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|------------------------|----------|---------------------|--------------------------|-----------------|------------------------------|
| DATE IN 7/14/15 | SUSPENSE | ENGINEER MAM | LOGGED IN 7/14/15 | TYPE NSL | APP NO PJAG1519559784 |
|------------------------|----------|---------------------|--------------------------|-----------------|------------------------------|

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]**

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

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

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

- [D] Other: Specify _____

[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

Signature

Attorney

Title

jlkessler@hollandhart.com

e-mail Address

Date

7/14/15

RECEIVED OGD

2015 JUL 14 P 3:15

Operator: Chevron U.S.A.
 Well: Antelope Ridge 11 24 34 Federal
 API: 30-025-42318
 Pool: Red Hills BS North
 #: 96434

NSL 7334



July 14, 2015

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 OOD
2015 JUL 14 P:3:15

Re: Application of Chevron Midcontinent, L.P. for administrative approval of an unorthodox location for its Antelope Ridge 11 24 34 Federal No. 3H Well in the W/2 SW/4 and SW/4 NW/4 of Section 11, Township 24 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

Dear Mr. Catanach:

Chevron Midcontinent, L.P. ("Chevron") (OGRID 4323) seeks administrative approval of an unorthodox well location for its **Antelope Ridge Federal 11 24 34 No. 3H Well** (API 30-025-42318) to be completed with the Red Hills; Bone Spring, North Pool (96434) underlying Section 11, Township 24 South, Range 34 East, N.M.P.M., Lea County, New Mexico. Chevron originally permitted the **Antelope Ridge 11 24 34 Federal No. 3H Well** as a horizontal well within a 160-acre project area in the W/2 W/2 of Section 11. Chevron commenced drilling the well from a surface location 330 feet from the South line and 980 feet from the West line of Section 11 (Unit M) and intended to bottomhole the well at a standard location in Unit D of Section 11. However, due to mechanical difficulties Chevron was forced to cease drilling at a location 1274 feet from the North line and 991 feet from the West line (Unit D). As a result, the first perforation for the well is 787 feet from the South line and 960 feet from the West line (Unit M) and the last perforation is 1490 feet from the North line and 986 feet from the West line (Unit E).

Since this acreage is governed by the Division's statewide rules which provides for wells to be located no closer than 330 feet to the outer boundary of the spacing unit, the completed interval for this well is unorthodox because it is closer than 330 feet to the northern and northeastern boundaries of the proposed revised project area. Chevron previously requested approval of a non-standard spacing unit and a non-standard project area comprised of Units E, L, M in Case No. 15236 (re-opened), which was heard by the Division on June 11, 2015, and again on June 25, 2015. Notice of the non-standard spacing unit and the non-standard project area was provided in accordance with Division regulations.



As support for this application, Chevron provides the following additional information and exhibits:

Exhibit A is the as-drilled Well Location and Acreage Dedication Plat (Form C-102), which shows that the completed interval of the proposed **Antelope Ridge Federal 11 24 34 No. 3H Well** encroaches on the spacing and proration units to the North and Northeast.

Exhibit B is a land plat for Section 11 and the surrounding sections that shows the proposed **Antelope Ridge Federal 11 24 34 No. 3H Well** in relation to adjoining units and existing wells.

Exhibit C is a list of the parties affected by the encroachment to the North and Northeast. Each of these parties have been provided notice of this application by certified mail. Each of the parties listed on Exhibit C have been provided notice of this application by certified mail, and has been advised that if they have an objection it must be filed in writing with the Division within 20 days from the date the Division receives this application. In addition, a courtesy copy of this application has been provided to the Bureau of Land Management.

Your attention to this application is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Jordan L. Kessler".

Jordan L. Kessler

ATTORNEY FOR CHEVRON MIDCONTINENT, L.P.

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 Brazos Road, Aztec, NM 87410
Phone (505) 334-6178 Fax: (505) 334-6170
District IV
1220 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

| | | |
|---|---|---|
| ¹ API Number 30-025-42318 | ² Pool Code 96434 | ³ Pool Name RED HILLS; BONE SPRING, NORTH |
| ⁴ Property Code 313954 | ⁵ Property Name ANTELOPE RIDGE 11 24 34 FEDERAL | ⁶ Well Number 3H |
| ⁷ OGRID No. 4323 | ⁸ Operator Name CHEVRON MIDCONTINENT, L.P. | ⁹ Elevation 3507' |

" Surface Location

| UL or lot no | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|--------------|---------|----------|-------------------|---------|---------------|------------------|---------------|----------------|--------|
| M | 11 | 24 SOUTH | 34 EAST, N.M.P.M. | | 330' | SOUTH | 980' | 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 | 11 | 24 SOUTH | 34 EAST, N.M.P.M. | | 1274' | NORTH | 991' | WEST | LEA |

| | | | |
|-------------------------------|-------------------------------|----------------------------------|-------------------------|
| ¹² Dedicated Acres | ¹³ Joint or Infill | ¹⁴ Consolidation Code | ¹⁵ Order No. |
|-------------------------------|-------------------------------|----------------------------------|-------------------------|

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.

| | | | | |
|--|--|---|---|---|
| | LAST TAKE POINT X= 774.483 NAD 27 Y= 450.369 LAT. 32.235063 LONG. 103.445631 X= 815.668 NAD83 Y= 450.428 LAT. 32.235188 LONG. 103.446106 | ACTUAL BOTTOM HOLE LOCATION X= 774.488 NAD 27 Y= 450.586 LAT. 32.235658 LONG. 103.445617 X= 815.671 NAD83 Y= 450.645 LAT. 32.235783 LONG. 103.446091 | " OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. Signature: <u>JASON LEVINE</u> Date: <u>5-5-2015</u> Printed Name: <u>JASON LEVINE</u> Email Address: <u>jlevine@chevron.com</u> | |
| | FIRST TAKE POINT X= 774.482 NAD 27 Y= 447.365 LAT. 32.226807 LONG. 103.445718 X= 815.667 NAD83 Y= 447.424 LAT. 32.226931 LONG. 103.446190 | AS-STAKED ANTELOPE RIDGE 11 24 34 FEDERAL 3H X= 774.505 NAD 27 Y= 448.908 LAT. 32.225551 LONG. 103.445652 X= 815.690 NAD83 Y= 448.967 LAT. 32.225676 LONG. 103.446126 ELEVATION -3507' NAVD 88 | | "SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey: <u>4.28.15</u> Signature and Seal of Professional Surveyor: <u>[Signature]</u> Certificate Number: <u>#15078</u> |
| | W.M. J. DANIEL JR. NEW MEXICO REGISTERED PROFESSIONAL SURVEYOR 18078 | | | |
| | EXHIBIT <u>A</u> | | | |



-LEA, Southeast

T
24
S

32°10'-

EXHIBIT

B

tablets

Exhibit C

COG Production LLC
One Concho Center
600 W. Illinois Avenue
Midland, TX 79701

HOLLAND & HART LLP



Jordan L. Kessler

Associate

Phone (505) 988-4421

Fax (505) 983-6043

jlkessler@hollandhart.com

July 14, 2015

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO AFFECTED PARTIES

Re: Application of Chevron Midcontinent, L.P. for administrative approval of an unorthodox location for its Antelope Ridge 11 24 34 Federal No. 3H Well in the W/2 SW/4 and SW/4 NW/4 of Section 11, Township 24 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

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:

Jason Levine
Chevron Midcontinent, L.P.
(713)-372-5313
JLevine@chevron.com

Sincerely,

Jordan L. Kessler

ATTORNEY FOR CHEVRON MIDCONTINENT, L.P.

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. ☐

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15236 Re-Opened
ORDER NO. R-13949-A**

**APPLICATION OF CHEVRON MIDCONTINENT, LP, TO AMEND ORDER NO.
R-13949 TO APPROVE A 120-ACRE NON-STANDARD SPACING UNIT AND
NON-STANDARD PROJECT AREA, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 11, 2015, at Santa Fe, New Mexico, before Examiner Phillip R. Goetze and on June 25, 2015, before Examiner Michael McMillan.

NOW, on this 27th day of July, 2015, the Division Director, having considered the testimony, the record and the recommendations of Examiner Goetze,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) Pursuant to previous hearings, the Division, on January 20, 2015, issued Order No. R-13949, granting the application of Chevron Midcontinent, LP (the "Applicant") for approval of a non-standard spacing and proration unit and compulsory pooling for the North Red Hills-Bone Spring Pool (Pool code 96434). The Order established a non-standard 160-acre oil spacing and proration unit and project area (the "Approved Unit") consisting of the W/2 W/2 of Section 11, Township 24 South, Range 34 East, NMPM, in Lea County, New Mexico.

(3) Order No. R-13949 designated that the Approved Unit be dedicated to the Applicant's Antelope Ridge 11 24 34 Federal Well No. 3H (the "proposed well"; API No. 30-025-42318), a horizontal well to be drilled from a surface location 330 feet from the South line and 980 feet from the West line (Unit letter M) of Section 11, to a standard terminus 330 feet from the North line and 980 feet from the West line (Unit letter D) of

Section 11. The completed interval of the proposed well in the Bone Spring formation would be orthodox.

(4) Pursuant to Ordering Paragraph (5) of Order No. R-13949, Applicant seeks to amend the referenced order to change the dedicated acreage for the Unit. Applicant requests that the original 160-acre Approved Unit be contracted to a 120-acre oil spacing and proration unit and project area (the "Proposed Unit") consisting of the SW/4 NW/4 and W/2 SW/4 of Section 11, Township 24 South, Range 34 East, NMPM.

(5) Applicant appeared at the hearing through counsel and presented geologic evidence to the effect that:

- (a) the proposed well was spud on February 10, 2015, with the target interval being the 2nd Bone Spring sand;
- (b) during the drilling of the horizontal well, the borehole orientation within the third quarter-quarter section of the Approved Unit could not be maintained and the borehole drifted down below the target interval into an unproductive limestone interval;
- (c) with the bottomhole of the borehole no longer in the target interval, Applicant suspended drilling operations and considered engineering options to complete the proposed well as designed;
- (d) Applicant stated that there was a high probability for drilling complications, including the potential to not complete a producing oil well due to the mechanical requirements to correct the orientation within the remaining portion of the Approved Unit;
- (e) after considering the risks and current status of the well, Applicant decided to complete the well interval with the bottomhole location at the suspended location;
- (f) the first take point (perforation) of the completed interval is located 787 feet from the South line and 960 feet from the West line and last take point (perforation) is located 1490 feet from the North line and 986 feet from the West line; and
- (g) Applicant provided notification of the change in completion interval to all interest owners and parties subject to the compulsory pooling with proof of notification submitted in the hearing.

(6) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes as follows:

(7) Approval of the changes for the order will prevent waste and afford to the owner of each interest in the Proposed Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons.

(8) The 40-acre quarter-quarter governmental section being excluded from the Proposed Unit is located on the northeast limit of current production for horizontal wells within the North Red Hills-Bone Spring Pool.

(9) The completed interval of the subject well within the Proposed Unit is unorthodox. Applicant should make application to Division for administrative approval of the non-standard location.

(10) Division Order No. R-13949 should be amended to approve the 120-acre oil spacing and proration unit and project area.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the Application of Chevron Midcontinent, LP (OGRID 4323), Order No. R-13949, issued in Case No. 15236 on January 20, 2015, is hereby amended for description of the acreage dedicated to the oil spacing and proration unit and project area.

(2) Ordering Paragraphs (1) and (2) of Order No. R-13949 are amended to read in their entirety, as follows:

- (1) Pursuant to the application of Chevron Midcontinent, LP ("Applicant") the 120-acre non-standard oil spacing and proration unit and project area ("the Unit") within the Bone Spring formation comprised of the SW/4 NW/4 and the W/2 SW/4 of Section 11, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico is hereby approved and all uncommitted interests, whatever they may be, in the oil and gas located within this unit are hereby pooled.
- (2) The Unit shall be dedicated to Applicant's Antelope Ridge 11 24 34 Federal Well No. 3H ("the proposed well"; API No. 30-025-42318), to be drilled as a horizontal well from a surface location 330 feet from the South line and 980 feet from the West line, Unit letter M of Section 11, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico. The well shall be drilled in a northerly direction to a terminus 1274 feet from the North line and 991 feet from the West line. The completion interval shall be non-

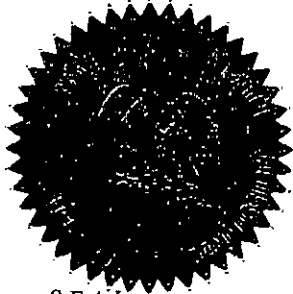
standard and shall be approved prior to commencing
production from the proposed well.

(3) All other provisions of Order No. R-13949 shall remain in full force and effect.

(4) Applicant shall submit an application for administrative approval of the non-standard location no later than 60 days following approval of this amended order.

(5) -Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
Director