

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

**IN THE MATTER OF THE APPLICATION
OF CHEVRON U.S.A., Inc. FOR A NON-STANDARD
SPACING AND PRORATION UNIT AND
COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

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CASE NO. 15058

APPLICATION

CHEVRON U.S.A., Inc. ("Chevron") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a non-standard 160-acre spacing and proration unit comprised of the E/2 E/2 of Section 17, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage to form a 160-acre project area in this formation. In support of its application, Chevron states:

1. Chevron (OGRID #241333) is a 75% working interest owner in the E/2 E/2 of Section 17 and has the right to drill thereon.

2. Chevron proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed **Prodigal Sun 17-24-34 1H Well**, to be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 17. The well is located within one-mile of the North Red Hills Bone Spring Pool (Code 96434) and the completed interval for this well will be within the 330-foot standard offset required by the Division's rules.

3. Chevron has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

4. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit Chevron to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard spacing unit should be pooled and Chevron U.S.A., Inc. should be designated the operator of this proposed horizontal well and spacing unit.

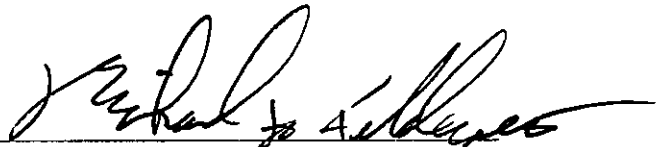
WHEREFORE, Chevron requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 31, 2013, and, after notice and hearing as required by law, the Division enter its order:

- A. Creating a non-standard spacing and proration unit in the Bone Spring formation comprised of the E/2 E/2 of Section 17, Township 24 South, Range 34 East, NMPM;
- B. Pooling all mineral interests in the non-standard spacing and proration unit;
- C. Designating Chevron U.S.A., Inc. operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing Chevron to recover its costs of drilling, equipping and completing the well;

- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- F. Imposing a 200% penalty for the risk assumed by Chevron in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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ATTORNEYS FOR CHEVRON U.S.A., INC.

CASE 15058.

Application of Chevron U.S.A., Inc. for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard 160-acre spacing and proration unit comprised of the E/2 E/2 of Section 17, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Prodigal Sun 17-24-34 1H Well**, to be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 17. The completed interval for this well will be within the 330-foot setbacks required by Division rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as 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 18 miles northwest of Jal, New Mexico.

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