

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

**APPLICATION OF CHEVRON U.S.A., INC.  
FOR COMPULSORY POOLING AND APPROVAL  
OF A NON-STANDARD WELL LOCATION,  
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 (1) 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 W/2 of Section 3 and W/2 of Section 10, Township 22 South, Range 33 East, Lea County, New Mexico, N.M.P.M., and (2) approving a non-standard location for one of the initial wells, the **DL 10 3 Morag Fed Com 505H** well. 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 five proposed initial wells:

- **DL 10 3 Kraken Fed Com 207H** well to be drilled from a surface hole location in the SE/4SW/4 (Unit N) of Section 10 to a bottom hole location in the NW/4NW/4 (Unit D) of Section 3.

- **DL 10 3 Kraken Fed Com 208H** well to be drilled from a surface hole location in the SE/4SW/4 (Unit N) of Section 10 to a bottom hole location in the NW/4NW/4 (Unit D) of Section 3.
- **DL 10 3 Kraken Fed Com 209H** well to be drilled from a surface location in the SE/4SW/4 (Unit N) of Section 10 to a bottom hole location in the NE/4NW/4 of Section 3.
- **DL 10 3 Kraken Fed Com 504H** well to be drilled from a surface location in the SW/4SE/4 (Unit O) of Section 10 to a bottom hole location in the NW/4NW/4 (Unit D) of Section 3.
- **DL 10 3 Morag Fed Com 505H** well to be drilled from a surface location in the SW/4SE/4 (Unit O) of Section 10 to a bottom hole location in the NE/4NW/4 of Section 3. The completed interval of this well will be at an unorthodox location 78 feet from the east boundary of the proposed spacing unit, thereby encroaching on the acreage to the east of the proposed spacing unit. The last take points of the completed interval to the north and south will be orthodox.

3. With the exception of the **DL 10 3 Morag Fed Com 505H** the completed intervals of all of the other proposed wells will comply with statewide setbacks.

4. No depth severances exist within the Bone Spring formation underlying the proposed horizontal spacing unit.

5. Applicant plans to drill the proposed wells as part of a simultaneous drilling and completion project; therefore, Applicant requests an extension of the 120-day period for drilling and completing the initial well, and in lieu thereof require that one of the proposed wells be drilled and completed within one year after the date of the Division Order granting this application.

6. 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.

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

8. 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.

9. 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 April 30, 2020, and, after notice and hearing as required by law, the Division enter an order:

A. Pooling all uncommitted interests in the horizontal spacing unit and approving the initial wells thereon;

B. Approving the initial wells and their proposed location;

C. Designating Applicant as operator of this spacing unit and the horizontal wells to be drilled thereon;

D. Authorizing Applicant to recover its costs of drilling, equipping and completing the initial 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;

F. Granting an extension of the 120-day period for drilling and completing the initial well, and in lieu thereof requiring that one of the proposed wells be drilled and completed within one year after the date of the Division Order granting this application; and

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

Respectfully submitted,  
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