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WRITER:

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April 16, 2018

VIA HAND DELIVERY

Florene Davidson
Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Case 16132

Re: Chevron U.S.A. Inc. Application

Dear Florene:

Enclosed please find: (i) for filing, the original and one (1) copy of an application by Chevron U.S.A. Inc. for approval of a 480-acre, non-standard oil spacing and proration unit to be dedicated to Chevron's SND 11 14 Fed Com 003 #4H, SND 11 14 Fed Com 003 #5H, and SND 11 14 Fed Com 003 #6H wells and compulsory pooling; and (ii) a proposed hearing notice. I will email the proposed hearing notice to you in Word format.

As stated in the application, Chevron requests that the application be placed on the Division's May 17, 2018 hearing docket.

Thank you for your assistance.

Very truly yours,

Gary W. Larson

GWL:jwl
Enclosures

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

APR 16 2018 PM04:29

**APPLICATION OF CHEVRON U.S.A.
INC. FOR A NON-STANDARD
SPACING AND PRORATION UNIT
AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

Case No. 16132

APPLICATION

Pursuant to NMSA § 70-2-17, Chevron U.S.A. Inc. ("Chevron") applies for an order (i) approving a 480-acre, non-standard spacing and proration unit in the E/2 of Section 14 and the SE/4 of Section 11, Township 24 South, Range 31 East, Eddy County, New Mexico, and (ii) pooling all uncommitted mineral interests in the Bone Spring formation. In support of its application, Chevron states:

1. Chevron (OGRID No. 4323) is a working interest owner in the NE/4 of Section 14 and the SE/4 of Section 11 and has the right to drill a well thereon.

2. Chevron proposes to dedicate the above-referenced non-standard spacing and proration unit as the project area for the following three (3) wells:

(i) the SND 11 14 Fed Com 003 #4H well, which will be drilled from a surface location in Unit G of Section 11 to a bottom hole location in Unit O in Section 14, Township 24 South, Range 31 East;

(ii) the SND 11 14 Fed Com 003 #5H well, which will be drilled from a surface location in Unit G in Section 11 to a bottom hole location in Unit P in Section 14, Township 24 South, Range 31 East; and

(iii) the SND 11 14 Fed Com 003 #6H, which will be drilled from a surface location in Unit G in Section 11 to a bottom hole location in Unit P in Section 14, Township 24 South, Range 31 East.

3. The completed intervals for the wells will remain within the 330-foot standard offsets required by 19.15.15.9(A) NMAC.

4. Chevron has undertaken diligent, good-faith efforts to obtain voluntary agreements from all mineral interest owners in the proposed project area to participate in the drilling of the wells but has been unable to obtain voluntary agreements from all of the mineral interest owners.

5. The pooling of those uncommitted mineral interests will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

6. In order to allow Chevron to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted mineral interest owners in the non-standard spacing and proration unit should be pooled and Chevron should be designated the operator of the proposed horizontal wells and project area.

WHEREFORE, Chevron requests that this application be set for hearing on May 17, 2018 and that, after notice and hearing, the Division enter an order:

A. Approving a 480-acre non-standard spacing and proration unit (project area) in the Bone Spring formation in the E/2 of Section 14 and the SE/4 of Section 11, Township 24 South, Range 31 East, in Eddy County;

B. Pooling all uncommitted mineral interests in the proposed project area;

C. Designating Chevron as the operator of the project area and the SND 11 14 Fed Com 003 #4H, SND 11 14 Fed Com 003 #5H, and SND 11 14 Fed Com 003 #6H wells;

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

E. Considering the costs of drilling and completing the SND 11 14 Fed Com 003 #4H, SND 11 14 Fed Com 003 #5H, and SND 11 14 Fed Com 003 #6H wells and allocating the costs among the uncommitted mineral interest owners;

F. Approving the actual operating charges and costs of supervision during drilling and after completion, together with a provision for adjusting the rates pursuant to the COPAS accounting procedure; and

G. Imposing a 200% penalty for the risks assumed by Chevron in drilling and completing the SND 11 14 Fed Com 003 #4H, SND 11 14 Fed Com 003 #5H, and SND 11 14 Fed Com 003 #6H wells against any mineral interest owner who does not voluntarily participate in the drilling of the wells.

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PROPOSED NOTICE

Case No. 16132 : Application of Chevron U.S.A. Inc. for a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order (i) creating a 480-acre, non-standard oil spacing and proration unit (project area) comprised of the E/2 of Section 14 and the SE/4 of Section 11, Township 24 South, Range 31 East, NMPM, in Eddy County, and (ii) pooling all mineral interests in the Bone Spring formation. The project area is to be dedicated to applicant's SND 11 14 Fed Com 003 #4H well, which will be drilled from a surface location in Unit G in Section 11 to a bottom hole location in Unit O in Section 14, Township 24 South, Range 31 East, SND 11 14 Fed Com 003 #5H well, which will be drilled from a surface location in Unit G in Section 11 to a bottom hole location in Unit P in Section 14, Township 24 South, Range 31 East, and SND 11 14 Fed Com 003 #6H well, which will be drilled from a surface location in Unit G in Section 11 to a bottom hole location in Unit P in Section 14, Township 24 South, Range 31 East. The completed intervals for the wells will remain within the 330-foot standard offsets required by the Division's rules. Also to be considered will be the costs of drilling and completing the wells and the allocation of the costs, the designation of Chevron U.S.A. Inc. as the operator of the wells, and a 200% charge for the risks involved in drilling and completing the wells. The proposed project area is located approximately twenty (20) miles east of Loving, New Mexico.

APR 16 2018 PM 04:29