

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

**APPLICATION OF CHEVRON U.S.A.  
INC. FOR COMPULSORY POOLING,  
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 pooling all uncommitted interests in the Bone Spring formation underlying a 640-acre, more or less, standard horizontal spacing unit comprised of the E/2 of Sections 34 and 27, Township 24 South, Range 32 East, N.M.P.M., Lea County, New Mexico. In support of this 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 E/2 of Sections 34 and 27, Township 24 South, Range 32 East, N.M.P.M., Lea County, New Mexico to form a 640-acre, more or less, Bone Spring horizontal spacing unit.

3. Applicant plans to drill the following proposed wells to a depth sufficient to test the Bone Spring formation:

- **CO Grizzly 34 27 Fed Com 407H** to be drilled from a surface location in NW/4 NE/4 of Section 3 (Unit B) to a bottom hole location in NW/4 NE/4 of Section 2 (Unit B).
- **CO Grizzly 34 27 Fed Com 408H** to be drilled from a surface location in NW/4 NE/4 of Section 3 (Unit B) to a bottom hole location in NW/4 NE/4 of Section 27 (Unit B).

- **CO Grizzly 34 27 Fed Com 409H** to be drilled from a surface location in NW/4 NE/4 of Section 3 (Unit B) to a bottom hole location in NE/4 NE/4 of Section 27 (Unit A).

4. The completed interval for the **CO Grizzly 34 27 Fed Com 408H** well is expected to be less than 330 feet from the adjoining quarter-quarter section tracts to allow for the inclusion of such offsetting proximity tracts within the proposed spacing unit for the wells under Division Rule 19.15.16.15(B)(1)(b).

5. Because the proposed first take point for each well is located approximately 25' FSL of Section 34, Chevron intends to submit an administrative application with the Division for approval of the unorthodox location for each well. In the event the administrative application is denied, Chevron requests that the Division approve the unorthodox location for each well at the June 2, 2022 hearing in this case.

6. Applicant sought, but has been unable to obtain, a voluntary agreement from all interest owners in the Bone Spring formation underlying the proposed spacing unit to participate in the drilling of the well or to otherwise commit their interests to the well.

7. The pooling of interests in the proposed horizontal well spacing unit will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on June 2, 2022, and, after notice and hearing as required by law, the Division enter an order:

A. Creating an approximated 640-acre, more or less, standard horizontal spacing unit in the Bone Spring formation comprised of the E/2 of Sections 34 and 27, Township 24 South, Range 32 East, N.M.P.M., Lea County, New Mexico;

- B. Pooling all mineral interests in the Bone Spring formation underlying a horizontal spacing unit comprised of the E/2 of Sections 34 and 27, Township 24 South, Range 32 East, N.M.P.M., Lea County, New Mexico;
- C. Designating Applicant as the operator of the horizontal spacing unit and the wells to be drilled thereon;
- D. Authorizing Applicant to recover its costs of drilling, equipping and completing the 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; and
- F. Imposing a 200% charge for the risk assumed by Applicant in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of wells.
- G. If necessary, approving the unorthodox location for the well.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS  
& SISK, P.A.

By: /s/ Earl E. DeBrine, Jr.

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