

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

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION TO CONSIDER:**

**Case No. 23924  
Order No. R-22488-A**

**APPLICATION OF CHEVRON U.S.A., INC  
TO AMEND ORDER NO. R-22488,  
EDDY COUNTY, NEW MEXICO.**

**ORDER AMENDING ORDER R-22488 TO  
DISMISS AUTHORITY TO SURFACE COMMINGLE**

**BY THE DIVISION:**

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on November 2, 2023, and after considering the administrative record including sworn testimony, admitted evidence, and the recommendations of the Hearing Examiner,

**FINDS THAT:**

- (1) Due public notice has been given, and the OCD has jurisdiction over this case and its subject matter.
- (2) Chevron USA, Inc. (“Applicant”) is seeking to amend Order No. R-22488 to dismiss from the order approval to surface commingle oil production from the Wolfcamp and Bone Spring formations within its Cicada Unit (“Unit”).
- (3) The Unit was approved by the OCD on October 6, 2017, though Order No. R-14459 issued in Case No. 15845. The Unit consisted of the Wolfcamp formation underlying 5,760 acres (more or less) of the following Federal and State lands situated in Eddy County, New Mexico:

Township 25 South, Range 27 East, N.M.P.M  
Section 23: All  
Section 26: All  
Section 35: All

Township 26 South, Range 27 East, N.M.P.M

Section 1: All

Section 2: All

Section 10: All

Section 11: W/2

Section 12: All

Section 14: W/2

Section 15: All

(4) The Unit was approved by the OCD to be expanded on September 13, 2019, though Order No. R-20858 issued in Case No. 15845. The Unit was expanded to include the Wolfcamp formation underlying the following lands, resulting in a total of 6,400 (more or less) acres:

Township 26 South, Range 27 East, N.M.P.M

Section 11: E/2

Section 14: E/2

(5) The OCD recommended approval of the Unit to be expanded on January 20, 2023, though Order R-22488 issued in Case No. 22873. The Unit was expanded to include the Bone Spring formation underlying 6,400 acres of the following lands situated in Eddy County, New Mexico ("Unit Area"):

Township 25 South, Range 27 East, N.M.P.M

Section 23: All

Section 26: All

Section 35: All

Township 26 South, Range 27 East, N.M.P.M

Section 1: All

Section 2: All

Section 10: All

Section 11: All

Section 12: All

Section 14: All

Section 15: All

(6) The OCD approved surface commingling of oil production from the Wolfcamp and Bone Spring formations underlying the Unit and from the participating areas within the Unit provided the participating areas have the same working, royalty, and overriding royalty owners in exactly the same percentages and provided an accurate account of the wells and pools from which the production is derived is maintained with the OCD on January 20, 2023, though Order R-22488 issued in Case No. 22873.

(7) Unitized Interval: The proposed unitized interval for the Unit is all formations from the top of the Bone Spring formation to the base of the Wolfcamp formation, which is encountered at a true vertical depth of 6,064 feet to a true vertical depth of 11,235 feet in the Hay Hollow Unit No. 2 well located in the SW/4 NW/4 of Section 12 of Township 26 South, Range 27 East, N.M.P.M in Eddy County, New Mexico (API No. 30-015-21549).

(8) The Bone Spring and Wolfcamp formations underlying the Unit are currently designated by the OCD as the Hay Hollow; Bone Spring, North Pool (Pool Code 30216), the Delaware River; Bone Spring Pool (Pool Code 16800), the Welch; Bone Spring Pool (Pool Code 64010), and the Purple Sage; Wolfcamp (Gas) Pool (Pool Code 98220).

(9) Applicant presented testimony and exhibits as follows:

a. The Unit is a federal resource development unit and is proposed to include all formations between the top of the Bone Spring formation and base of the Wolfcamp formation. All pre-existing and future vertical wells are excluded from the agreement.

b. The Unit is comprised of twelve (12) tracts of which six (6) are federal tracts, six (6) are state tracts, and zero (0) are fee tracts.

c. The Unit obligation well for the Bone Spring formation is the Cicada Unit No. 51H well, a horizontal well with a surface location in the SW/4 SW/4 of Section 3 of Township 26 South, Range 27 East (API No. 30-015-49001) and a bottomhole location in the SW/4 SW/4 of Section 15, of Township 26 South, Range 27 East. The well will be completed in the Welch; Bone Spring Pool (Pool Code 64010).

d. Applicant presented the proposed amended Unit Agreement (“Unit Agreement”). The Unit Agreement designates Applicant as the Unit Operator and has provisions for expansion or contraction of the Unit.

e. Applicant has received a logical designation letter from the BLM, indicating the land proposed for unitization is logically subject to exploration and development. The BLM assigned NMNM 137168X as the case serial number to the Unit. Applicant has also received preliminary approval of the Unit expansion from the SLO.

f. Notice of this application was provided to the record title owners, royalty owners and overriding royalty owners within the Unit Area.

g. The participating areas once formed will have the same working, royalty, and overriding royalty owners in exactly the same percentages.

- (10) No other party appeared at the hearing or otherwise opposed this application.
- (11) All proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the Applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.
- (12) The approval of the Unit will serve to prevent waste and protect correlative rights within the lands assigned to the Unit Area.

**IT IS THEREFORE ORDERED THAT:**

- (1) Order R-22488 is hereby vacated and replaced by this Order.
- (2) OCD recommends approval of the Unit expansion.
- (3) The Unit Area comprises 6,400 acres situated in Eddy County, New Mexico as described above.
- (4) This Order shall become effective upon the signature of all parties to the Unit Agreement.
- (5) OCD recognizes that Chevron USA, Inc. (OGRID No. 4323) is designated the Unit Operator under the Unit Agreement.
- (6) Upon the approval of the Unit Agreement and filing of the Unit Agreement with the OCD, the Unit Area will be recognized by the OCD as a “unitized area” as provided in 19.15.16 NMAC.
- (7) The Unit Operator will ensure that the names of the Unit wells are uniform and include the name of the Unit.
- (8) The plan contained in the Unit Agreement for the development and operation of the above-described Unit Area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the Unit Agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the OCD to supervise and control operations for the unit and production of oil and gas therefrom.
- (9) The Unit Operator shall file with the OCD the fully executed Unit Agreement within 30 days of the effective date of the Unit Agreement. In the event of (a) subsequent joinder by any other party, (b) expansion or contraction of the Unit Area, (c) change of Unit Operator, or (d) termination of the Unit or Unit Agreement, the Unit Operator shall file with OCD, within 30 days after approval or notification of BLM, the amended Unit Agreement or other documentation

reflecting the changes. Each filing shall be submitted to the OCD Engineering Bureau ([OCD.Engineer@emnrd.nm.gov](mailto:OCD.Engineer@emnrd.nm.gov)). OCD may notify the Unit Operator of any changes to the filing process without need to amend this Order.

(10) Jurisdiction of this case is retained for the entry of such further orders as the OCD may deem necessary.

**STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION**



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**GERASIMOS RAZATOS  
DIRECTOR (ACTING)**

**Date:** 8/9/2024