

**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-21418,
LEA COUNTY, NEW MEXICO.**

**CASE NO. _____
ORDER NO. R-21418
(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-21418 entered in Case No. 21244 to allow for an extension of time for drilling the proposed initial wells under this Order. In support of its application, Chevron states:

1. Order No. R-21418 entered in Case No. 21244 is one of five orders relating to Chevron’s Dagger Lake well group.
2. The Division Hearing for Case No. 21244 was held on July 9, 2020.
3. The Division entered Order No. R-21418 in Case No. 21244 on August 7, 2020.
4. Division Order No. R-21418 created 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. (“the Unit”) and designated Chevron as operator of the Unit.

5. Order No. R-21418 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 10 3 Kraken Fed Com 207H** well; (2) the **DL 10 3 Kraken Fed Com 208H** well; (3) the **DL 10 3 Kraken Fed Com 209H** well; (4) the **DL 10 3 Kraken Fed Com 504H** well; and (5) **DL 10 3 Morag Fed Com 505H** well.

6. Applicant plans to drill the wells encompassed in its Dagger Lake group as part of a simultaneous drilling and completion project. By separate applications, therefore, Chevron is also seeking to re-open and amend related Order Nos. R-20859, R-21409, R-21465, and R-21467 to allow Chevron additional time for drilling and completing the wells identified in those Orders (“Related DL Orders”).

7. Applicant requests that Order No. R-21418 be re-opened and amended to allow Applicant additional time to commence drilling the wells identified in the Order.

8. 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 this Order and 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.

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

10. 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 three wells which have been drilled to planned total depth by Applicant under Order No. R-20859. Contemporaneous with the filing of this Application, Applicant has filed an Application to Amend Order No. R-20859 to retroactively extend the deadline for completing the three initial wells drilled to planned total depth under that Order.

11. 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.

12. 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.

13. Under Order No. R-21418 Chevron would be required to commence drilling by August 7, 2021.

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

15. Chevron asks that the deadline to commence drilling the wells under Order No. R-21418 be extended for one year from August 7, 2021 to August 7, 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-21418 to extend the time for Chevron to commence drilling the wells under the Order for one year, through August 7, 2022.

Respectfully submitted,

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