

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

**APPLICATION OF CHEVRON U.S.A. INC.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

**CASE NOS. 21242, 21243, 21246,
& 21247**

CHEVRON'S AMENDED PRE-HEARING STATEMENT

Chevron U.S.A. Inc. ("Chevron" or "Applicant") (OGRID No. 4323) provides this amended pre-hearing statement for the above-referenced cases as required by the rules of the New Mexico Oil Conservation Division ("Division").

APPEARANCES

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STATEMENT OF THE CASES

Case No. 21242

In **Case No. 21242**, Applicant seeks an order pooling all uncommitted interests in the Bone Spring formation (Lower Avalon: Red Tank; Bone Spring East and TBS: WC-025 G-06 S213326D; Bone Spring) underlying a standard 640-acre, more or less, horizontal spacing unit comprised of the E/2 of Section 15 and E/2 of Section 22, Township 22 South, Range 33 East, Lea County, New Mexico, N.M.P.M. Applicant seeks to dedicate the above-referenced horizontal spacing unit to the following four proposed initial wells, all of which will be horizontally drilled from a common surface location in the SW/4SE/4 (Unit O) of Section 10. The bottom hole location of the **DL 15 22 Ogopogo Fed Com 222H** well will be in the SW/4SE/4 (Unit O) of Section 22. The bottom hole location of the **DL 15 22 Ogopogo Fed Com 223H** well, the **DL 15 22 Ogopogo Fed Com 224H** well and the **DL 15 22 Ogopogo Fed Com 512H** well will be in the SE/4SE/4 (Unit P) of Section 22. The completed intervals of these wells will comply with statewide setbacks.

As part of a final order of the Division, Chevron requests that the Division, among other things, authorize Chevron to recover its costs of drilling, equipping and completing the initial wells, approve the actual operating costs associated with the initial wells, grant an extension of the 120-day period for drilling and completing the initial wells, and impose a 200% charge for the risk assumed by Chevron in drilling and completing the initial wells against any working interest owner who does not voluntarily participate in the drilling and completion of the initial wells.

Case No. 21243

In **Case No. 21243**, Applicant seeks an order pooling all uncommitted interests in the Wolfcamp formation (WCA: WC-025 G-10 S213328O) underlying a standard 640-acre, more or less, horizontal spacing unit comprised of the E/2 of Section 15 and E/2 of Section 22, Township 22 South, Range 33 East, Lea County, New Mexico, N.M.P.M. Applicant seeks to dedicate the above-referenced horizontal spacing unit to the following three proposed initial wells, all of which will be horizontally drilled from a common surface location in the SW/4SE/4 (Unit O) of Section 10. The bottom hole location of the **DL 15 22 Ogopogo Fed Com 622H** well will be in the SW/4SE/4 of Section 22, and the bottom hole locations of the **DL 15 22 Ogopogo Fed Com 623H** well and the **DL 15 22 Ogopogo Fed Com 624H** well will be in the SE/4SE/4 (Unit P) of Section 22. The completed intervals of all wells will comply with statewide setbacks.

As part of a final order of the Division, Chevron requests that the Division, among other things, authorize Chevron to recover its costs of drilling, equipping and completing the initial wells, approve the actual operating costs associated with the initial wells, grant an extension of the 120-day period for drilling and completing the initial wells, and impose a 200% charge for the risk assumed by Chevron in drilling and completing the initial wells against any working

interest owner who does not voluntarily participate in the drilling and completion of the initial wells.

Case No. 21246

In **Case No. 21246**, Applicant seeks an order seeks an order (1) pooling all uncommitted interests in the Bone Spring formation (Lower Avalon: Red Tank; Bone Spring East and TBS: WC-025 G-06 S213326D; Bone Spring) underlying a standard 640-acre, more or less, horizontal spacing unit comprised of the W/2 of Section 15 and W/2 of Section 22, Township 22 South, Range 33 East, Lea County, New Mexico, N.M.P.M.; and (2) approving a non-standard location for one of the initial wells, the **DL 15 22 Ogopogo Fed Com 511H** well. Applicant seeks to dedicate the above-referenced horizontal spacing unit to the following five proposed initial wells:

- **DL 15 22 Narwhal Fed Com 219H** well to be drilled from a surface hole location in the SE/4SW/4 (Unit N) of Section 10 to a bottom hole location in the SW/4SW/4 (Unit M) of Section 22.
- **DL 15 22 Narwhal Fed Com 220H** well to be drilled from a surface hole location in the SE/4SW/4 (Unit N) of Section 10 to a bottom hole location in the SW/4SW/4 (Unit M) of Section 22.
- **DL 15 22 Narwhal Fed Com 221H** well to be drilled from a surface hole location in the SE/4SW/4 (Unit N) of Section 10 to a bottom hole location in the SE/4SW/4 (Unit N) of Section 22.
- **DL 15 22 Narwhal Fed Com 510H** well to be drilled from a surface hole location in the SW/4SE/4 (Unit O) of Section 10 to a bottom hole location in the SW/4SW/4 (Unit M) of Section 22.
- **DL 15 22 Ogopogo Fed Com 511H** well to be drilled from a surface hole location in the SW/4SE/4 (Unit O) of Section 10 to a bottom hole location in the SE/4SW/4 (Unit N) of Section 22. The completed interval of this well will be at an unorthodox location 78 feet from the east boundary of the proposed spacing unit, thereby encroaching on the acreage to the east of the proposed spacing unit. The last take points of the completed interval to the north and south will be orthodox.

With the exception of the **DL 15 22 Ogopogo Fed Com 511H** well the completed intervals of these wells will comply with statewide setbacks.

As part of a final order of the Division, Chevron requests that the Division, among other things, authorize Chevron to recover its costs of drilling, equipping and completing the initial wells, approve the actual operating costs associated with the initial wells, grant an extension of the 120-day period for drilling and completing the initial wells, and impose a 200% charge for the risk assumed by Chevron in drilling and completing the initial wells against any working interest owner who does not voluntarily participate in the drilling and completion of the initial wells. Chevron further requests the Division approve the unorthodox location of the **DL 15 22 Ogopogo Fed Com 511H** well.

Case No. 21247

In **Case No. 21247**, Applicant seeks an order pooling all uncommitted interests in the Wolfcamp formation (WCA: WC-025 G-10 S213328O) underlying a standard 640-acre, more or less, horizontal spacing unit comprised of the W/2 of Section 15 and W/2 of Section 22, Township 22 South, Range 33 East, Lea County, New Mexico, N.M.P.M. Applicant seeks to dedicate the above-referenced horizontal spacing unit to the following three proposed initial wells, all of which will be horizontally drilled from a common surface location in the SE/4SW/4 (Unit N) of Section 10, Township 22 South, Range 33 East, Lea County, New Mexico. The bottom hole locations of the **DL 15 22 Narwhal Fed Com 619H** well and the **DL 15 22 Narwhal Fed Com 620H** well will be in the SW/4SW/4 (Unit M) of Section 22, and the bottom hole location of the **DL 15 22 Narwhal Fed Com 621H** well will be in the SE/4SW/4 (Unit N) of Section 22. The completed intervals of all wells will comply with statewide setbacks.

As part of a final order of the Division, Chevron requests that the Division, among other things, authorize Chevron to recover its costs of drilling, equipping and completing the initial wells, approve the actual operating costs associated with the initial wells, grant an extension of

the 120-day period for drilling and completing the initial wells, and impose a 200% charge for the risk assumed by Chevron in drilling and completing the initial wells against any working interest owner who does not voluntarily participate in the drilling and completion of the initial wells.

Under the current rules of the Division, all of the proposed spacing and proration units are standard horizontal spacing and proration units. The completed intervals for all of the proposed wells will be orthodox with the exception of the **DL 15 22 Ogoogo Fed Com 511H** well in Case No. 21246. Chevron has properly noticed all interest owners and affected parties of the respective applications pursuant to NMAC 19.15.4.12.A.(1). Chevron has made a good faith effort but has been unable to obtain voluntary agreement for the development of the respective lands from all interest owners within the horizontal spacing units. Chevron will present evidence and testimony demonstrating that the pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

PROPOSED EVIDENCE

Chevron U.S.A. Inc.

<u>WITNESS</u>	<u>ESTIMATED TIME</u>	<u>EXHIBITS</u>
Shalyce Holmes Land C.V. - Exhibit L-22	Pre-filed Testimony, Exhibit L TBD	Approx. 21
Sarah Wright Geologist C.V. - Exhibit G-12	Pre-filed Testimony, Exhibit G TBD	Approx. 11
Gerardo Jimenez Reservoir Engineer C.V. – Exhibit E-7	Pre-filed Testimony, Exhibit E TBD	Approx. 6

Megan DeWitt
Facilities Engineer
(Rebuttal Witness)
C.V. – Exhibit R

TBD

Chevron reserves the right to call additional rebuttal witnesses.

EOG Resources, Inc.

WITNESS

ESTIMATED TIME

EXHIBITS

None anticipated

Antelope Energy Company, LLC

WITNESS

ESTIMATED TIME

EXHIBITS

None anticipated

Stewarts, Helms, JAFT and Worrells

WITNESS

ESTIMATED TIME

EXHIBITS

TBD

PROCEDURAL MATTERS

The above-referenced cases will be consolidated for hearing. The hearing will proceed pursuant to the Amended Pre-Hearing Order dated June 19, 2020. Among the parties entering an appearance in the referenced cases, the only parties opposing Chevron’s applications in these cases are: Michael L. and Patricia S. Stewart (“Stewarts”), Helms Oil & Gas LLC (“Helms”), JAFT Investments, LLC (“JAFT”), and Patrick K. and Shelly R. Worrell (“Worrells”). Of these parties, only Helms and the Worrells own working interest in the Subject Lands. If at the time of hearing there is no opposition by any party, Chevron will present these cases by affidavit.

STIPULATED FACTS

Pursuant to the Amended Pre-Hearing Order dated June 19, 2020, counsel for Chevron circulated the following proposed list of material facts not in dispute to counsel for Helms,

Worrells, JAFT and Stewarts. Counsel for Helms, Worrells, JAFT and Stewarts did not confirm or deny any of these facts nor substantively respond to Chevron's correspondence. Chevron hereby offers the following list of proposed stipulated facts for consideration:

1. All of Chevron's applications in Case Nos. 21242, 21243, 21246 and 21247 were filed with the Division on March 31, 2020.

2. Chevron is an owner with the right to drill into and produce from the Bone Spring and Wolfcamp formations underlying the proposed spacing units in the E/2 of Sections 15 and 22, 22S 33E and the W/2 of Sections 15 and 22, 22S 33E ("Subject Lands").

3. Patrick Worrell and Helms Oil & Gas, LLC ("Helms") are working interest owners in the Subject Lands at issue in Case Nos. 21242, 21243, 21246 and 21247.

4. Michael L. Stewart and JAFT Investments, LLC ("JAFT") are overriding royalty interest owners in the Subject Lands at issue in Case Nos. 21242, 21243, 21246 and 21247.

5. On April 24, 2020, Michael Stewart, Patrick Worrell, Helms, and JAFT timely filed an Entry of Appearance in the subject cases with the Division, and properly served the same on counsel for Chevron.

6. On February 26, 2020, Chevron sent well proposal letters and AFEs to Helms and Mr. Worrell via certified mail for the following proposed wells: DL 15 22 Ogopogo Fed Com 222H, DL 15 22 Ogopogo Fed Com 223H, DL 15 22 Ogopogo Fed Com 224H, DL 15 22 Ogopogo Fed Com 512H, DL 15 22 Ogopogo Fed Com 622H, DL 15 22 Ogopogo Fed Com 623H, DL 15 22 Ogopogo Fed Com 624H, DL 15 22 Narwhal Fed Com 219H, DL 15 22 Narwhal Fed Com 220H, DL 15 22 Narwhal Fed Com 221H, DL 15 22 Narwhal Fed Com 510H, DL 15 22 Ogopogo Fed Com 511H, DL 15 22 Narwhal Fed Com 619H, DL 15 22 Narwhal Fed Com 620H, and DL 15 22 Narwhal Fed Com 621H (sometimes referred to as "Proposed Wells").

7. As of July 30, 2020, Helms and Mr. Worrell have refused to voluntarily commit their interests to the proposed units in the Subject Lands, or to participate in the Proposed Wells.

8. As of July 30, 2020, Chevron owns approximately 37.5% working interest in all the units proposed for the E/2 of Sections 15 and 22 and the W/2 of Sections 15 and 22, 22S 33E for both the Bone Spring and Wolfcamp formations.

9. Mr. Worrell owns approximately 1.5625% working interest in the units proposed for the E/2 of Sections 15 and 22 and the W/2 of Sections 15 and 22, 22S 33E for both the Bone Spring and Wolfcamp formations.

10. Helms owns approximately 1.5625% working interest in the units proposed for the E/2 of Sections 15 and 22 and the W/2 of Sections 15 and 22, 22S 33E for both the Bone Spring and Wolfcamp formations.

11. There are currently no competing spacing or pooling applications filed with the Division with respect to the Subject Lands.

12. The Bone Spring and Wolfcamp formations, and the intervals targeted by Chevron, are present across the Subject Lands and constitute common sources of supply for purposes of development.

DISPUTED ISSUES

The Amended Pre-Hearing Order directs the parties to include a list of disputed material facts and issues between the parties if not already covered by the evidence and testimony. As noted above, of the parties that have entered appearances in the above-captioned cases, only the Worrells, Stewarts, JAFT, and Helms remain opposed to the applications as of the date of this filing. Moreover, only Helms and the Worrells own working interest in the Subject Lands.

Prior to filing this Amended Pre-Hearing Statement, counsel for Chevron sent multiple requests to counsel for Helms, JAFT, Worrells, and Stewarts for clarification regarding what issues, if any, Helms, JAFT, Worrells, and Stewarts disputed with respect to Chevron's applications filed Case Nos. 21242, 21243, 21246, and 21247. To date, Helms, JAFT, Worrells and Stewarts have not articulated the issues in dispute with respect to the pending applications. Accordingly, Chevron is unable to confirm the material issues in dispute as of the date of filing this Amended Pre-Hearing Statement.

Respectfully submitted,

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ATTORNEYS FOR CHEVRON U.S.A. INC.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on the Division and counsel of record by electronic mail on July 30, 2020.

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