

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

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
CHEVRON U.S.A., INC.**

**CASE NO. 22029
ORDER NO. R-21911**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on October 21, 2021, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. Chevron U.S.A., Inc. (“Operator”) submitted an application (“Application”) to compulsory pool the uncommitted oil and gas interests within the spacing unit (“Unit”) described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
2. Operator will dedicate the well(s) described in Exhibit A (“Well(s)”) to the Unit.
3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
7. Operator is the owner of an oil and gas working interest within the Unit.
8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.
10. Operator has the right to drill the Well(s) to a common source of supply at the

depth(s) and location(s) in the Unit described in Exhibit A.

11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
17. Operator is designated as operator of the Unit and the Well(s).
18. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.
19. The Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.
20. This Order shall terminate automatically if Operator fails to comply with Paragraph 19 unless Operator obtains an extension by amending this Order for good cause shown.
21. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
22. Operator shall submit each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").
23. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the

well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."

24. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
25. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.
26. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
27. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
28. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
29. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share

of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.

30. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to paragraph 29 to each Pooled Working Interest that paid its share of the Estimated Well Costs.
31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*
34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
35. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



**ADRIENNE SANDOVAL
DIRECTOR**

AES/jag

Date: 10/25/2021

Exhibit A

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COMPULSORY POOLING APPLICATION CHECKLIST (pdf)	
*All Information Submitted in the Application Shall be by Signed Affidavit	
Date: October 21, 2021	APPLICANT'S RESPONSE
Case # 22029	
Applicant	CHEVRON U.S.A. INC.
Designated Operator & OGRID (Affiliation if applicable)	CHEVRON U.S.A. INC. OGRID 4323
Applicant's Counsel	Beatty & Wozniak PC., Candace Callahan
Case Title	Application of Chevron U.S.A. Inc. for Compulsory Pooling, Lea County, New Mexico
Entries of Appearance/Intervenors	ConocoPhillips Company
Formation/Pool	
Formation Name(s) or Vertical Extent	Bone Spring formation
Primary Product (Oil or Gas)	Oil
Pool Name (Pool Code)	Lower Avalon: Red Tank; Bone Spring East and TBS: WC-025 G-06 S213326D; Bone Spring
Well Location Setback Rules	Standard Oil, 330' setback
Pool Spacing Size or Building Block Size	40
Spacing Unit to be Compulsory Pooled	
Type (Horizontal/Vertical)	HZ
Spacing Unit Size (Acres)	640
Spacing Unit Orientation	N/S
Spacing Unit Description	E/2 Sec. 9 and E/2 Sec. 16, T. 22 S., R. 33 E.
Other Situations	
Is There a Depth Severance ?	None
Proximity Tracts	W/2 E/2 of Secs. 9 & 16, T 22 S, R 33 E
Proximity Defining Well	DL 9 16 Loch Ness Fed Com 17H
Does The Applicant Have Ownership in Each Tract ?	Exhibit A-4; No
Well(s)	
Name & API	DL 9 16 Loch Ness Fed Com 16H well (API no. 30-025-46647); DL 9 16 Loch Ness Fed Com 17H well (API no. 30-025-46648); DL 9 16 Loch Ness Fed Com 18H well (API no. 30-025-46649)
Well Surface/ Bottom Hole Locations (Footage/Unit/S.T.R.)	See Exhibit A-3, C-102s for the three wells
Horizontal Well First and last Take Points	See Exhibit A-3, C-102s for the three wells
Drill Orientation	North to South
Completion Target (Formation & TVD)	16H TVD=9,525'; 17H= TVD=9,675'; 18H=9,525'. See Exhibit A-6, listing TVD, MD for each proposed well
	Below this line, Reference in Exhibit where information is located
AFE Capex and Operating Costs	
Drilling Supervision/Month \$	\$7,000/Month; see Exhibit A-6 & 7, Letter and AFEs
Production Supervision/Month \$	\$700/Month; see Exhibit A-6 & A-7, Letter and AFEs
Justification for Supervision Costs	Exhibit A, A-6 & A-7, Letter and AFE
Requested Risk Charge	200%
Notice of Hearing	
Proposed Notice of Hearing (Submit with Application)	Exhibit B-1
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit B-1
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit B-2
Ownership Determination	
Land Ownership Schematic of the Spacing Unit	Exhibit A-4, Unit with Tracts and Acreages, P1
Tract Listing (including lease numbers and owners)	Exhibit A-4, Table of Interest Owners and Unit Recapitulation
Pooled Parties (including ownership type)	Exhibit A-4, Table of Interest Owners and Unit Recapitulation
Unlocatable Parties to be Pooled	Exhibit B-3, & A-4 Table of Interest Owners and Unit Recapitulation
Ownership Depth Severance (including % above & below)	None
Legal Instrument for Depth Severances by Tract	None

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Joinder Efforts	
Copy of Proposal Letter	Exhibit A-6, Letter and AFE
Copy of Joint Operating Agreement	
Chronology of Contact with Joined Parties	Exhibit A-7, Letter and AFE
Chronology of Contact with Non-Joined Parties	Exhibit A-7, Letter and AFE
Overhead Rates In Proposal Letter	
Cost Estimate to Drill and Complete	Exhibit A-6, Letter and AFE
Cost Estimate to Equip Well	Exhibit A-6, Letter and AFE
Cost Estimate for Production Facilities	Exhibit A-6, Letter and AFE
Geology	
Summary (including special considerations)	Exhibit C (see copy of transcript for initial Case No. 20768 incorporated by reference - testimony of Chevron's Development Geologist Kate Schwer found at pages 14 - 19)
Spacing Unit Schematic	Exhibit C (see copy of record for initial Case No. 20768 incorporated by reference)
Gunbarrel Schematic	Exhibit C (see copy of record for initial Case No. 20768 incorporated by reference)
Well Azimuth (with rationale)	Exhibit C (see copy of record for initial Case No. 20768 incorporated by reference)
Target Formation (with rationale)	Exhibit C (see copy of record for initial Case No. 20768 incorporated by reference)
HSU (with rationale with structure, porosity, and thickness)	Exhibit C (see copy of record for initial Case No. 20768 incorporated by reference)
Depth Severance Discussion	Exhibit C (see copy of record for initial Case No. 20768 incorporated by reference)
Engineering	
Summary (including special considerations)	
Well Azimuth and Stress Direction (with rationale)	
HSU (with rationale, including well length)	
Well Density (with rationale)	
Depth Severance (determination of stress barriers and depths)	
Drilling Plan	
Completion Plan	
Well Recovery	
Artificial Lift Method	
Surface Facilities Plan	
List of Figures/Tables	
C-102	See Exhibit A-3 C-102s for the three wells
Tracts	Exhibit A-4
Corresponding summary of Interests, Unit Recapitulation	Exhibit A-4, Unit with Tracts and Acreages
General Location Map in Basin	Exhibit A-2
Location Map with well bores,	Exhibit C
Structure Contour Map- Subsea Depth	Exhibit C
Cross Section Location Map showing wells used in Cross Section	Exhibit C
Cross Section showing LZ	Exhibit C
Appropriate Signed Affidavits	Exhibit A, Exhibit B
Proposed Directional Survey with TVDs and MDs	Exhibit A-6, Letter and AFE
Additional Information/Summary of the Case	All three of the initial wells for the proposed unit were drilled under authority of Division Order R-20859, dated September 13, 2019, which expired under its terms. Chevron requests a new pooling order to allow Chevron to complete and produce all three wells. The AFE costs for drilling all three wells have been paid by the working interest owners according to their respective interests.
CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.	
Name (Attorney or Party Representative-printed):	Candace Callahan
Name (Attorney or Party Representative-signed):	
Date: 10/21/2021	