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

APPLICATION OF CHEVRON U.S.A. INC.
FOR A NON-STANDARD SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 16112

APPLICATION

Chevron U.S.A. Inc. ("Chevron"), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a non-standard 640-acre spacing and proration unit comprised of the W/2 of Section 5, Township 24 South, Range 29 East, and the W/2 of Section 32, Township 23 South, Range 29 East, N.M.P.M., Eddy County, New Mexico; and (2) pooling all mineral interests in the Wolfcamp formation underlying this acreage. In support of its application, Chevron states:

1. Chevron is a working interest owner in proposed non-standard unit and has the right to drill thereon.
2. Chevron proposes to dedicate the above-referenced spacing and proration unit as the project area for three proposed wells: the proposed **CB SE 5 32 Fed Com 003 #1H Well**, the proposed **CB SE 5 32 Fed Com 003 #2H Well**, and the proposed **CB SE 5 32 Fed Com 003 #3H Well**, which will be simultaneously drilled and completed. The three proposed horizontal wells will be pad drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 5 to a bottom hole locations in the NW/4 NW/4 (Unit D) of Section 32 for the **CB SE 5 32 Fed Com 003 #1H Well** and the **CB SE 5 32 Fed Com 003 #2H Well** and in the NE/4 NW/4 (Unit C) of Section 32 for the **CB SE 5 32 Fed Com 003 #3H Well**.

3. The completed interval for each well will remain within the 330-foot offset required by the Special Rules for the Purple Sage Wolfcamp Gas Pool (Pool Code 98220).

4. Chevron has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

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

6. Since the proposed wells will be simultaneously drilled and completed, Chevron requests an extension of the 120-day time period to drill and complete the wells provided by the Division's standard pooling order.

7. In order to permit Chevron to obtain its just and fair share of the oil and gas underlying the subject lands, all interests in this non-standard spacing unit should be pooled and Chevron should be designated the operator of this proposed horizontal wells and spacing unit.

WHEREFORE, Chevron requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 3, 2018, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 640-acre non-standard spacing and proration unit in the Wolfcamp formation, comprised of W/2 of Section 5, Township 24 South, Range 29 East, and the W/2 of Section 32, Township 23 South, Range 29 East, N.M.P.M., Eddy County, New Mexico;
- B. Pooling all mineral interests in the non-standard spacing and proration unit;
- C. Designating Chevron U.S.A. Inc. operator of this non-standard spacing unit and the horizontal wells to be drilled thereon;
- D. Authorizing Chevron to recover its costs of drilling, equipping and completing the wells;

- E. 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;
- F. Imposing a 200% penalty for the risk assumed by Chevron in drilling, completing and equipping the wells against any working interest owner who does not voluntarily participate in the drilling of the well; and
- G. Providing an extension of the 120-day period to drill and complete the wells provided by the Division's standard pooling order.

Respectfully submitted,

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ATTORNEYS FOR CHEVRON U.S.A. INC.

CASE 16/12 :

Application of Chevron U.S.A. Inc. for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard, 640-acre spacing and proration unit comprised of the W/2 of Section 5, Township 24 South, Range 29 East, and the W/2 of Section 32, Township 23 South, Range 29 East, N.M.P.M., Eddy County, New Mexico; and (2) pooling all mineral interests in the Wolfcamp formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's three proposed wells: the **CB SE 5 32 Fed Com 003 #1H Well**, the **CB SE 5 32 Fed Com 003 #2H Well**, and the **CB SE 5 32 Fed Com 003 #3H Well**, which will be simultaneously drilled and completed. The three proposed horizontal wells will be pad drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 5 to bottom hole locations in the NW/4 NW/4 (Unit D) of Section 32 for the **CB SE 5 32 Fed Com 003 #1H Well** and the **CB SE 5 32 Fed Com 003 #2H Well** and in the NE/4 NW/4 (Unit C) of Section 32 for the **CB SE 5 32 Fed Com 003 #3H Well**. The completed interval for each well will be at a standard 330 foot offset pursuant to the Special Rules for the Purple Sage Wolfcamp Gas Pool (Pool Code 98220). 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 5 miles northeast of Malaga, New Mexico.