

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

**APPLICATION OF CHEVRON U.S.A. INC.
TO AMEND ORDER NO. R-20859,
LEA COUNTY, NEW MEXICO.**

**CASE NO. _____
ORDER NO. R-20859
(Re-Open)**

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 to amend Order No. R-20859 entered in Case No. 20768 to allow for an extension of time for completion of the initial wells under this Order. In support of its application, Chevron states:

1. Order No. R-20859 entered in Case No. 20768 is one of five orders relating to Chevron’s Dagger Lake well group.
2. The Division Hearing for Case No. 20768 was held on September 5, 2019.
3. The Division entered Order No. R-20859 in Case No. 20768 on September 13, 2019.
4. Division Order No. R-20859 created a standard 640-acre, more or less, horizontal spacing unit comprised of the E/2 of Section 9 and E/2 of Section 16, Township 22 South, Range 33 East, Lea County, New Mexico, N.M.P.M. (“the Unit”) and designated Chevron as operator of the Unit.

5. Order No. R-20859 further pooled the uncommitted interests in the Bone Spring formation (Lower Avalon: Red Tank; Bone Spring East and TBS: WC-025 G-06 S213326D; Bone Spring) underlying the Unit and dedicated the Unit to the following proposed initial wells: (1) the **DL 9 16 Loch Ness Fed Com 16H** well; (2) the **DL 9 16 Loch Ness Fed Com 17H** well; and (3) the **DL 9 16 Loch Ness Fed Com 18H** well (“Loch Ness wells”).

6. The drilling of the **DL 9 16 Loch Ness Fed Com 16H** well was commenced on February 1, 2020, the **DL 9 16 Loch Ness Fed Com 17H** well commenced on February 6, 2020 and the **DL 9 16 Loch Ness Fed Com 18H** well commenced on February 8, 2020. All Loch Ness wells were thereafter successfully drilled to planned Total Depth.

7. The Loch Ness wells were intended to be drilled and completed as part of a simultaneous drilling and completion project with other Dagger Lake group wells. By separate applications filed contemporaneously herewith, Chevron is also seeking to re-open and amend related Order Nos. R-21409, R-21465, R-21418 and R-21467 to allow Chevron additional time for drilling and completing the wells identified in those Orders (“Related DL Orders”).

8. Applicant requests that Order No. R-20859 be re-opened and retroactively amended to allow Applicant additional time to complete the Loch Ness wells identified in the Order.

9. There is good cause for Applicant’s request for an extension of time to drill. The processing of Applicant’s request for federal APDs for the wells in this Application and in its Related DL Orders has been delayed due to BLM’s backlog, which existed prior to the new federal administration taking office and has intensified by recent actions by the U.S. Department of the Interior. On January 20, 2021, the U.S. Department of the Interior issued Secretarial Order 3395, which directly impacted Applicant’s ability to obtain federal APDs for wells to be drilled under the other DL Related Orders. Moreover, although that secretarial order expired after 60 days, the

Department of the Interior issued an internal directive on March 19, 2021, requiring that DOI bureaus (including BLM) continue to elevate permitting requests (and other actions) to the Assistant Secretary for Land and Minerals Management before taking final action.

10. There are 21 wells in Chevron's currently planned Bone Spring development for the Dagger Lake group.

11. To date, Applicant has received APDs from the BLM for only 3 of the 21 wells in Applicant's Dagger Lake Project, which are the APDs for the Loch Ness wells which have been drilled to planned total depth by Applicant under Order No. R-20859.

12. As a result of the delay by the BLM in the issuance of requested APDs, Applicant has been unable to execute its plan to simultaneously drill and complete the wells in its Dagger Lake project.

13. There is additional good cause arising from the unfavorable economic environment caused by the global COVID-19 pandemic, the related impact on CAPEX, and the need to re-sequence Applicant's drilling schedule.

14. Under Order No. R-20859 Chevron would have been required to complete the Loch Ness wells by February 1, 6 and 8, 2021.

15. Personnel displacement as a result of COVID-19 protocols contributed to the oversight of timely filing this application to amend.

16. No harm has been caused to any party as a result of the oversight.

17. No opposition to this application by any working interest owner is anticipated.

18. Chevron asks that the deadline to complete the Loch Ness wells under Order No. R-20859 be retroactively extended from February 1, 6 and 8, 2021 to February 1, 2022.

WHEREFORE, Chevron requests this application be set for hearing before an Examiner of the Oil Conservation Division on May 6, 2021, and after notice and hearing as required by law, the Division amend Order No. R-20859 to retroactively extend the time for Chevron to complete the Loch Ness wells to February 1, 2022.

Respectfully submitted,

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