuykendahl, Suite 200
Houston, Texas 77090

Royalty Clearinghouse 2003,
LLC
401 Congress Ave. Ste. 1750
Austin, Texas 78701

**Offset Operators for
Compulsory Pooling and NSL**

BTA Oil Producers
104 S Pecos Street
Midland, TX 79701

ConocoPhillips Co
P.O. Box 7500
Bartlesville, OK 74005-7500

HOLLAND & HART^{LLP}



Jordan L. Kessler
Associate
Phone (505) 988-4421
Fax (505) 983-6043
JLKessler@hollandhart.com

May 5, 2017

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

Re: Amended Application of Chevron U.S.A. Inc. for a non-standard spacing and proration unit, compulsory pooling, and approval of an unorthodox location, Lea County, New Mexico.

SD WE 24 Fed P24 No. 6H Well

SD WE 24 Fed P24 No. 7H Well

Ladies & Gentlemen:

This letter is to advise you that Chevron U.S.A. Inc. has filed the enclosed application with the New Mexico Oil Conservation Division. This application will be set for hearing before a Division Examiner at 8:15 a.m. on May 25, 2017. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B to file a Pre-hearing Statement four days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter please contact Shalyce Holmes, at (713) 372-6051 or SLHolmes@chevron.com.

Sincerely,

Jordan L. Kessler

ATTORNEYS FOR CHEVRON U.S.A. INC.

Holland & Hart LLP

Phone (505) 988-4421 Fax (505) 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, New Mexico 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Boulder Carson City Colorado Springs Denver Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Reno Salt Lake City Santa Fe Washington, D.C. ☉

HOLLAND & HART^{LLP}



Jordan L. Kessler
Associate
Phone (505) 988-4421
Fax (505) 983-6043
JKessler@hollandhart.com

May 5, 2017

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: OFFSETTING LESSEES AND OPERATORS AND AFFECTED PARTIES

Re: Application of Chevron U.S.A. Inc. for a non-standard spacing and proration unit, compulsory pooling, and approval of an unorthodox location, Lea County, New Mexico.

SD WE 24 Fed P24 No. 6H Well

SD WE 24 Fed P24 No. 7H Well

This letter is to advise you that Chevron U.S.A. Inc. has filed the enclosed application with the New Mexico Oil Conservation Division. *Your interests are not being pooled under this application*, but as a lessee or operator in an offsetting tract or a party affected by Chevron's request for an unorthodox location, you are entitled to notice of this application.

This application has been set for hearing before a Division Examiner at 8:15 AM on May 25, 2017. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B to file a Pre-Hearing Statement with the Oil Conservation Division's Santa Fe office, four days in advance of a scheduled hearing, but at least on the Thursday preceding the hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter please contact Shalyce Holmes, at (713) 372-6051 or SLHolmes@chevron.com.

Sincerely,

Jordan L. Kessler

ATTORNEYS FOR CHEVRON U.S.A. INC.

Holland & Hart LLP

Phone (505) 988-4421 Fax (505) 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, New Mexico 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Boulder Carson City Colorado Springs Denver Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Reno Salt Lake City Santa Fe Washington, D.C. ☐

7016 0750 0000 3576 3107

U.S. Postal Service
CERTIFIED MAIL® RECEIPT
 Domestic Mail Only

For delivery information, visit **usps.com**

HEV/SD WE 24P24 6H & 7H/Pooled Parties/JLK

OFFICE

Certified Mail Fee \$

Extra Services & Fees (check box, add fee as appropriate)

Return Receipt (hardcopy) \$ 3.50

Return Receipt (electronic) \$ 2.25

Certified Mail Restricted Delivery \$

Adult Signature Required \$

Adult Signature Restricted Delivery \$

Postage \$

Total Paid \$

Sent To **Royalty Clearinghouse 2003, LLC**

Street **401 Congress Ave. Ste. 1750**

City, State **Austin, Texas 78701**

PS Form 3800, April 2015 PSN 7530-02-000-9058



7016 0750 0000 3268 0407

U.S. Postal Service
CERTIFIED MAIL® RECEIPT
 Domestic Mail Only

For delivery information, visit **usps.com**

HEV/SD WE 24P24 6H & 7H/Pooled Parties/JLK

OFFICE

Certified Mail Fee \$

Extra Services & Fees (check box, add fee as appropriate)

Return Receipt (hardcopy) \$ 3.50

Return Receipt (electronic) \$ 2.25

Certified Mail Restricted Delivery \$

Adult Signature Required \$

Adult Signature Restricted Delivery \$

Postage \$

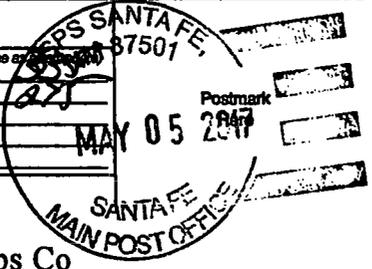
Total Paid \$

Sent To **ConocoPhillips Co**

Street **P.O. Box 7500**

City, State **Bartlesville, OK 74005-7500**

PS Form 3800, April 2015 PSN 7530-02-000-9058



SECTION ON DELIVERY

1. Complete items 1, 2, and 3.
 Print your name and address on the reverse so that we can return the card to you.
 Attach this card to the back of the mailpiece, or on the front if space permits.

A. Signature Agent Addressee

B. Received by (Printed Name) **ConocoPhillips**

C. Date of Delivery **MAY 05 2017**

D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:
**Mail Services
 Bartlesville, OK**

3. Service Type

Adult Signature Priority Mail Express®

Adult Signature Restricted Delivery Registered Mail™

Certified Mail® Registered Mail Restricted Delivery

Certified Mail Restricted Delivery Return Receipt for Merchandise

Collect on Delivery Signature Confirmation

Collect on Delivery Restricted Delivery Signature Confirmation Restricted Delivery

2. Article Number (Transfer from service label)
9590 9402 1832 6104 5953 70

7016 0750 0000 3268 0407

PS Form 3811, July 2015 PSN 7530-02-000-9058

7016 0750 0000 3576 3091

U.S. Postal Service
CERTIFIED MAIL® RECEIPT
 Domestic Mail Only

For delivery information, visit usps.com or call 1-800-ASK-USA

OFFICE

Certified Mail Fee \$

Extra Services & Fees (check box, add fee as appropriate)

Return Receipt (hardcopy) \$ 3.75

Return Receipt (electronic) \$

Certified Mail Restricted Delivery \$

Adult Signature Required \$

Adult Signature Restricted Delivery \$

Postage \$

Total Fee \$

Sent To Atlas OBO Energy LP
 15603 Kuykendahl, Suite 200
 Houston, Texas 77090

City, State

PS Form 3811, July 2015 PSN 7530-02-000-9053



SENDER: C COMPLETE THIS SECTION

COMPLETE THIS SECTION ON DELIVERY

Complete items 1, 2, and 3.

Print your name and address on the reverse so that we can return the card to you.

Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:

Atlas OBO Energy LP
 15603 Kuykendahl, Suite 200
 Houston, Texas 77090

9590 9402 1832 6104 5953 94

2. Article Number (Transfer from service label)
 7016 0750 0000 3576 3091 Restricted Delivery

PS Form 3811, July 2015 PSN 7530-02-000-9053

Domestic Return Receipt

A. Signature X [Signature]

B. Received by (Printed Name)

C. Date of Delivery 5/8/17

D. Is delivery address different from item 1? If YES, enter delivery address below.

3. Service Type

Adult Signature

Adult Signature Restricted Delivery

Certified Mail®

Certified Mail Restricted Delivery

Collect on Delivery

Collect on Delivery Restricted Delivery

Priority Mail Express®

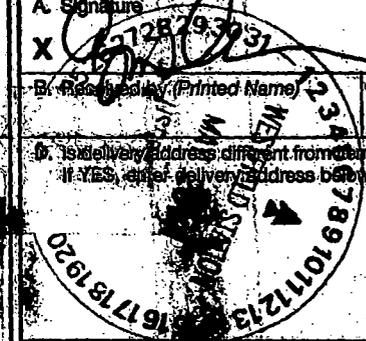
Registered Mail™

Registered Mail Restricted Delivery

Return Receipt for Merchandise

Signature Confirmation™

Signature Confirmation Restricted Delivery



7016 0750 0000 3576 3114

U.S. Postal Service
CERTIFIED MAIL® RECEIPT
 Domestic Mail Only

For delivery information, visit usps.com or call 1-800-ASK-USA

OFFICE

Certified Mail Fee \$

Extra Services & Fees (check box, add fee as appropriate)

Return Receipt (hardcopy) \$ 3.75

Return Receipt (electronic) \$

Certified Mail Restricted Delivery \$

Adult Signature Required \$

Adult Signature Restricted Delivery \$

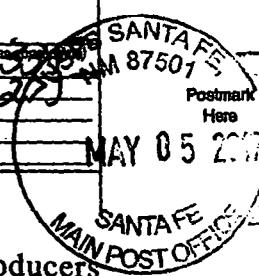
Postage \$

Total Post \$

Sent To BTA Oil Producers
 104 S Pecos Street
 Midland, TX 79701

City, State

PS Form 3811, July 2015 PSN 7530-02-000-9053



SENDER: C COMPLETE THIS SECTION

COMPLETE THIS SECTION ON DELIVERY

Complete items 1, 2, and 3.

Print your name and address on the reverse so that we can return the card to you.

Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:

BTA Oil Producers
 104 S Pecos Street
 Midland, TX 79701

9590 9402 1832 6104 5953 63

2. Article Number (Transfer from service label)
 7016 0750 0000 3576 3114 Restricted Delivery

PS Form 3811, July 2015 PSN 7530-02-000-9053

Domestic Return Receipt

A. Signature X Louise Brown

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? If YES, enter delivery address below.

Service Type

Adult Signature

Adult Signature Restricted Delivery

Certified Mail®

Certified Mail Restricted Delivery

Collect on Delivery

Priority Mail Express®

Registered Mail™

Registered Mail Restricted Delivery

Return Receipt for Merchandise

Signature Confirmation™

Signature Confirmation Restricted Delivery

Affidavit of Publication

STATE OF NEW MEXICO
COUNTY OF LEA

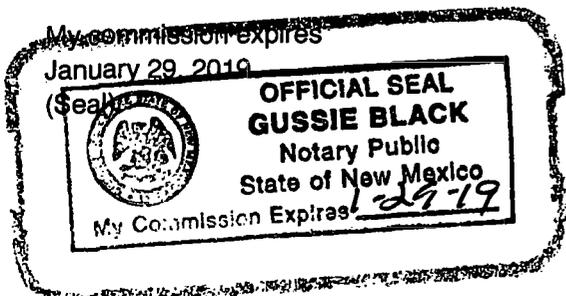
I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

Beginning with the issue dated
May 09, 2017
and ending with the issue dated
May 09, 2017.


Publisher

Sworn and subscribed to before me this
9th day of May 2017.


Business Manager



This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said

LEGAL NOTICE
May 9, 2017

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

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on May 25, 2017, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appoint for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-650-1779 by May 15, 2017. Public documents including the agenda and minutes, can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

STATE OF NEW MEXICO TO:
All named parties and persons
having any right, title, interest
or claim in the following cases
and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

To: Atlas OBO Energy LP; Royalty Clearinghouse 2003, LLC; BTA Oil Producers; ConocoPhillips Co.; and their successors, heirs and/or devisees.

CASE 15692: Amended Application of Chevron U.S.A. Inc. for a non-standard spacing and proration unit, compulsory pooling, and approval of an unorthodox location, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard, 320-acre spacing and proration unit comprised of the E/2 E/2 of Section 13 and the E/2 E/2 of Section 24, Township 26 South, Range 32 East, N.M.P.M., Eddy County, New Mexico; (2) pooling all mineral interests in the Bone Spring formation underlying this acreage; and (3) approving an unorthodox location. Said non-standard unit is to be dedicated to applicant's two proposed wells: the SD WE 24 Fed P24 No. 6H Well and the SD WE 24 Fed P24 No. 7H Well. These two horizontal wells will be pad drilled from a surface location in the SE/4 SE/4 (Unit P) of Section 24 to a bottom hole location in NE/4 NE/4 (Unit A) of Section 13. The completed interval for the SD WE 24 Fed P24 No. 6H Well will be unorthodox because it will commence 330 feet from the South line, 1,265 feet from the East line of Section 24 to a location 330 feet from the North line, 1,265 feet from the East line of Section 13, thereby encroaching on the spacing and proration units to the West, Northwest, and Southwest. The completed interval for the SD WE 24 Fed P24 No. 7H Well will be at a standard 330 foot offset. Also to be considered will be the cost of drilling and completing said 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 and a 200% charge for risk involved in drilling said well. Said area is located approximately 35 miles west of Jal, New Mexico.
#31768

67100754

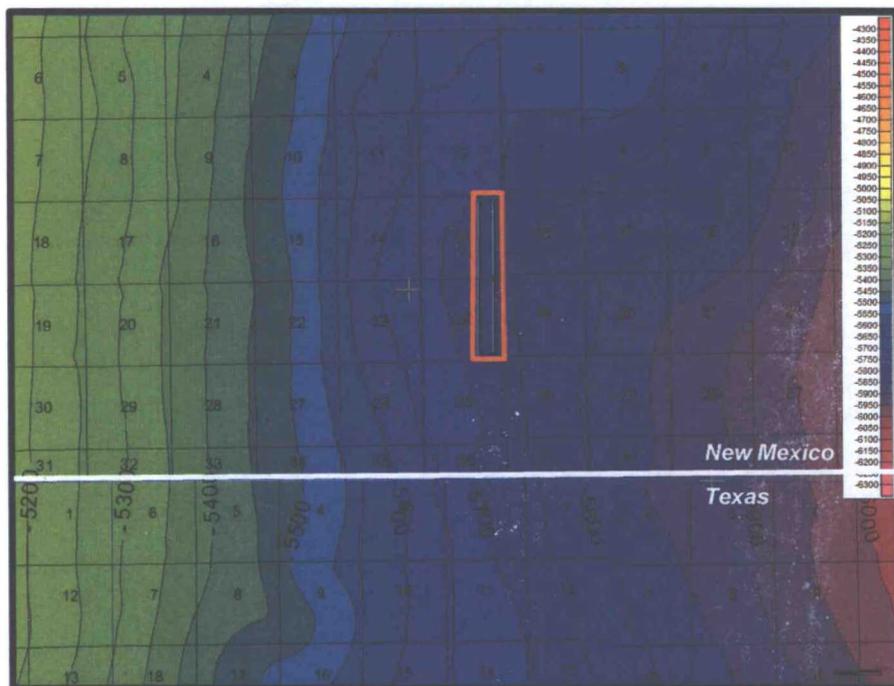
00192989

HOLLAND & HART LLC
PO BOX 2208
SANTA FE,, NM 87504-2208

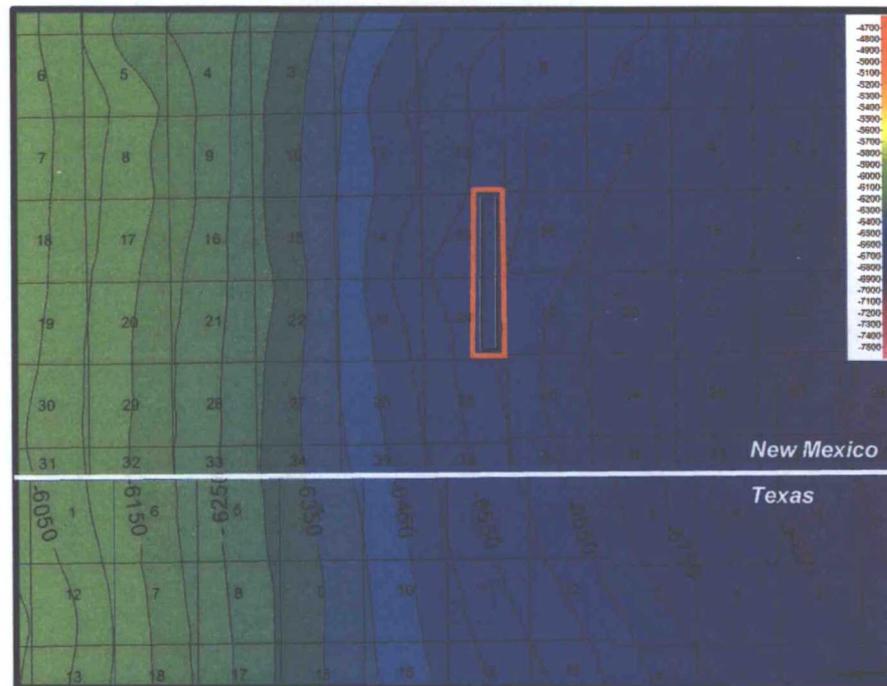
BEFORE THE OIL CONSERVATION
DIVISION
Santa Fe, New Mexico
Exhibit No. 7
Submitted by: CHEVRON U.S.A. INC.
Hearing Date: May 25, 2017

Structure Maps - TVDSS

Structure – Bone Spring Top



Structure – Wolfcamp Top

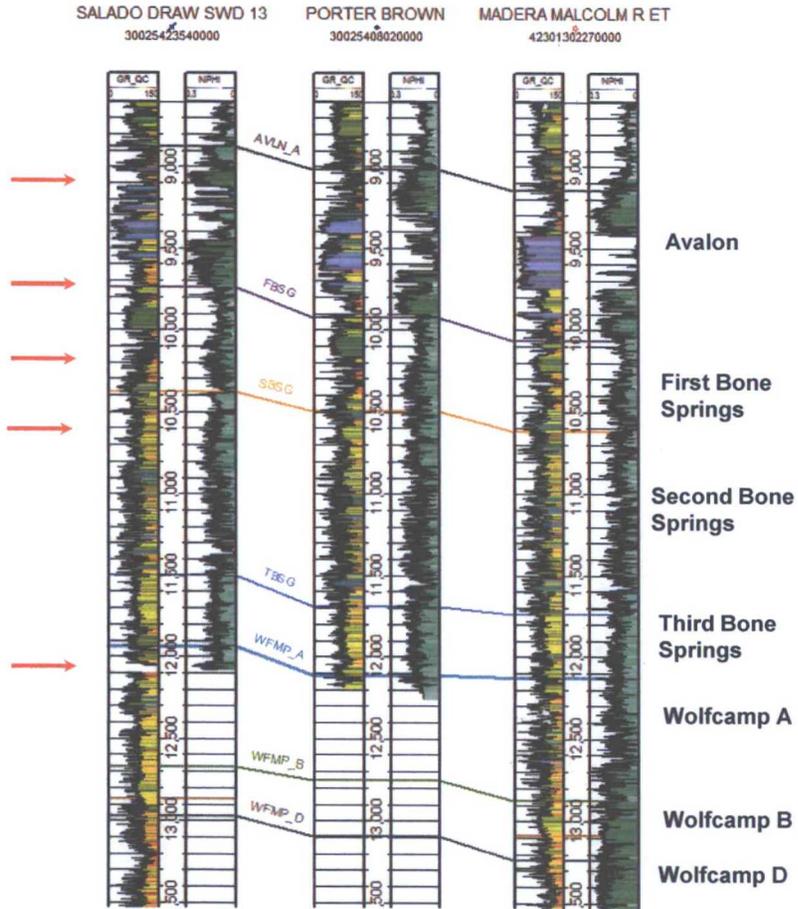


- Regional structural trends are very consistently dipping down to the east without interruption
 - No indication of faulting on the Avalon (above target) or the Wolfcamp (below target)

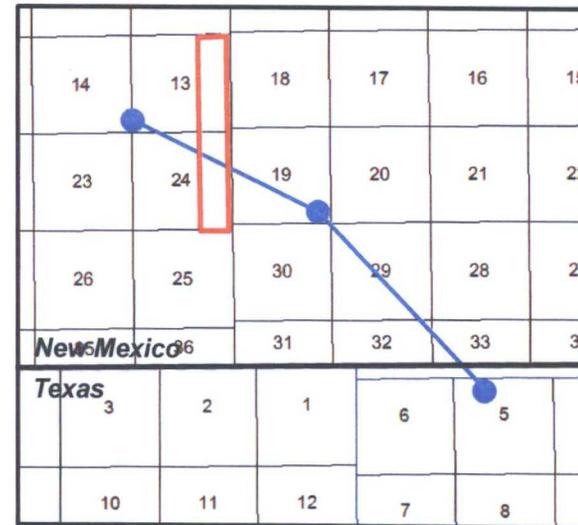
© 2016 Chevron Corporation



Cross-Section 13/24



- Upper Avalon is the initial target.
- Very consistent thinly bedded silts and shales.
- Similar stratigraphic continuity for each target interval from the top of the Bone Spring through the Wolfcamp.
- Thicknesses remain relatively constant across sections 13/24.



© 2016 Chevron Corporation

 Development targets



BEFORE THE OIL CONSERVATION
DIVISION
Santa Fe, New Mexico
Exhibit No. 9
Submitted by: CHEVRON U.S.A. INC.
Hearing Date: May 25, 2017