

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

**APPLICATION OF CHEVRON U.S.A. INC.  
FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.**

**CASE NO.** \_\_\_\_\_

**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 pursuant to the provisions of NMSA (1978), Section 70-2-17, for an order pooling all uncommitted interests in the Bone Spring formation (Lower Avalon: Red Tank; Bone Spring East and TBS: WC-025 G-06 S213326D; Bone Spring) underlying a standard 640-acre, more or less, horizontal spacing unit comprised of the E/2 of Section 9 and the E/2 of Section 16, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico. In support of its application, Chevron states:

1. Applicant is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.
2. Applicant seeks to dedicate the above-referenced horizontal spacing unit to the following three proposed initial wells: the **DL 9 16 Loch Ness Fed Com 16H** well and the **DL 9 16 Loch Ness Fed Com 17H** well, both horizontally drilled from surface hole locations in the SW/4SE/4 (Unit O) of Section 4 to bottom hole locations in the SE/4SW/4 (Unit O) of Section 16; and the **DL 9 16 Loch Ness Fed Com 18H** well horizontally drilled from a surface hole location

in the SE/4SE/4 (Unit P) of Section 4 to a bottom hole location in the SE/4SE/4 (Unit P) of Section 16 (“Loch Ness wells”).

3. The completed interval for the proposed **DL 9 16 Loch Ness Fed Com #17H** well is within 330 feet of the quarter-quarter line separating the W/2E/2 from the E/2E/2 of Sections 9 and 16 to allow inclusion of this acreage as proximity tracts into a standard 640-acre horizontal spacing unit.

4. The Loch Ness wells were all timely commenced and drilled to planned Total Depth under Order No. R-20859 entered on September 13, 2019 in Case No. 20768. 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. The Loch Ness wells have not yet been completed.

5. Under Order No. R-20859 Chevron was required to complete the Loch Ness wells by February 1, 6 and 8, 2021, respectively.

6. Order No. R-20859 entered in Case No. 20768 is one of five Division orders relating to Chevron’s 21-well Dagger Lake group which was intended to be drilled and completed as part of a simultaneous drilling and completion project.

7. Applicant was unable to execute its plan to simultaneously drill and complete the wells in its Dagger Lake project and meet the deadline for completion of the Loch Ness wells in Order No. R-20859 because of delays by the BLM in the issuance of requested APDs, the unfavorable economic environment caused by the global COVID-19 pandemic, and the related impact on CAPEX.

8. Applicant has made a good faith effort but has been unable to obtain voluntary agreement for the development of these lands from all mineral interest owners within the subject horizontal spacing unit.

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

10. In order to permit Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted mineral interests in this proposed horizontal spacing unit should be pooled, and Applicant should be designated as operator of these proposed horizontal wells and spacing unit.

11. Notice of this application is being given in accordance with Division rules.

**WHEREFORE**, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on August 5, 2021, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the Bone Spring formation underlying the proposed horizontal spacing unit;
- B. Approving the initial wells in the proposed horizontal spacing unit;
- C. Designating Applicant as operator of this horizontal spacing unit and the horizontal wells to be drilled thereon;
- D. Authorizing Applicant 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; and

- F. Imposing a 200% charge for the risk assumed by Applicant in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling and completion of the wells.

Respectfully submitted,

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