

ABOVE THIS LINE FOR DIVISION USE ONLY.

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

NSL-7527

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

*Chevron U.S.A. (4303)
 SD WE 15 Fed P 12 #2H
 30 025-43594*

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

*Jennings; Upper Bone
 Spring Shale (97838)*

[D] Other: Specify _____

2017 MAR 13 PM 1:00
 RECEIVED 001

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate and complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Jordan L. Kessler
 Print or Type Name

Jordan L. Kessler
 Signature

Attorney
 Title

03/13/2017
 Date

j.kessler@hollandhart.com
 e-mail Address

HOLLAND & HART^{LLP}



Jordan L. Kessler
Associate
Phone (505) 954-7286
Fax (505) 983-6043
JLKessler@hollandhart.com

March 13, 2017

VIA HAND DELIVERY

David Catanach
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Dr.
Santa Fe, New Mexico 87505

RECEIVED
MAR 13 2017

**Re: Application of Chevron U.S.A. Inc. for administrative approval of an unorthodox location, Section 15, Township 26 South, Range 32 East, N.M.P.M., Lea County, New Mexico.
SD WE 15 Fed P12 No. 2H Well**

Dear Mr. Catanach:

Chevron U.S.A. Inc. ("Chevron") (OGRID 4323) seeks administrative approval of an unorthodox well location for its **SD WE 15 Fed P12 No. 2H Well** (API No. 30-025-43594) to be completed within the Bone Spring (Jennings; Upper Bone Spring Shale (97838)) underlying the W/2 W/2 of Section 15. This well will be drilled from a surface location 52 feet from the South line and 1,410 feet from the East line (Unit N). The first perforation will be located 330 feet from the South line and 1,232 feet from the West line (Unit M) and the final perforation will be located 330 feet from the North line and 1,232 feet from the West line (Unit D) of Section 15. Since this acreage is governed by the Division's statewide rules which provide for wells to be located no closer than 330 feet to the outer boundary of the spacing unit, the completed interval for this well will be unorthodox because it is closer than 330 feet to the eastern, southeastern, and northeastern boundaries of the project area.

Chevron is the 100% working interest owner in Section 15. Ownership in the spacing and proration unit in the E/2 W/2 is therefore common with the proposed spacing unit and therefore there are no affected parties in the spacing units to the East. The E/2 W/2 will be developed by the **SD WE 15 Fed P12 No. 3H Well** (API No. 30-025-43595). Approval of the unorthodox completed interval will allow Chevron to develop these sections using their preferred well spacing plan for horizontal wells in this area, and thereby prevent waste of a productive reservoir.

Exhibit A is the Well Location and Acreage Dedication Plat (Form C-102), which shows that the completed interval of the proposed **SD WE 15 Fed P12 No. 2H Well** encroaches on the spacing and proration units to the East, Northeast, and Southeast.

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, New Mexico 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Boulder Carson City Colorado Springs Denver Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Reno Salt Lake City Santa Fe Washington, D.C. ☪



Exhibit B is a land plat showing the proposed **SD WE 15 Fed P12 No. 2H Well** in relation to adjoining spacing units.

Exhibit C is a list of the parties affected by the encroachment to the Northeast and Southeast. As described above, Chevron is the operator in the spacing unit it the E/2 W/2 of Section 15 and ownership is identical with that of the subject spacing unit. For these reasons, there are no affected parties in the spacing unit to the East. Parties affected by the unorthodox location are located in the spacing units to the Northeast and Southeast. A copy of this application with all attachments has been sent by certified mail to each affected party advising them that if they have an objection it must be filed in writing with the Division within 20 days from the date the Division receives the application. A courtesy copy of this application has also been provided to the Bureau of Land Management—Carlsbad.

Exhibit D is a notice of publication in the newspaper of general circulation for Lea County.

Your attention to this application is appreciated

Sincerely,

Jordan L. Kessler

ATTORNEY FOR CHEVRON U.S.A. INC.

cc: Bureau of Land Management-Carlsbad
620 E. Green Street
Carlsbad, NM 88220

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Drazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1250 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-43594	Pool Code 97838	Pool Name Dunnings, Hood, Bon Spring Shale
Property Code 317407	Property Name SD WE 15 FED P12	Well Number 2H
GRID No. 4323	Operator Name CHEVRON U.S.A. INC.	Elevation 3147'

Surface Location

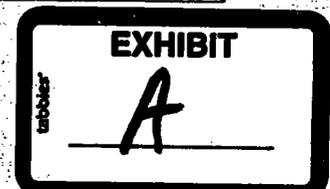
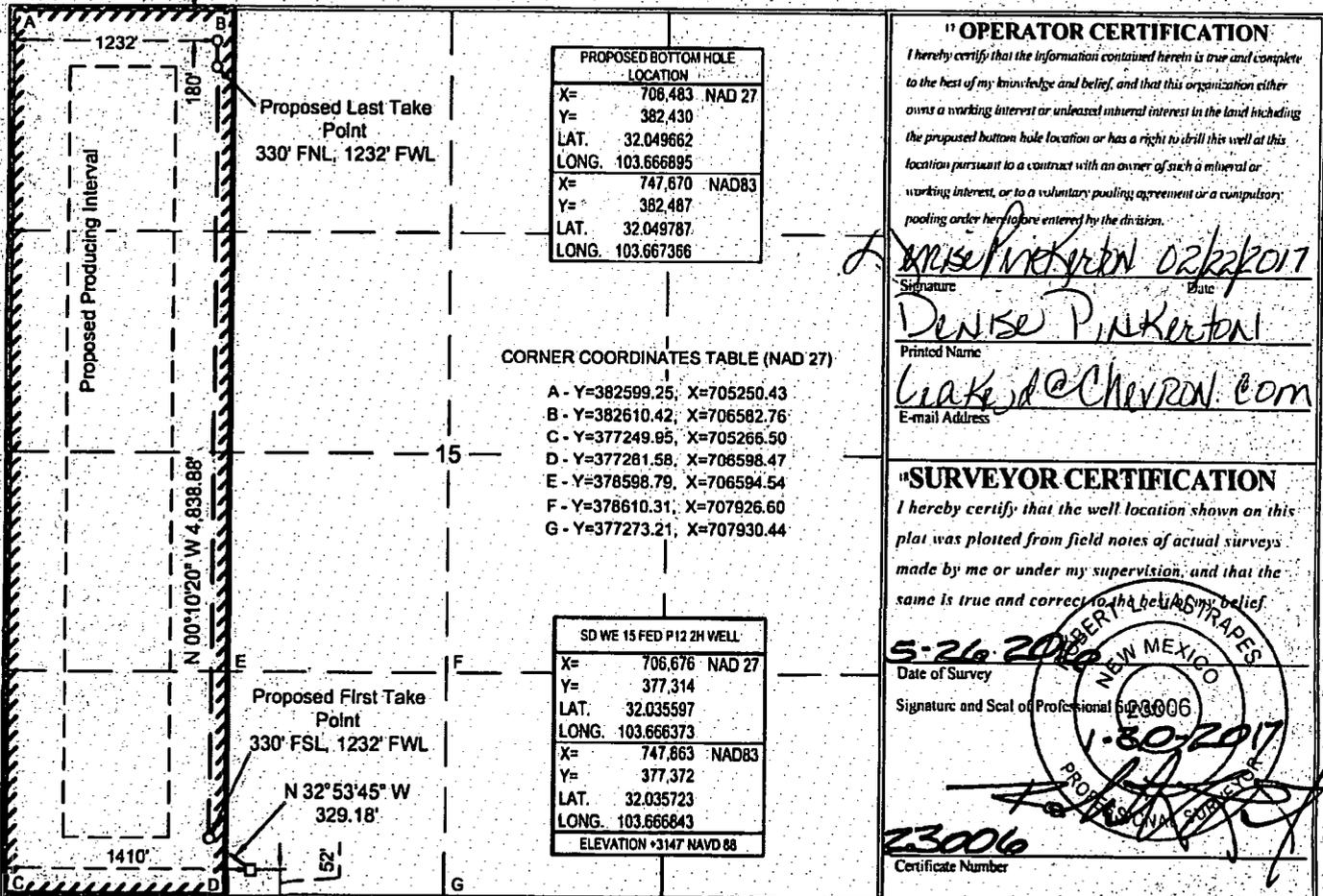
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	15	26 SOUTH	32 EAST, N.M.P.M.		52'	SOUTH	1410'	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	15	26 SOUTH	32 EAST, N.M.P.M.		180'	NORTH	1232'	WEST	LEA

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
1.60			

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



Chevron U.S.A. Inc.
SD WE 15 FED P12 #2H
NSL Notice Plat

SD WE 15 FED P12 #2H
Project Area

Notice Tract 1

Notice Tract 2

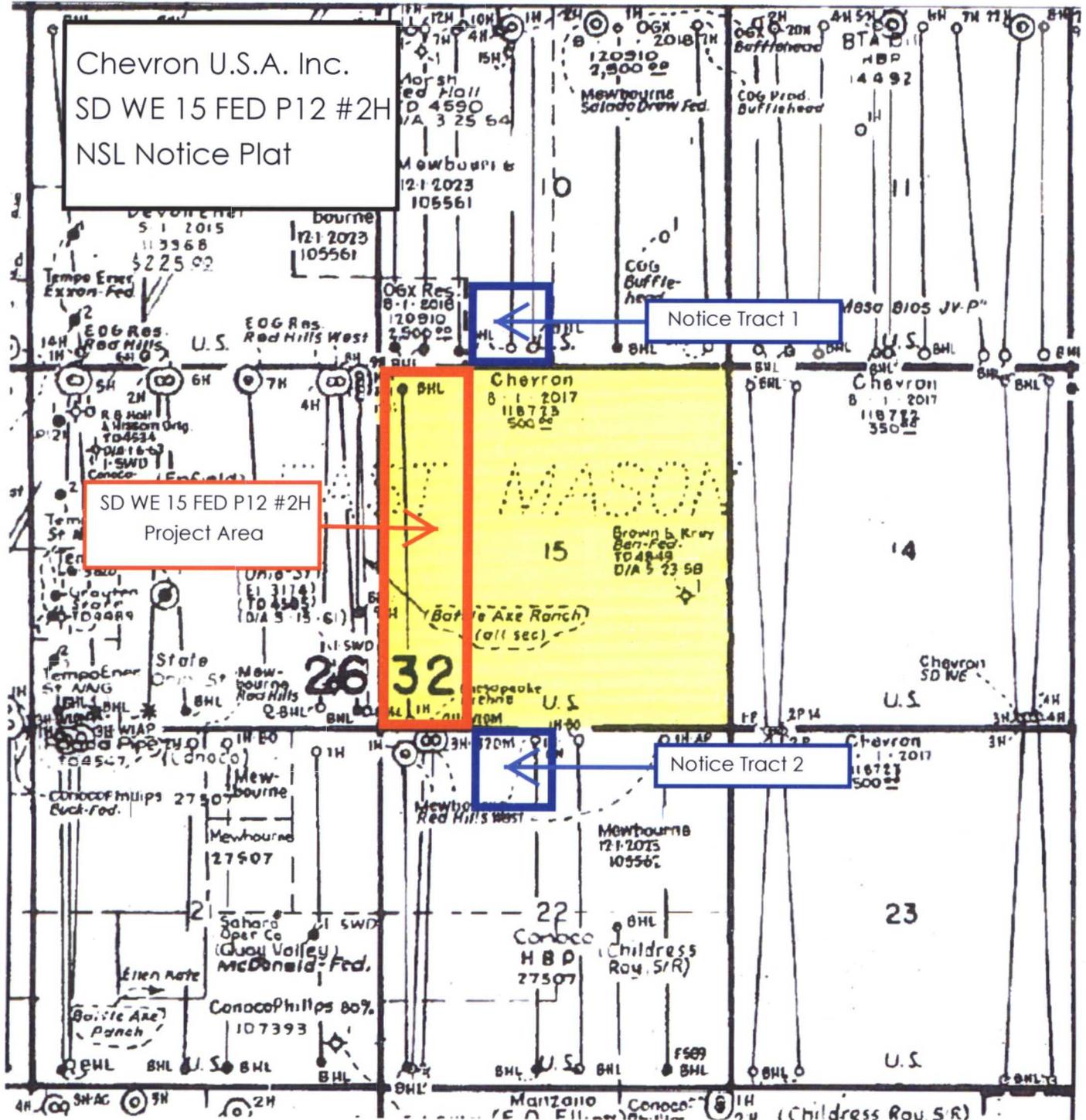


Exhibit C

Notice Tract #1:

Mewbourne Oil Company
500 West Texas, Suite 1020
Midland, TX 79701
70162140000038315696

Notice Tract #2:

Mewbourne Oil Company
500 West Texas, Suite 1020
Midland, TX 79701
70162140000038315702

ConocoPhillips Co
P.O. Box 7500
Bartlesville, OK 74005-7500
70162140000038315726

Legal Notice

To: Mewbourne Oil Company, ConocoPhillips Company, and any unknown person who has a mineral interest in the W/2 W/2 of Section 15, Township 26 South, Range 32 East, NMPM, Lea County, New Mexico.

Application of Chevron USA Inc. for administrative approval of an unorthodox well location for the its **SD WE 15 Fed P12 No. 2H Well** (API No. 30-025-43594) to be completed within the Bone Spring (Jennings; Upper Bone Spring Shale (97838)) underlying the W/2 W/2 of Section 15, Township 26 South, Range 32 East, NMPM, Lea County, New Mexico. The first perforation will be located 330 feet from the South line and 1,232 feet from the West line (Unit M) and the final perforation will be located 330 feet from the North line and 1,232 feet from the West line (Unit D) of Section 15. The completed interval for the **SD WE 15 Fed P12 No. 2H Well** encroaches on the spacing units to the East, Northeast, and Southeast. Any objection to this application must be filed in writing within twenty days from date of publication with the applicant and the New Mexico Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, New Mexico, 87505. If no objection is received within this twenty-day period, this application may be approved administratively by the Division. If you have any questions about this application, please contact Shalyce Holmes, (713) 372-6051 or SLHolmes@chevron.com.

HOLLAND & HART^{LLP}



Jordan L. Kessler
Associate

Phone (505) 988-4421

Fax (505) 983-6043

jlkessler@hollandhart.com

March 13, 2017

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO AFFECTED PARTIES

Re: Application of Chevron U.S.A. Inc. for administrative approval of an unorthodox location, Section 15, Township 26 South, Range 32 East, N.M.P.M., Lea County, New Mexico.
SD WE 15 Fed P12 No. 2H Well

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on this date. Any objection to this application must be filed in writing within twenty days from this date with the applicant and the New Mexico Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, New Mexico, 87505. If no objection is received within this twenty-day period, this application may be approved administratively by the Division.

If you have any questions about this application, please contact the following:

Shalyce Holmes
Chevron U.S.A. Inc.
(713) 372-6051
SLHolmes@chevron.com

Sincerely,

Jordan L. Kessler

ATTORNEY FOR CHEVRON U.S.A. INC.

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, New Mexico 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Boulder Carson City Colorado Springs Denver Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Reno Salt Lake City Santa Fe Washington, D.C. ☪

U.S. Postal Service
CERTIFIED MAIL® RECEIPT
 Domestic Mail Only

For delivery information, visit www.usps.com Chevron/ SD WE 15 Fed P12 No. 2H Well /JLK

OFFICE

Certified Mail Fee \$
 Return Receipt (hardcopy) \$
 Return Receipt (electronic) \$
 Certified Mail Restricted Delivery \$
 Adult Signature Required \$
 Adult Signature Restricted Delivery \$

Postage \$
 Total P \$
 Sent To Bureau of Land Management-
 Carlsbad
 620 E. Green Street
 Carlsbad, NM 88220

PS Form 3811, July 2015 PSN 7530-02-000-5063

SENDER: COMPLETE THIS SECTION ON DELIVERY

1. Article Addressed to:
 Bureau of Land Management-
 Carlsbad
 620 E. Green Street
 Carlsbad, NM 88220

2. Article Number (Transfer from service label)
 9590 9402 1834 6104 2734 29

7016 2140 0000 3831 5719
 PS Form 3811, July 2015 PSN 7530-02-000-5063

A. Signature
 Adult Signature
 Agent Signature

B. Received by (Printed Name)
 [Signature]

C. Date of Delivery
 3-17

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Adult Signature
 Adult Signature Restricted Delivery
 Certified Mail®
 Certified Mail Restricted Delivery
 Collect on Delivery
 Insured Mail
 Priority Mail Express®
 Registered Mail™
 Registered Mail Restricted Delivery
 Return Receipt for Merchandise
 Signature Confirmation™
 Signature Confirmation Restricted Delivery

Domestic Return Receipt

U.S. Postal Service
CERTIFIED MAIL® RECEIPT
 Domestic Mail Only

For delivery information, visit www.usps.com Chevron/ SD WE 15 Fed P12 No. 2H Well /JLK

OFFICE

Certified Mail Fee \$
 Return Receipt (hardcopy) \$
 Return Receipt (electronic) \$
 Certified Mail Restricted Delivery \$
 Adult Signature Required \$
 Adult Signature Restricted Delivery \$

Postage \$
 Total Post \$
 Sent To Mewbourne Oil Company
 500 West Texas, Suite 1020
 Midland, TX 79701

PS Form 3811, July 2015 PSN 7530-02-000-5063

SENDER: COMPLETE THIS SECTION ON DELIVERY

1. Article Addressed to:
 Mewbourne Oil Company
 500 West Texas, Suite 1020
 Midland, TX 79701

2. Article Number (Transfer from service label)
 9590 9402 1834 6104 2733 75

7016 2140 0000 3831 5696
 PS Form 3811, July 2015 PSN 7530-02-000-5063

A. Signature
 Adult Signature
 Agent Signature

B. Received by (Printed Name)
 [Signature]

C. Date of Delivery
 3-17

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Adult Signature
 Adult Signature Restricted Delivery
 Certified Mail®
 Certified Mail Restricted Delivery
 Collect on Delivery
 Insured Mail
 Priority Mail Express®
 Registered Mail™
 Registered Mail Restricted Delivery
 Return Receipt for Merchandise
 Signature Confirmation™
 Signature Confirmation Restricted Delivery

Domestic Return Receipt

U.S. Postal Service
CERTIFIED MAIL® RECEIPT
 Domestic Mail Only

For delivery information, visit www.usps.com Chevron/ SD WE 15 Fed P12 No. 2H Well /JLK

OFFICE

Certified Mail Fee \$
 Return Receipt (hardcopy) \$
 Return Receipt (electronic) \$
 Certified Mail Restricted Delivery \$
 Adult Signature Required \$
 Adult Signature Restricted Delivery \$

Postage \$
 Total P \$
 Sent To Mewbourne Oil Company
 500 West Texas, Suite 1020
 Midland, TX 79701

PS Form 3811, July 2015 PSN 7530-02-000-5063

SENDER: COMPLETE THIS SECTION ON DELIVERY

1. Article Addressed to:
 Mewbourne Oil Company
 500 West Texas, Suite 1020
 Midland, TX 79701

2. Article Number (Transfer from service label)
 9590 9402 1834 6104 2733 82

7016 2140 0000 3831 5702
 PS Form 3811, July 2015 PSN 7530-02-000-5063

A. Signature
 Adult Signature
 Agent Signature

B. Received by (Printed Name)
 [Signature]

C. Date of Delivery
 3-17

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Adult Signature
 Adult Signature Restricted Delivery
 Certified Mail®
 Certified Mail Restricted Delivery
 Collect on Delivery
 Insured Mail
 Priority Mail Express®
 Registered Mail™
 Registered Mail Restricted Delivery
 Return Receipt for Merchandise
 Signature Confirmation™
 Signature Confirmation Restricted Delivery

Domestic Return Receipt

U.S. Postal Service
CERTIFIED MAIL® RECEIPT
 Domestic Mail Only

For delivery information, visit www.usps.com Chevron/ SD WE 15 Fed P12 No. 2H Well /JLK

OFFICE

Certified Mail Fee \$
 Return Receipt (hardcopy) \$
 Return Receipt (electronic) \$
 Certified Mail Restricted Delivery \$
 Adult Signature Required \$
 Adult Signature Restricted Delivery \$

Postage \$
 Total P \$
 Sent To ConocoPhillips Co
 P.O. Box 7500
 Bartlesville, OK 74005-7500

PS Form 3811, July 2015 PSN 7530-02-000-5063

SENDER: COMPLETE THIS SECTION ON DELIVERY

1. Article Addressed to:
 ConocoPhillips Co
 P.O. Box 7500
 Bartlesville, OK 74005-7500

2. Article Number (Transfer from service label)
 9590 9402 1834 6104 2733 99

7016 2140 0000 3831 5726
 PS Form 3811, July 2015 PSN 7530-02-000-5063

A. Signature
 Adult Signature
 Agent Signature

B. Received by (Printed Name)
 [Signature]

C. Date of Delivery
 3-17

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Adult Signature
 Adult Signature Restricted Delivery
 Certified Mail®
 Certified Mail Restricted Delivery
 Collect on Delivery
 Insured Mail
 Priority Mail Express®
 Registered Mail™
 Registered Mail Restricted Delivery
 Return Receipt for Merchandise
 Signature Confirmation™
 Signature Confirmation Restricted Delivery

Domestic Return Receipt

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

Administrative Application for Chevron SD WE 15 Fed P12 Well No. 2H Well

AFFIDAVIT OF PAUL T. BROWN

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

Paul T. Brown, being first duly sworn on oath, states as follows:

1. My name is Paul T. Brown and I am employed by Chevron USA Inc. ("Chevron") in Midland, Texas, as a Senior Petroleum Engineering Advisor.
2. I received my Bachelors of Science from Texas A&M University in Chemical Engineering.
3. I am a Registered Professional Petroleum Engineer in the State of Texas.
4. I was hired by Chevron USA Inc. in 1984. I have been employed in various capacities utilizing my petroleum engineering background for approximately 33 years.
5. For the past 33 years, I have worked exclusively in the Permian Basin.
6. I have been a member of the Society of Petroleum Engineers since 1984.
7. I am familiar with the reservoir in Section 15, Township 26 South, Range 32 East, NMPM, Lea County, New Mexico, and have reviewed the administrative application for an unorthodox location filed by my attorney in connection with the **Chevron SD WE 15 Fed P12 Well No. 2H Well.**
8. Based upon Chevron's records, Chevron's owns 100 percent of the working interest in Section 15, Township 26 South, Range 32 East, NMPM, Lea County, New Mexico.
9. To effectively develop the Upper Bone Spring in this section, it is recommended that six (06) horizontal wells are drilled in the same lateral target per square mile, completed with upsized hydraulic fracture of 1,600 pounds of proppant per foot of lateral length.
10. In order to drill all six (06) wells, it is recommended that the wells must be spaced approximately 880 feet apart, necessitating that some wells, including the **Chevron SD WE 15 Fed P12 Well No. 2H**, be drilled at unorthodox locations.

11. It is believed that failure to drill six (06) wells per square mile in this target in this particular section will result in reserves being left in the ground, which constitutes waste.

FURTHER AFFIANT SAYETH NOT.

Paul T. Brown
Paul T. Brown

SUBSCRIBED AND SWORN before me on this 3rd day of May, 2017.

M. J. Huddleston
Notary Public

My Commission Expires:

3/16/2020

