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MODRALL SPERLING

L A W Y E R S

August 7, 2018

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

Jennifer L. Bradfute
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Case 16380

Re: APPLICATION OF CHEVRON U.S.A. INC. FOR APPROVAL OF NON-STANDARD OIL SPACING UNITS AND COMMINGLING, OR ALTERNATIVELY FOR THE CONTRACTION OF THE WC-025 G-06 S263319P, BONE SPRING POOL AND THE SANDERS TANK; UPPER WOLFCAMP POOL, AND FOR THE CREATION OF NEW BONE SPRING AND UPPER WOLFCAMP POOLS, SPECIAL POOL RULES, AND COMMINGLING IN SECTION 29 AND IRREGULAR SECTION 32, TOWNSHIP 26 SOUTH, RANGE 33 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO. .

Dear Florene:

Enclosed please find three copies of the following:

1. Chevron's Application

Thank you for your assistance. Please contact me if you have any questions.

Sincerely,

Kat Allen
Legal Assistant

JLB/kta/W3251429.DOCX

Enclosures

cc (w/encl.): Earl E. DeBrine, Jr.

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

**APPLICATION OF CHEVRON U.S.A. INC.
FOR APPROVAL OF NON-STANDARD OIL
SPACING UNITS AND COMMINGLING,
OR ALTERNATIVELY FOR THE CONTRACTION
OF THE WC-025 G-06 S263319P, BONE SPRING
POOL AND THE SANDERS TANK; UPPER
WOLFCAMP POOL, AND FOR THE CREATION
OF NEW BONE SPRING AND UPPER WOLFCAMP
POOLS, SPECIAL POOL RULES, AND
COMMINGLING IN SECTION 29 AND
IRREGULAR SECTION 32, TOWNSHIP 26 SOUTH,
RANGE 33 EAST, N.M.P.M., LEA COUNTY,
NEW MEXICO.**

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CASE NO. 16380

APPLICATION

Chevron U.S.A. Inc. ("Chevron"), through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order: (1) creating a 949.56 acre, more or less, oil spacing unit in the Bone Spring formation, in Section 29 and irregular Section 32, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico; (2) creating a 949.56, more or less, oil spacing unit in the upper Wolfcamp formation, in Section 29 and irregular Section 32, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico; and (3) approving the commingling of production. Alternatively, Chevron seeks an order (1) contracting the WC-025 G-06 S263319P, Bone Spring pool (Pool Code 97955) and the Sanders Tank; Upper Wolfcamp Pool (Pool Code 98097) in Section 29 and irregular Section 32, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico; (2) creating a new pool which covers the Bone Spring formation from within Section

29 and Section 32; (3) creating a new pool which covers the Upper Wolfcamp formation within Section 29 and Section 32; (3) establishing a spacing of 950 acres for oil wells completed within these newly formed pools; and (4) approval of commingling of production from the Bone Spring and Upper Wolfcamp pools created. In support of this application, Chevron states as follows:

1. Chevron is an interest owner in the subject lands and has the right to drill a well thereon.

2. The interests in Section 29 are created by a federal oil and gas lease, issued by the Bureau of Land Management. The interests in Section 32 are created by state oil and gas lease, issued by the New Mexico State Land Office.

3. Chevron owns 100% of the working interests within both Section 29 and 32. Chevron seeks to create non-standard horizontal spacing units within the Bone Spring and Upper Wolfcamp formation to facilitate the creation of communitized areas.

4. Chevron seeks to dedicate the 949.56, more or less, oil spacing unit in the Bone Spring formation, in Section 29 and irregular Section 32, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico to the Salado Draw 29 26 33 Fed Com 5H well. Chevron intends to drill and concurrently complete the following wells within this spacing unit: the Salado Draw 29 26 33 Federal Com 1H, Salado Draw 29 26 33 Federal Com 2H, Salado Draw 29 26 33 Federal Com 3H, Salado Draw 29 26 33 Federal Com 4H, Salado Draw 29 26 33 Federal Com 6H, Salado Draw 29 26 33 Federal Com 7H, Salado Draw 29 26 33 Federal Com 8H, and the Mooses Tooth 29 26 33 Federal Com 1H wells.

5. Chevron seeks to dedicate the 949.56, more or less, oil spacing unit in the Upper Wolfcamp formation, in Section 29 and irregular Section 32, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico to the SD EA 29 32 Fed Com P10 19H well. The Upper

Wolfcamp in this area has been included within the Sanders Tank; Upper Wolfcamp Pool (Pool Code 98097). Chevron intends to drill and concurrently complete the following wells within this spacing unit: the SD EA 29 32 Fed Com P10 17H, SD EA 29 32 Fed Com P10 18H, SD EA 29 32 Fed Com P10 20H, SD EA 29 32 Fed Com P11 13H, SD EA 29 32 Fed Com P11 14H, SD EA 29 32 Fed Com P11 15H and SD EA 29 32 Fed Com P11 16H wells.

6. The above-listed wells will comply with the Division's setback requirements.

7. Pursuant to NMAC 19.15.12.10.C.4(g), Chevron seeks authority to commingle production from the Bone Spring formation and the Upper Wolfcamp formation from all existing and future wells in the spacing units identified above.

8. Chevron has obtained commingling approval from the Division in administrative order PLC-478. Chevron has also obtained an administrative Central Tank Batter Order, approving off-lease measurement – CTB-760 and OLM-97. Chevron seeks to have these orders amended to cover all of the wells listed within this application. Chevron intends to meter and store production from these pools and spacing units at the Salado Draw 29 Central Tank Battery, located in Unit P, Section 29, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico.

9. Alternatively, if the Division prefers, Chevron seeks to establish new pools and pool rules for the Bone Spring and Upper Wolfcamp formations within Section 29 and irregular Section 32, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico.

10. The Bone Spring formation within Sections 29 and 32 is currently dedicated to the WC-025 G-06 S263319P, Bone Spring pool (Pool Code 97955). The Upper Wolfcamp formation within Sections 29 and 32 is currently dedicated to the Sanders Tank; Upper Wolfcamp pool (Pool Code 98097). These pools are subject to the spacing requirements contained in Rule 19.15.16.15.B NMAC.

11. Chevron proposes to create a new oil pool covering Bone Spring formation in Sections 29 and 32.

12. Chevron further proposes the creation of a new pool covering the Upper Wolfcamp formation in Sections 29 and 32.

13. Chevron asks that each of these newly created oil pools within Section 29 and 32 be subject to 160 acre, more or less, spacing so that the New Mexico State Land Office and Bureau of Land Management may authorize communitization agreements for development within this area. Any horizontal spacing units created within the pool would comprise of one or more contiguous 160-acre tracts that the horizontal well's completed lateral penetrates. Chevron further asks that it be allowed to include any 160-acre tract located within 330' of a proposed lateral within the spacing unit for that well (measured along a line perpendicular to the proposed completed interval or its tangent). This will reduce surface disturbances, waste, and the need for multiple PUN numbers to be issued by the New Mexico State Land Office.

14. Chevron further seeks approval to commingle production from each of these pools, as stated above, through an amendment to Administrative Orders PLC-478, CTB-760, and OLM-97.

15. Approval of this application will result in efficient production, storage, and measurement operations for the subject leases; lessen the impact on the surface estate; and is otherwise in the best interest of conservation, the prevention of waste, and the protection of correlative rights.

16. Chevron will notify the Division designated operators in each pool, and the Division designated operator of wells within the same formation as the pools and within one mile

of the pool's outer boundaries that have not been assigned to another pool. Chevron will also notify the Bureau of Land Management and the New Mexico State Land Office.

WHEREFORE, Chevron requests this application be set for hearing before an Examiner of the Oil Conservation Division on September 6, 2018, and that after notice and hearing as required by law, the Division approve this application.

Respectfully submitted,

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

By: 

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CASE NO. 16380 : Application of Chevron U.S.A. Inc. for approval of non-standard oil spacing units and commingling, or alternatively for the contraction of the WC-025 G-06 S263319P, Bone Spring pool and the Sanders Tank; Upper Wolfcamp Pool, and for the creation of new Bone Spring and Upper Wolfcamp pools, special pool rules, and commingling in Section 29 and irregular Section 32, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico. Applicant seeks an order from the Division: (1) creating a 949.56 acre, more or less, oil spacing unit in the Bone Spring formation, in Section 29 and irregular Section 32, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico; (2) creating a 949.56, more or less, oil spacing unit in the upper Wolfcamp formation, in Section 29 and irregular Section 32, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico; and (3) approving the commingling of production. Alternatively, Chevron seeks an order (1) contracting the WC-025 G-06 S263319P, Bone Spring pool (Pool Code 97955) and the Sanders Tank; Upper Wolfcamp Pool (Pool Code 98097) in Section 29 and irregular Section 32, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico; (2) creating a new pool which covers the Bone Spring formation from within Section 29 and Section 32; (3) creating a new pool which covers the Upper Wolfcamp formation within Section 29 and Section 32; (3) establishing a spacing based on 160-acre tracts for oil wells completed within these newly formed pools; and (4) approval of commingling of production from the Bone Spring and Upper Wolfcamp pools created. The relief requested is for the development of the **Salado Draw 29 26 33 Fed Com 5H, Salado Draw 29 26 33 Federal Com 1H, Salado Draw 29 26 33 Federal Com 2H, Salado Draw 29 26 33 Federal Com 3H, Salado Draw 29 26 33 Federal Com 4H, Salado Draw 29 26 33 Federal Com 6H, Salado Draw 29 26 33 Federal Com 7H, Salado Draw 29 26 33 Federal Com 8H, Mooses Tooth 29 26 33 Federal Com 1H, SD EA 29 32 Fed Com P10 19H, SD EA 29 32 Fed Com P10 17H, SD EA 29 32 Fed Com P10 18H, SD EA 29 32 Fed Com P10 20H, SD EA 29 32 Fed Com P11 13H, SD EA 29 32 Fed Com P11 14H, SD EA 29 32 Fed Com P11 15H and SD EA 29 32 Fed Com P11 16H** wells. Said area is located approximately 35 miles southeast of Jal, New Mexico.