

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

**APPLICATION OF CHEVRON U.S.A. INC.
TO REOPEN CASE NO. 24185 (ORDER NO.
R-23684 (E.G.L. RESOURCES, INC.) AND
CASE NO. 24186 (ORDER NO. R-23685
PBEX, LLC) TO REQUIRE SUBMISSION
OF A PROPER STATEMENTS OF WELL
COSTS BY OPERATOR AND RECOGNIZE
THE CONSENTING STATUS OF CHEVRON**

CASE NO. _____

APPLICATION

Chevron U.S.A. Inc. ("Chevron") by and through its attorneys, Modrall, Sperling, Roehl, Harris & Sisk, P.A., files this application with the Oil Conservation Division for an order reopening Case No. 24185 and Case No. 24186 to clarify and confirm Chevron's voluntary joinder to participate in the costs of drilling, completing and equipping the wells authorized by the Division in those cases. As grounds for this application, Chevron states:

1. On February 19, 2025, the Division entered Order No. R-23684 ("EGL Order") in Case No. 24185 granting the application of E.G.L. Resources, Inc. ("EGL") seeking the compulsory pooling of uncommitted interests in the Bone Spring formation underlying a 640-acre horizontal spacing unit ("HSU") comprised of the S/2 of Sections 33 and 34, Township 18 South, Range 32 East, Lea County, New Mexico. EGL was designated the Operator of the HSU and wells.

2. The EGL Order dedicated 6 wells to the HSU proposed by EGL: the Bond 32-34 Fed Com 104H; Bond 32-34 Fed Com 105H; Bond 32-34 Fed Com 106H; Bond 32-34 Fed Com 207H; Bond 32-34 Fed Com 209H; and the Bond 32-34 Fed Com 211H. The EGL Order required the Operator to commence drilling the wells within one year of the date of the order, i.e., February

19, 2026 or it terminated automatically unless the Operator requested and obtained an extension for good cause.

3. On the same day, the Division entered Order No. R-23685 ("PBEX Order") in Case No. 24886 granting the application of PBEX, LLC ("PBEX") seeking the compulsory pooling of uncommitted interests in the Bone Spring formation underlying an 800-acre horizontal spacing unit comprised NE/4 of Section 32 and the N/2 of Sections 33 and 34, Township 18 South, Range 32 East, Lea County, New Mexico.

4. The PBEX Order dedicated 6 wells to the HSU proposed by PBEX: the Bond 32-34 Fed Com 101H; Bond 32-34 Fed Com 102H; Bond 32-34 Fed Com 103H; Bond 32-34 Fed Com 201H; Bond 32-34 Fed Com 203H; and the Bond 32-34 Fed Com 205H but designated EGL as operator of the HSU and wells. The PBEX Order required the Operator to commence drilling the wells within one year of the date of the order, i.e., February 19, 2026 or it terminated automatically unless the Operator requested and obtained an extension.

5. The EGL Order and PBEX Order included identical language requiring the Operator to submit a statement to each pooled working interest owner its share of the estimated costs to drill, complete and equip each well and a time for the pooled working interest owner to pay its share of estimated well costs:

24. Operator shall submit each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").

25. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of

production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."

6. Although EGL was designated Operator under both the EGL Order and the PBEX Order, on August 7, 2025, another entity, "PBEX Operations, LLC, on behalf of PBEX, LLC" sent a single letter to Chevron with attached Authority for Expenditures for all 12 wells dedicated to the separate HSUs which referenced the PBEX Order and EGL Order that stated:

Pursuant to said Orders, if you wish to participate in the operations described above, please indicate so in the space provided, and sign and return the enclosed AFEs within 30 days of receipt of this correspondence.

7. The August 7th letter did not include a statement of Chevron's interest in the 600-acre HSU established by the EGL Order or in the 800-acre HSU established by the PBEX Order or for any of the wells. The letter also did not state the total amount of Chevron's share of expense was for any of the wells nor did it include any request that Chevron render payment for any amount of the total costs reflected in the AFEs.

8. On August 11, 2025, Chevron emailed the PBEX Operations landman who sent the August 7 letter asking:

Can you confirm our WI in these?"

Another follow up question. Are we safe to mark any prior Bond proposals that are not in this current AFE package as withdrawn in our system? We mark it that way if existing AFEs previously received would need to be repoposed if drilled in the future so that we are not tracking unnecessarily.

9. On August 12, 2025 Chevron sent the PBEX Operations landman a follow-up email requesting additional information, stating:

I received the subject well package. To assist with our timely evaluation could you please provide the following information?:

- Estimated spud, completions, and production timing
- Current estimate of Chevron's WI and NRI
- SHL and BTL for each proposed well in the AFE package
- Gunbarrel of the proposed AFE package

Type log used (just an API would suffice) for your targets and correlations
PDF of proposed JOA.

10. On August 18, 2025 the PBEX Operations landman emailed some of the requested information, including a general spud date of 1/2026 for the wells authorized by the EGL Order, a general spud date of 3/2026 for the wells authorized by the PBEX Order although March of 2026 was beyond the date to commence drilling under the PBEX Order, since it was issued on February 19, 2025.

11. On August 19, 2025, the PBEX Operations landman sent another email to Chevron stating that “Still waiting on the opinion but the attorney did send me the spreadsheet on the numbers for Bond as we wait for the finished opinion” and listed a percentage gross and net working interest for what was referred to as “N2 WI in Bond” and the “S2 WI in Bond.”

12. On August 27, 2025 Chevron sent a letter by email and express delivery to PBEX electing to participate in all 12 of the wells in the HSUs established by the EGL Order and the PBEX Order to which the PBEX Operations landman replied by email stating: “Thank you.”

13. PBEX and EGL never provided Chevron with a proposed joint operating agreement requested by Chevron, never issued a statement of Chevron’s share of the estimated costs of drilling, completing and equipping any of the wells nor did they ever send a letter or any communication requesting that Chevron pay for its share of wells costs.

14. In mid-August Chevron and PBEX met and participated in phone calls to discuss the potential purchase of oil and gas properties that included Chevron’s interest in the lease that was included in the HSUs under the EGL Order and PBEX Order.

15. Negotiations for the sale of the properties broke down in late October and several days later PBEX contended for the first time that the value it had offered was superior to other

offers because Chevron had a nonconsent position in the wells authorized by the EGL Order and PBEX Order.

16. Because EGL, who was designated as Operator by the EGL Order and PBEX Order, never complied with the provisions in the orders requiring that it provide Chevron with an estimate of its share of the costs for drilling, completing and equipping each of the wells and Chevron timely elected to participate in the costs as requested by the deficient letter sent by PBEX Operations, Chevron is a consenting pooled working interest owner whose interest as such should be recognized by the Division.

17. On November 3, 2025 EGL filed Case No. 25758 and PBEX filed Case No. 25759 seeking an extension of the time to commence drilling the wells authorized by the Division under EGL Order R-23684 and PBEX Order R-23685. Chevron entered its appearance in those cases opposing the applications and requesting an evidentiary hearing because PBEX never complied with the orders by submitting an estimate of well costs that identified Chevron's interest and the amount it would be required to pay to elect to participate in the wells.

18. The Division set the cases for a status conference on December 11, 2025 but to avoid consideration of the matters raised in this application, counsel for EGL and PBEX, without waiting for a response from Chevron on their proposed dismissal, surreptitiously filed a notice of dismissal of its cases on a Sunday morning at 7:11 a.m. on November 22, 2025 representing in the Notice to the Division that it "had commenced drilling the wells."

19. Because Chevron understood that APDs had not been granted by the BLM for any of the wells (or submitted to OCD), counsel for Chevron requested information on the status of the wells so it could respond to dismissal notices. Counsel for EGL and PBEX never provided the

information requested and the cases were dismissed by the Division on the Wednesday before Thanksgiving before Chevron had an opportunity to respond.

20. Upon information and belief, although federal APDs have not been issued for the wells to PBEX Operations, LLC, the Division has yet to issue APDs with API numbers to EGL, the operator authorized by the PBEX and EGL Orders to drill the wells. It therefore appears that the representation that PBEX and EGL “had commenced drilling the wells” was at best misleading and intended to cause the Division to dismiss the extension case so that Chevron could not raise the issues concerning EGL’s failure to comply with paragraphs 24 and 25 of the Division’s EGL Order and PBEX Order requiring that EGL provide Chevron with a statement its share of Estimated Well Costs.

21. Counsel for EGL and PBEX belatedly corrected this erroneous statement by filing amended notices of dismissal on December 22, but not until after Chevron’s counsel send a letter demanding that EGL and PBEX recognize Chevron election to participate in the wells which enclosed a draft of this Application.

22. PBEX and EGL’s failure to provided Chevron with a proposed joint operating agreement requested by Chevron, failure to issue a statement of Chevron’s share of the estimated costs of drilling, completing and equipping any of the wells and failure to send a letter or any communication requesting that Chevron pay for its share of wells costs while negotiating for the purchase of Chevron’s properties was a violation of its duty of good faith under the compulsory pooling statute, Division precedent and oil and gas industry custom and practices.

23. EGL should be ordered to provide to Chevron a statement of estimated well costs showing its share of the cost to drill, complete and equip each of the wells committed to the HSU

under the EGL Order and the PBEX Order to afford Chevron an opportunity to elect to participate in the wells.

WHEREFORE, Chevron requests this application be set for hearing before an Examiner of the Oil Conservation Division and after notice and hearing as required by law, the Division enter its order:

a. Re-opening Case No. 24185 and Case No. 24186 and declaring that EGL Resources, Inc., as the Operator designated by the Division under Order No. 23684 and Order No. 23685 for such cases, failed to comply with paragraphs 24 and 25 of such orders requiring that it submit a proper statement for Chevron's share of the estimated costs of drilling, completing and equipping the wells so that Chevron could render payment for such costs;

b. Requiring EGL to submit a proper statement of estimate of Chevron's share of the Estimated Well Costs for each well and allowing Chevron 30 days to render payment for such costs.

Respectfully submitted,

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

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

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on the following counsel by electronic mail on December 23, 2025:

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Case No. _____ Application of Chevron U.S.A. Inc. to Reopen Case No. 24185 (Order No. R-23684 (E.G.L. Resources, Inc.) and Case No. 24186 (Order No. R-23685 PBEX, LLC) to Require Submission of a Proper Statements of Well Costs by Operator and Recognize the Consenting Status of Chevron. Chevron also seeks an order declaring that EGL Resources, Inc., as the Operator designated by the Division under Order No. 23684 and Order No. 23685 for such cases, failed to comply with paragraphs 24 and 25 of such orders requiring that is submit a proper statement for Chevron's share of the estimated costs of drilling, completing and equipping the wells so that Chevron could render payment for such costs and to recognize that Chevron the consenting status of Chevron under such orders. The Orders pertain to the Bond 33-34 Fed Corn 101H, 102H, 103H, 104H, 105H, 106H, 201H, 203H, 205H, 207H, 209H, and 211H wells located in Sections 33 & 34 of Township 18 South, Range 32 East, N.M.P.M., Lea County New Mexico, located approximately 10-1/2 miles south of Maljamar, New Mexico.