

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

**APPLICATION OF CHEVRON
U.S.A CO. FOR COMPULSORY
POOLING, EDDY COUNTY,
NEW MEXICO**

CASE NO. _____

APPLICATION

Chevron U.S.A. Inc. ("Chevron") through its undersigned attorneys, hereby makes an application to the Oil Conservation Division pursuant to the provisions of NMSA (1978), Section 70-2-17, for an order: (1) to the extent necessary, approving the creation of a 320-acre, more or less, Bone Spring spacing unit; and (2) pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the E/2 E/2 of Sections 25 and 36, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico. The application is separate from a prior related case (No. 20415). In support of this application, Chevron states as follows:

1. Cimarex is an interest owner in the subject lands and has a right to drill a well thereon.
2. Chevron seeks to dedicate the E/2 E/2 of Sections 25 and 36, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico to form a 320-acre, more or less, spacing unit.
3. Chevron plans to drill the **CB S 25 36 007 #5H** well to a depth sufficient to test the Bone Spring formation. This well is a horizontal well with a surface location of 375' FNL and 811' FEL of Section 25, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico, and the intended bottom hole location is 25' FSL and 820' FEL of Section 36, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico.

4. This well is proposed to be drilled vertically to a depth of approximately 9,530' to the Bone Spring formation and laterally in a southerly direction within the formation to the referenced bottom hole location.

5. This well will be located within the Culebra Bluff; Bone Spring, South Oil Pool (Pool ID: 15011) and will comply with the Division's setback requirements.

6. Chevron 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 creation of a horizontal spacing unit and the pooling of all interests in the Bone Spring formation underlying the proposed unit will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

WHEREFORE, Cimarex requests that this case is set for hearing before an Examiner of the Oil Conservation Division on September 5, 2019, and after notice and hearing as required by law, the Division enter its order:

A. Creating a horizontal spacing unit in the Bone Spring formation comprised of the E/2 E/2 of Sections 25 and 36, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico;

B. Pooling all mineral interests in the Bone Spring formation underlying a horizontal spacing unit within the E/2 E/2 of Sections 25 and 36, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico;

C. Designating Chevron as operator of this unit and the well to be drilled thereon;

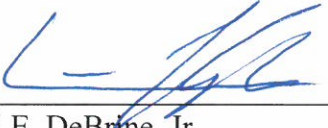
D. Authorizing Chevron to recover its costs of drilling, equipping and completing the well;

E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure;

F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

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

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CASE NO. _____: Application of Chevron U.S.A. Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order from the Division: (1) to the extent necessary, approving the creation of a 320-acre, more or less, Bone Spring horizontal spacing unit; and, (2) pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the E/2 E/2 of Sections 25 and 36, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico. This spacing unit will be dedicated to the **CB S 25 36 007 #5H** well, to be horizontally drilled. The producing area for this well will be orthodox. Also to be considered will be the cost of drilling and completing said well, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Chevron as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately four miles Southeast of Loving, New Mexico.