

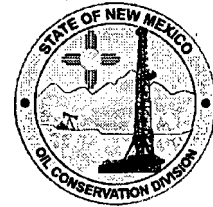
State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



May 4, 2017

Chevron USA Inc.
Attn: Ms. Jordan Kessler

ADMINISTRATIVE NON-STANDARD LOCATION

Administrative Order NSL-7527

Chevron USA Inc.
OGRID 4323
SD WE 15 Federal P12 Well No. 2H
API No. 30-025-43594

Non-Standard Location

Proposed Location:

	<u>Footages</u>	<u>Unit</u>	<u>Sec.</u>	<u>Tsp</u>	<u>Rge</u>	<u>County</u>
Surface	52' FSL & 1410' FWL	N	15	26S	32E	Lea
Penetration Point	330' FSL & 1232' FWL	M	15	26S	32E	Lea
Final perforation	330' FNL & 1232' FWL	D	15	26S	32E	Lea
Terminus	180' FNL & 1232' FWL	D	15	26S	32E	Lea

Proposed Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
W/2 W/2 of Section 15	160	Jennings; Upper Bone Spring Shale	97838

Reference is made to your application received on March 13, 2017.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by statewide Rule 19.15.15.9.A NMAC, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary, and Rule 19.15.16.14.B(2) NMAC concerning directional wells in designated project areas. This surface location is outside the project area, and is permitted by Rule 19.15.16.15.B (4) NMAC which allows for surface locations outside project area. This location is unorthodox because portions of the proposed completed interval are closer to outside boundaries

of the proposed project area than any location that would be a standard location under the applicable pool rules.

It is our understanding that Chevron USA Inc. is seeking this location because six horizontal wells per section are required to ensure that the oil and gas reserves will be effectively developed. Further, to place six wells in the section, the wells must be spaced 880 feet apart which results in this administrative non-standard location application, per Chevron USA Inc. engineer.

Your application has been duly filed under the provisions of Division Rules 19.15.15.13 NMAC and 19.15.4.12.A (2) NMAC.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 19.15.4.12 A (2) NMAC, in all adjoining units towards which the proposed location encroaches. Further, Chevron USA Inc. is the operator and sole working interest owner in the E/2 W/2 of Section 15, the adjacent project area that the proposed well encroaches.

Pursuant to the authority conferred by Division Rule 19.15.15.13 (B) NMAC, the above-described unorthodox location is hereby approved.

The above approvals are subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 19.15.5.9 NMAC.

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



DAVID R. CATANACH
Director

DRC/mam

cc: Oil Conservation Division – Hobbs District Office
Bureau of Land Management – Carlsbad Field Office