

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

**APPLICATIONS OF CIMAREX ENERGY CO.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

**CASE NO. 22519
CASE NO. 22520**

**APPLICATIONS OF CHEVRON U.S.A. INC.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

**CASE NO. 22343
CASE NO. 22344
ORDER NO. R-22204**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard these matters through a Hearing Examiner on March 18, 2022, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS AND CONCLUSIONS

1. Due public notice has been given as required by law, and OCD has jurisdiction of these cases and the subject matter.
2. These cases involve competing compulsorily pooling applications with overlapping horizontal spacing units filed by Cimarex Energy Co. (“Cimarex¹”) and Chevron U.S.A. Inc. (“Chevron”). These cases were consolidated for hearing and a single order is being issued for the consolidated cases.
3. Both Cimarex and Chevron have the right to drill within the proposed spacing units, and each seeks to be named operator of their proposed wells and spacing units
4. Applications: Cimarex Case Nos. 22519 and 22520. On January 4, 2022, Cimarex submitted applications to compulsorily pool the uncommitted oil and gas interests in the Wolfcamp formation underlying standard 960-acre horizontal spacing units comprised of the west half (Case No. 22519) and the east half (Case No, 22520) of Sections 8, 17 and 20, Township 25 South, Range 27 East, NMPM, Eddy County, New Mexico. Cimarex proposes to dedicate to the Case No. 22519 unit four wells, and to the Case No. 22520 unit

¹ Cimarex Energy is apparently now part of Coterra Energy and some of the witnesses refer to Coterra. Since the Application was made in the name of Cimarex, this Order will refer to Cimarex.)

five wells, each with a three-mile wellbore to be drilled from a surface location in Section 8 to a bottom hole located in Section 20.

5. Chevron Case Nos. 22343 and 22344. On November 2, 2021, Chevron submitted applications to compulsorily pool the uncommitted oil and gas interests in the Wolfcamp formation underlying standard 640-acre horizontal spacing units underlying the east half (Case No. 22343) and the west half (Case No. 22344) of Sections 17 and 20, Township 25 South, Range 27 East, NMPM, Eddy County, New Mexico. Chevron proposes to dedicate to each unit four wells with two-mile wellbores to be drilled from surface locations in Section 20 to bottom hole locations in Section 17.
6. Hearing. Both sets of cases were heard at an OCD hearing docket on March 18, 2022. The hearing, which took place on a virtual platform, was conducted in accordance with the hearing procedures in 19.15.4 NMAC. Both Cimarex and Chevron presented witnesses and exhibits. No other party presented evidence. Each of the witnesses were sworn, were qualified to present expert opinion testimony and were subject to cross-examination by the other party and by the OCD Hearing Examiners.
7. Cimarex presented three witnesses in support of its applications:
 - a. Riley Morris, landman
 - b. Meera Ramoutar, geologist
 - c. Brett Stewart, petroleum engineer
-
8. Chevron presented four witnesses in support of its applications:
 - a. Chris Cooper, landman
 - b. Karl Bloor, geologist
 - c. Bradley Hulme, petroleum engineer
 - d. Andrew Tabije, petroleum facilities engineer+
9. Legal Background. The Oil and Gas Act authorizes OCD to compulsory pool the lands or interests in a spacing unit. When the owners of the interests in a spacing unit have not agreed to voluntarily pool their interests, and when one owner, who has the right to drill, applies to OCD, OCD can pool the lands or interests in the unit “to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste”. Section 70-2-17.C.
10. The Oil Conservation Commission (“Commission”) and the OCD have developed a number of factors to consider in evaluating competing compulsory pooling applications.
11. The Commission, in a 1997 order involving vertical well proposals, concluded that “the most important consideration in awarding operations to competing interest owners is geologic evidence as it relates to well location and recovery of oil and gas and associated risk.” *KCS Medallion Resources, Inc.*, Order R-10731-B, ¶ 23(f) (Feb. 28, 1997). In this Order, the Commission also listed several other factors such as lack of good faith negotiation, differences in proposed risk charge and ability to prudently operate the property but concluded that in the absence of “any reason why one operator would

economically recover more oil or gas by virtue of being awarded operations than the other”, “working interest control” would be the “controlling factor”. *Id.* ¶ 24.

12. Since then, OCD and Commission decisions have applied the factors in Order R-10731-B, with some additions, in compulsory pooling cases including those involving horizontal well proposals. In a recent decision, the Commission listed the factors it “may consider” in evaluating competing compulsory pooling applications:

- a. A comparison of geologic evidence presented by each party as it relates to the proposed well location and the potential of each proposed prospect to efficiently recover the oil and gas reserves underlying the property.
- b. A comparison of the risk associated with the parties' respective proposal for the exploration and development of the property.
- c. A review of the negotiations between the competing parties prior to the applications to force pool to determine if there was a "good faith" effort.
- d. A comparison of the ability of each party to prudently operate the property and, thereby, prevent waste.
- e. A comparison of the differences in well cost estimates (AFEs) and other operational costs presented by each party for their respective proposals.
- f. An evaluation of the mineral interest ownership held by each party at the time the application was heard
- g. A comparison of the ability of the applicants to timely locate well sites and to operate on the surface (the "surface factor").

Order R-21420, ¶ 9 (9/17/2020)

13. Proposals. The proposals cover three sections within Township 25 South, Range 27 East, NMPM, Eddy County. Cimarex proposes horizontal spacing units of 960 acres that comprise Sections 8, 17 and 20 (“Cimarex Unit”). Chevron proposes units of 640 acres that comprise Sections 17 and 20 (“Chevron Unit”). The overlap between the units is Sections 17 and 20.

14. Development Plans. The primary difference between the plans is the length of the proposed laterals (and therefore the size of the proposed spacing units): Cimarex proposes three mile laterals across sections 8, 17 and 20 while Chevron proposes two mile laterals across sections 17 and 20. Cimarex argues that longer laterals are better and more economic. (Cimarex ex. B; Tr. 15). Chevron’s proposal would effectively strand Cimarex’s minerals in section 8 because one mile laterals are “economically inferior”. (Tr. 16). Cimarex testified that interest owners to the north of section 8 would not agree to Cimarex drilling north. (Cimarex ex. B).

15. Chevron argues that three mile laterals are riskier. These risks include drifting out of targeted intervals and less efficient completions further down the wellbore. (Chevron ex. C). Chevron also claims that Cimarex has not drilled and completed three mile laterals in Eddy County and that Cimarex has already developed one mile wells in section 8.

16. While both parties seek to develop the Wolfcamp formation, their development plans differ. Chevron focuses on developing the upper Wolfcamp A sands/shales underlying Sections 17 and 20 with an eight well per section staggered “wine rack” pattern. Cimarex also proposes an initial eight well development but with four wells in the upper Wolfcamp A and four wells in the lower Wolfcamp.
17. Chevron argues that its eight well proposal for the upper Wolfcamp is designed to get the most resources out of the ground. (Tr. 11-12). In its application, Chevron does not propose wells for the remainder of the Wolfcamp formation but could develop those intervals later with infill wells. (Tr. 13-14). Chevron states that it has used a similar well pattern on its Delaware Ranch development which is approximately ten miles south. (Chevron ex. B3).
18. Cimarex argues that a four well development of the Upper Wolfcamp is more capital efficient than an eight well development and will result in greater hydrocarbon recovery for each capital dollar expended. This will result in a greater rate of return not just for Cimarex but for all the interest owners. Cimarex believes that Chevron’s proposal will result in excessive drilling of the Upper Wolfcamp and a lower rate of return. (Cimarex Ex. D).
19. Surface Factors. Both parties argued for the benefits of their existing and planned surface facilities. Chevron testified that the development of sections 17 and 20 are part of a planned Chevron development area covering six sections, the Northwest Hayhurst Development Area. (Chevron ex. D2). The development area will have centralized facilities including a proposed large scale solar array and an electric compressor station. (Chevron ex. D3). Chevron opposes Cimarex’s proposal to drill wells into the center of Chevron’s planned development area.
20. Cimarex argues that its proposal will result in less surface disturbance. Cimarex has existing facilities that can be used for the new wells. Cimarex would build well pads if Cimarex were drilling three mile or one mile laterals. Thus, Chevron’s proposal would double the total surface disturbance for both operators. (Cimarex ex. D). Cimarex also claims that it is further along in obtaining federal approvals for wells and surface facilities and has a drill rig scheduled for later this year. *Id.*
21. Working Interest Control. For the Cimarex Unit of 960 acres, Cimarex claims to have working interest control of 49.84%, while Chevron has control of 39.56%. (Cimarex ex. B). For the 640 acre portion of the Cimarex Unit that is the Chevron Unit, Chevron has working interest control of 64.38%, while Cimarex has control of 26.35%. (Chevron ex. A3). There is no significant dispute between the parties over these numbers.
22. Analysis. The Cimarex and Chevron cases involve a particular category of competing compulsory pooling cases which the Commission has recently analyzed: a partial overlap of proposed spacing units. In two recent cases involving partial overlap, the Commission compared the parties’ proposals and focused on the following concerns: a) which proposal avoids waste by not stranding acreage; b) which proposal best protects correlative rights “by presenting the best opportunity for each party to develop its own acreage”; and c)

which party had the greatest interest in their proposed unit. *Marathon Oil Permian LLC*, Order R-21416-A (Sept. 17, 2020); *Novo Oil & Gas Northern Delaware, LLC*, Order R-21420-A (Sept. 17, 2020). In neither case did the Commission's decision rely on the relative strength of the well proposals (location, density, length, etc.) or the relative percentages of working interest control. In each case, the Commission reached a different result than the Division.

23. In the current Cimarex and Chevron cases, the Commission's analysis favors the Chevron plan. If the Chevron applications are approved, Cimarex would still be able to develop one mile wells in section 8. If the Cimarex applications were approved, Chevron would be unable to develop sections 17 and 20.
24. Other Factors. The working interest control of the sections also favors the Chevron plan. For sections 17 and 20 which Chevron proposes to develop, Chevron has working interest control of 64.38%, while Cimarex has control of 26.35%. For the remaining section 8 which would be available for Cimarex to develop, Cimarex has 100% of the working interest.
25. No other factor is decisive. OCD finds that the evidence on competing development plans to be insufficient to support one plan over the other. The arguments about both the riskiness of three mile laterals and the possible stranding of acreage because one mile wells are no longer practicable were raised less than a year ago in another compulsory pooling case. OCD rejected both claims. *COG Operating LLC*, Order R-21826 (August 31, 2021). Both parties argued for the benefits of their existing and planned surface facilities but neither claim is decisive.
26. OCD concludes that, following the Commission's precedent in analyzing proposed overlapping spacing units, the Chevron applications prevent waste and protect correlative rights by presenting the best opportunity for each party to develop its own acreage. Each party will be left in control of units where they have the significant majority, or the entirety, of the working interest control.
27. Chevron will dedicate the well(s) described in Exhibit A ("Well(s)") to the Chevron Unit.
28. Chevron proposes the supervision and risk charges for the Well(s) described in Exhibit A.
29. Chevron identified the owners of uncommitted interests in oil and gas minerals in the Chevron Unit and provided evidence that notice was given.
30. The Chevron Unit contains separately owned uncommitted interests in oil and gas minerals.
31. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Chevron Unit.
32. The pooling of uncommitted interests in the Chevron Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.

33. 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

34. The applications of Chevron U.S.A. Inc. (“Operator”) in Case Nos. 22343 and 22344 are granted.

35. The applications of Cimarex Energy Co. in Case Nos. 22519 and 22520 are denied.

36. The uncommitted interests in the Chevron Unit are pooled as set forth in Exhibit A.

37. The Chevron Unit shall be dedicated to the Well(s) set forth in Exhibit A.

38. Operator is designated as operator of the Chevron Unit and the Well(s).

39. 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.

40. 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.

41. 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.

42. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.

43. 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”).

44. 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."

45. 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.
46. 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.
47. 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."
48. 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.
49. 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.
50. 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.

51. 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.
52. 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.
53. 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.
54. 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.
55. 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.
56. 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/bb**

Date: 7/25/2022

Exhibit A

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| COMPULSORY POOLING APPLICATION CHECKLIST (pdf) | |
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| ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS | |
| Case: 22343 | APPLICANT'S RESPONSE |
| Date March 18, 2022 | |
| Applicant | Chevron U.S.A. Inc. |
| Designated Operator & OGRID (affiliation if applicable) | Chevron U.S.A. Inc. (OGRID No. 4323) |
| Applicant's Counsel: | Holland & Hart LLP |
| Case Title: | APPLICATION OF CHEVRON U.S.A. INC. FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO. |
| Entries of Appearance/Intervenors: | Cimarex Energy Company |
| Well Family | Glenfiddich 20 17 Fed Com 46 wells |
| Formation/Pool | |
| Formation Name(s) or Vertical Extent: | Wolfcamp |
| Primary Product (Oil or Gas): | Oil |
| Pooling this vertical extent: | Wolfcamp formation |
| Pool Name and Pool Code: | Purple Sage; Wolfcamp (Gas) Pool [98220] |
| Well Location Setback Rules: | 330' under Order R-14262 |
| Spacing Unit Size: | 640 acres, more or less |
| Spacing Unit | |
| Type (Horizontal/Vertical) | Horizontal |
| Size (Acres) | 640 acres, more or less |
| Building Blocks: | Half or Quarter sections |
| Orientation: | South/North |
| Description: TRS/County | E/2 of Sections 17 and 20, T-25-S, R-27-E, Eddy County, New Mexico. |
| Standard Horizontal Well Spacing Unit (Y/N), if No, describe | Yes |
| Other Situations | |
| Depth Severance: Y/N. If yes, description | No |
| Proximity Tracts: If yes, description | No |
| Proximity Defining Well: if yes, description | N/A |
| Applicant's Ownership in Each Tract | Exhibits A-3 and A-5 |
| Well(s) | |

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| Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard) | |
| Well #1 | Glenfiddich 2017 FED COM 46 Well No. 1H (API No, pending) SHL: 451' FSL & 598' FEL (Unit P) of Section 20, T-25 S, R-27-E BHL: 25' FNL & 2310' FEL (Unit B) of Section 17, T-25-S, R-27-E Completion Target: Wolfcamp Well Orientation: South/North Completion Location expected to be: Standard |
| Well #2 | Glenfiddich 2017 FED COM 46 Well No. 2H (API No, pending) SHL: 451' FSL & 573' FEL (Unit P) of Section 20, T-25 S, R-27-E BHL: 25' FNL & 1650' FEL (Unit B) of Section 17, T-25-S, R-27-E Completion Target: Wolfcamp Well Orientation: South/North Completion Location expected to be: Standard |
| Well #3 | Glenfiddich 2017 FED COM 46 Well No. 3H (API No, pending) SHL: 451' FSL & 548' FEL (Unit P) of Section 20, T-25 S, R-27-E BHL: 25' FNL & 990' FEL (Unit A) of Section 17, T-25-S, R-27-E Completion Target: Wolfcamp Well Orientation: South/North Completion Location expected to be: Standard |
| Well #4 | Glenfiddich 2017 FED COM 46 Well No. 4H (API No, pending) SHL: 451' FSL & 523' FEL (Unit P) of Section 20, T-25 S, R-27-E BHL: 25' FNL & 330' FEL (Unit A) of Section 17, T-25-S, R-27-E Completion Target: Wolfcamp Well Orientation: South/North Completion Location expected to be: Standard |
| Horizontal Well First and Last Take Points | Exhibit A-2 |
| Completion Target (Formation, TVD and MD) | Exhibit A-6 |
| AFE Capex and Operating Costs | |
| Drilling Supervision/Month \$ | \$8,000 |
| Production Supervision/Month \$ | \$800 |
| Justification for Supervision Costs | Exhibit A |
| Requested Risk Charge | 200% |
| Notice of Hearing | |
| Proposed Notice of Hearing | See Application |
| Proof of Mailed Notice of Hearing (20 days before hearing) | Exhibit E |
| Proof of Published Notice of Hearing (10 days before hearing) | Exhibit F |
| Ownership Determination | |
| Land Ownership Schematic of the Spacing Unit | Exhibits A-3 and A-5 |
| | Exhibit A-5 |
| Tract List (including lease numbers and owners) | |
| Pooled Parties (including ownership type) | Exhibit A-5 |
| Unlocatable Parties to be Pooled | N/A |
| Ownership Depth Severance (including percentage above & below) | N/A |
| Joinder | |
| | Exhibit A-6 |

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| List of Interest Owners (ie Exhibit A of JOA) | Exhibit A-5 |
| Chronology of Contact with Non-Joined Working Interests | Exhibit A-7 |
| Overhead Rates In Proposal Letter | Exhibit A-6 |
| Cost Estimate to Drill and Complete | Exhibit A-6 |
| Cost Estimate to Equip Well | Exhibit A-6 |
| Cost Estimate for Production Facilities | Exhibit A-6 |
| Geology | |
| Summary (including special considerations) | Exhibit B |
| Spacing Unit Schematic | Exhibit A-2 |
| Gunbarrel/Lateral Trajectory Schematic | Exhibits B-2, B-3 |
| Well Orientation (with rationale) | Exhibit B |
| Target Formation | Exhibits B, B-2 |
| HSU Cross Section | Exhibit B-5 |
| Depth Severance Discussion | N/A |
| Forms, Figures and Tables | |
| A-102 | Exhibit A-2 |
| Tracts | Exhibits A-3, A-5 |
| Summary of Interests, Unit Recapitulation (Tracts) | Exhibit A-5 |
| General Location Map (including basin) | Exhibits A-1 |
| Well Bore Location Map | Exhibits A-2, B-2 |
| Structure Contour Map - Subsea Depth | Exhibits B-3, B-4 |
| Cross Section Location Map (including wells) | Exhibit B-4 |
| Cross Section (including Landing Zone) | Exhibit B-5 |
| Additional Information | |
| CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate. | |
| Printed Name (Attorney or Party Representative): | Michael H. Feldewert |
| Signed Name (Attorney or Party Representative): |  |
| Date: | 7-Mar-22 |

| COMPULSORY POOLING APPLICATION CHECKLIST (pdf) | |
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| ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS | |
| Case: 22344 | APPLICANT'S RESPONSE |
| Date: March 18, 2022 | |
| Applicant | Chevron U.S.A. Inc. |
| Designated Operator & OGRID (affiliation if applicable) | Chevron U.S.A. Inc. (OGRID No. 4323) |
| Applicant's Counsel: | Holland & Hart LLP |
| Case Title: | APPLICATION OF CHEVRON U.S.A. INC. FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO. |
| Entries of Appearance/Intervenors: | Cimarex Energy Company |
| Well Family | Grey Goose 20 17 Fed Com 45 wells |
| Formation/Pool | |
| Formation Name(s) or Vertical Extent: | Wolfcamp |
| Primary Product (Oil or Gas): | Oil |
| Pooling this vertical extent: | Wolfcamp formation |
| Pool Name and Pool Code: | Purple Sage; Wolfcamp (Gas) Pool [98220] |
| Well Location Setback Rules: | 330' under Order R-14262 |
| Spacing Unit Size: | 640 acres, more or less |
| Spacing Unit | |
| Type (Horizontal/Vertical) | Horizontal |
| Size (Acres) | 640 acres, more or less |
| Building Blocks: | Half or Quarter sections |
| Orientation: | South/North |
| Description: TRS/County | W/2 of Sections 17 and 20, T-25-S, R-27-E, Eddy County, New Mexico. |
| Standard Horizontal Well Spacing Unit (Y/N), If No, describe | Yes |
| Other Situations | |
| Depth Severance: Y/N. If yes, description | No |
| Proximity Tracts: If yes, description | No |
| Proximity Defining Well: if yes, description | N/A |
| Applicant's Ownership in Each Tract | Exhibits A-3 and A-5 |
| Well(s) | |

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| Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard) | |
| Well #1 | Grey Goose 2017 FED COM 45 Well No. 1H (API No. pending) SHL: 459' FSL & 984' FWL (Unit M) of Section 20, T-25 S, R-27-E BHL: 25' FNL & 330' FWL (Unit D) of Section 17, T-25-S, R-27-E Completion Target: Wolfcamp Well Orientation: South/North Completion Location expected to be: Standard |
| Well #2 | Grey Goose 2017 FED COM 45 Well No. 2H (API No. pending) SHL: 459' FSL & 1009' FWL (Unit M) of Section 20, T-25 S, R-27-E BHL: 25' FNL & 990' FWL (Unit D) of Section 17, T-25-S, R-27-E Completion Target: Wolfcamp Well Orientation: South/North Completion Location expected to be: Standard |
| Well #3 | Grey Goose 2017 FED COM 45 Well No. 3H (API No. pending) SHL: 459' FSL & 1034' FWL (Unit M) of Section 20, T-25 S, R-27-E BHL: 25' FNL & 1650' FWL (Unit C) of Section 17, T-25-S, R-27-E Completion Target: Wolfcamp Well Orientation: South/North Completion Location expected to be: Standard |
| Well #4 | Grey Goose 2017 FED COM 45 Well No. 4H (API No. pending) SHL: 459' FSL & 1059' FWL (Unit M) of Section 20, T-25 S, R-27-E BHL: 25' FNL & 2310' FWL (Unit C) of Section 17, T-25-S, R-27-E Completion Target: Wolfcamp Well Orientation: South/North Completion Location expected to be: Standard |
| Horizontal Well First and Last Take Points | Exhibit A-2 |
| Completion Target (Formation, TVD and MD) | Exhibit A-6 |
| AFE Capex and Operating Costs | |
| Drilling Supervision/Month \$ | \$8,000 |
| Production Supervision/Month \$ | \$800 |
| Justification for Supervision Costs | Exhibit A |
| Requested Risk Charge | 200% |
| Notice of Hearing | |
| Proposed Notice of Hearing | See Application |
| Proof of Mailed Notice of Hearing (20 days before hearing) | Exhibit E |
| Proof of Published Notice of Hearing (10 days before hearing) | Exhibit F |
| Ownership Determination | |
| Land Ownership Schematic of the Spacing Unit | Exhibits A-3 and A-5 |
| | Exhibit A-5 |
| Tract List (including lease numbers and owners) | |
| Pooled Parties (including ownership type) | Exhibit A-5 |
| Unlocatable Parties to be Pooled | N/A |
| Ownership Depth Severance (including percentage above & below) | N/A |
| Joinder | |
| | Exhibit A-6 |

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| Summary (including special considerations) | Exhibit B |
| Spacing Unit Schematic | Exhibit A-2 |
| Gunbarrel/Lateral Trajectory Schematic | Exhibits B-2, B-3 |
| Well Orientation (with rationale) | Exhibit B |
| Target Formation | Exhibits B, B-2 |
| HSU Cross Section | Exhibit B-5 |
| Depth Severance Discussion | N/A |
| Forms, Figures and Tables | |
| A-102 | Exhibit A-2 |
| Tracts | Exhibits A-3, A-5 |
| Summary of Interests, Unit Recapitulation (Tracts) | Exhibit A-5 |
| General Location Map (including basin) | Exhibits A-1 |
| Well Bore Location Map | Exhibits A-2, B-2 |
| Structure Contour Map - Subsea Depth | Exhibits B-3, B-4 |
| Cross Section Location Map (including wells) | Exhibit B-4 |
| Cross Section (including Landing Zone) | Exhibit B-5 |
| Additional Information | |
| CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate. | |
| Printed Name (Attorney or Party Representative): | Michael H. Feldewert |
| Signed Name (Attorney or Party Representative): |  |
| Date: | 18-Mar-22 |