

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

**APPLICATION OF CHEVRON U.S.A.
INC. FOR APPROVAL OF AN
OVERLAPPING HORIZONTAL WELL
SPACING UNIT AND COMPULSORY
POOLING, EDDY 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 N.M.S.A. 1978, § 70-2-17, for an order (i) approving a 640-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation comprised of the E/2 of Sections 26 and 35 within Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico; and (ii) pooling all uncommitted interests in this overlapping horizontal well spacing unit. 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 initially dedicate the above-referenced horizontal spacing unit to the proposed initial **CB Tano 26 35 Fee 11 101H and 102H** wells, which will be horizontally drilled from a common surface hole location in the NE/4 NE/4 (Unit A) of Section 26 to bottom hole locations in the SW/4 SE/4 (Unit O) and the SE/4 SE/4 (Unit P) of Section 35.
3. This 640-acre horizontal well spacing unit will overlap two existing 160-acre vertical well spacing units in the Bone Spring formation, as follows:

- A 160-acre horizontal well spacing unit comprised of the W/2 E/2 of Section 35, T23S-R28E, NMPM, Eddy County, and dedicated to the Layla 35 OB 001H (API 30-015-40968); and
- A 160-acre horizontal well spacing unit comprised of the E/2 E/2 of Section 35, T23S-R28E, NMPM, Eddy County, and dedicated to the Layla 35 PA 001H (API 30-015-40967).

4. Applicant has sought and been unable to obtain voluntary agreement for the development of these lands from all the working interest owners in the subject spacing unit.

5. Approval of this overlapping horizontal well spacing unit and the pooling of interests will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

6. To allow Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this horizontal spacing unit should be pooled and Applicant should be designated the operator of the proposed horizontal wells and spacing unit.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on June 1, 2023, and after notice and hearing as required by law, the Division enter an order:

- A. Approving the overlapping horizontal well spacing unit and pooling all uncommitted interests in the Bone Spring formation underlying the proposed spacing unit;
- B. Approving the initial well in the horizontal wells spacing unit;

- C. Designating Applicant as operator of the horizontal spacing unit and the horizontal 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 the wells.

Respectfully submitted,

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ATTORNEYS FOR CHEVRON U.S.A. INC.

CASE _____: Application of Chevron Production Company for approval of an overlapping horizontal well spacing unit and compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order (i) approving a 640-acre, more or less, overlapping horizontal well spacing unit in the Bone Spring formation comprised of the E/2 of Sections 26 and 35 within Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico; and (ii) pooling all uncommitted interests in this overlapping horizontal well spacing unit. The above-referenced unit will be initially dedicated to the proposed **CB Tano 26 35 Fee 11 101H and 102H** wells, which will be horizontally drilled from a common surface hole location in the NE/4 NE/4 (Unit A) of Section 26 to bottom hole locations in the SW/4 SE/4 (Unit O) and the SE/4 SE/4 (Unit P) of Section 35. This 640-acre horizontal well spacing unit will overlap two existing 160-acre vertical well spacing units in the Bone Spring formation, as follows:

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- A 160-acre horizontal well spacing unit comprised of the E/2 E/2 of Section 35, T23S-R28E, NMPM, Eddy County, and dedicated to the Layla 35 PA 001H (API 30-015-40967).

Also, to be considered will be the cost of drilling and completing the well, the allocation of the cost thereof, the operating costs and charges for supervision, the designation of applicant as operator, and a 200% charge for risk involved in drilling and completing the well. Said area is located approximately 2.5 miles southeast of Loving, New Mexico.