

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION TO CONSIDER:**

**Case No. 22873
Order No. R-22488**

**APPLICATION OF CHEVRON USA, INC. FOR AUTHORITY TO VERTICALLY
EXPAND THE UNITIZED INTERVAL OF THE CICADA UNIT TO INCLUDE THE
BONE SPRING FORMATION AND TO COMMINGLE PRODUCTION AT THE
SURFACE, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on July 7, 2022, and after considering the testimony, evidence, and the recommendations of the Hearing Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the OCD has jurisdiction over this case and its subject matter.

- (2) The Cicada Unit (“Unit”) was approved by the OCD on October 6, 2017, though Order No. R-14459 issued in Case No. 15845. The Unit consisted of the Wolfcamp formation underlying 5,760 acres (more or less) of the following Federal and State lands situated in Eddy County, New Mexico:

Township 25 South, Range 27 East, N.M.P.M

Section 23: All

Section 26: All

Section 35: All

Township 26 South, Range 27 East, N.M.P.M

Section 1: All

Section 2: All

Section 10: All

Section 11: W/2

Section 12: All
Section 14: W/2
Section 15: All

(3) The Unit was approved by the OCD to be expanded on September 13, 2019, though Order No. R-20858 issued in Case No. 15845. The Unit was expanded to include the Wolfcamp formation underlying the following lands, resulting in a total of 6,400 (more or less) acres:

Township 26 South, Range 27 East, N.M.P.M

Section 11: E/2
Section 14: E/2

(4) Chevron U.S.A. Inc. (“Applicant”) is seeking approval from the U.S. Bureau of Land Management (“BLM”) and the Commissioner of Public Lands (“SLO”) of an expansion to the Unit to include the Bone Spring formation underlying 6,400 acres of the following lands situated in Eddy County, New Mexico (“Unit Area”):

Township 25 South, Range 27 East, N.M.P.M

Section 23: All
Section 26: All
Section 35: All

Township 26 South, Range 27 East, N.M.P.M

Section 1: All
Section 2: All
Section 10: All
Section 11: All
Section 12: All
Section 14: All
Section 15: All

(5) Unitized Interval: The proposed unitized interval for the Unit is all formations from the top of the Bone Spring formation to the base of the Wolfcamp formation, which is encountered at a true vertical depth of 6,064 feet to a true vertical depth of 11,235 feet in the Hay Hollow Unit No. 2 well located in the SW/4 NW/4 of Section 12 of Township 26 South, Range 27 East, N.M.P.M in Eddy County, New Mexico (API No. 30-015-21549).

(6) Authorization to commingle gas production from the Wolfcamp formation underlying the Unit produced from forty (40) wells with gas production from the Wolfcamp formation from outside the Unit produced from twenty-nine (29) wells was approved by the OCD on June 11, 2020, in Order CTB-947.

(7) Applicant initially sought approval from the OCD to commingle production from the Bone Spring and Wolfcamp formations underlying the Unit. Applicant withdrew their request to commingle the gas production on January 17, 2023 and is now seeking approval to commingle the oil production only in this proceeding.

(8) The Bone Spring and Wolfcamp formations underlying the Unit are currently designated by the OCD as the Hay Hollow; Bone Spring, North Pool (Pool Code 30216), the Delaware River; Bone Spring Pool (Pool Code 16800), the Welch; Bone Spring Pool (Pool Code 64010), and the Purple Sage; Wolfcamp (Gas) Pool (Pool Code 98220).

(9) Applicant presented testimony and exhibits as follows:

a. The Unit is a federal resource development unit and is proposed to include all formations between the top of the Bone Spring formation and base of the Wolfcamp formation. All pre-existing and future vertical wells are excluded from the agreement.

b. The Unit is comprised of twelve (12) tracts of which six (6) are federal tracts, six (6) are state tracts, and zero (0) are fee tracts.

c. The Unit obligation well for the Bone Spring formation is the Cicada Unit No. 51H well, a horizontal well with a surface location in the SW/4 SW/4 of Section 3 of Township 26 South, Range 27 East (API No. 30-015-49001) and a bottomhole location in the SW/4 SW/4 of Section 15, of Township 26 South, Range 27 East. The well will be completed in the Welch; Bone Spring Pool (Pool Code 64010).

e. Applicant presented the proposed amended Unit Agreement (“Unit Agreement”). The Unit Agreement designates Applicant as the Unit Operator and has provisions for expansion or contraction of the Unit.

f. Applicant has received a logical designation letter from the BLM, indicating the land proposed for unitization is logically subject to exploration and development. The BLM assigned NMNM 137168X as the case serial number to the Unit. Applicant has also received preliminary approval of the Unit expansion from the SLO.

g. Notice of this application was provided to the record title owners, royalty owners and overriding royalty owners within the Unit Area.

h. The participating areas once formed will have the same working, royalty, and overriding royalty owners in exactly the same percentages.

i. Fifty-three (53) wells currently produce from the Wolfcamp formation underlying the Unit and nineteen (19) wells are currently proposed to produce from the Bone Spring formation underlying the Unit, eight (8) of which have not been approved yet.

j. Commingling will occur at the following batteries:

Central Tank Battery 10 located in Section 10, Township 26 South, Range 27 East

Central Tank Battery 35 located in Section 35, Township 25 South, Range 27 East

Central Tank Battery 12 located in Section 12, Township 26 South, Range 27 East

k. The API gravity of the oil from the Wolfcamp and Bone Spring formations underlying the Unit are similar and should not present a problem with surface commingling.

(10) No other party appeared at the hearing or otherwise opposed this application.

(11) All proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the Applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(12) The approval of the Unit will serve to prevent waste and protect correlative rights within the lands assigned to the Unit Area.

IT IS THEREFORE ORDERED THAT:

(1) OCD recommends approval of the Unit expansion.

(2) Applicant is authorized to surface commingle oil production from the Wolfcamp and Bone Spring formations underlying the Unit and from the participating areas within the Unit (“Commingling Project”) provided the participating areas have the same working, royalty, and overriding royalty owners in exactly the same percentages and provided an accurate account of the wells and pools from which the production is derived is maintained with the OCD.

(3) The Unit Area comprises 6,400 acres situated in Eddy County, New Mexico as described above.

(4) This Order shall become effective upon the signature of all parties to the Unit Agreement.

(5) OCD recognizes that Chevron USA, Inc. (OGRID No. 4323) is designated the Unit Operator under the Unit Agreement.

(6) Upon the approval of the Unit Agreement and filing of the Unit Agreement with the OCD, the Unit Area will be recognized by the OCD as a “unitized area” as provided in 19.15.16 NMAC.

(7) The Unit Operator will ensure that the names of the Unit wells are uniform and include the name of the Unit.

(8) The plan contained in the Unit Agreement for the development and operation of the above-described Unit Area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the Unit Agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the OCD to supervise and control operations for the unit and production of oil and gas therefrom.

(9) The Unit Operator shall file with the OCD the fully executed Unit Agreement within 30 days of the effective date of the Unit Agreement. In the event of (a) subsequent joinder by any other party, (b) expansion or contraction of the Unit Area, (c) change of Unit Operator, or (d) termination of the Unit or Unit Agreement, the Unit Operator shall file with OCD, within 30 days after approval or notification of BLM, the amended Unit Agreement or other documentation reflecting the changes. Each filing shall be submitted to the OCD Engineering Bureau (OCD.Engineer@emnrd.nm.gov). OCD may notify the Unit Operator of any changes to the filing process without need to amend this Order.

(10) A list of the wells and pools included in the Commingling Project at the time of issuance of this Order is detailed in Exhibit A attached to this Order. For additional future wells which produce from the included formations and participating areas, and which Applicant wishes to include in the Commingling Project, Applicant shall submit Forms C-102 and C-103 to the OCD Engineering Bureau after the well has been approved to be drilled and prior to commingling oil production from it with the production from another well. The Form C-103 shall reference this Order and identify the well, proposed method to determine the allocation of oil production to it, and the location(s) that commingling of its production will occur.

(11) A list of batteries included in the Commingling Project at the time of issuance of this Order is detailed in Exhibit A attached to this Order. Applicant may include additional batteries in the Commingling Project provided they are within the Unit by submitting Form C-103 to the OCD Engineering Bureau. The Form C-103 shall reference this Order, identify the battery, and include the location of the battery.

(12) The oil production for each well within the Commingling Project shall be allocated by conducting a minimum of one (1) well test per month. Applicant shall conduct a well test by separating and measuring the oil production from that well for a minimum of twenty-four (24) consecutive hours. The well test requirements of this Order shall be suspended for any well

shut-in for a period that continues for more than thirty (30) days until the well commences production.

(13) Applicant shall measure and market the commingled oil at a central tank battery included within the Commingling Project in accordance with this Order and 19.15.18.15. NMAC or 19.15.23.8. NMAC.

(14) Applicant shall calibrate the meters used to measure or allocate oil production in accordance with 19.15.12.10.C.(2) NMAC.

(15) If the commingling of oil production from any pool, lease, or well reduces the value of the commingled oil production to less than if it had remained segregated, no later than sixty (60) days after the decrease in value has occurred Applicant shall submit a new application to OCD to amend this Order to remove the pool, lease, or well whose oil production caused the decrease in value. If Applicant fails to submit a new application, the commingling authority granted within this Order is revoked on the following day, and if OCD denies the application, the commingling authority granted within this Order is revoked on the date of such action.

(16) Applicant shall not commence commingling oil production until approved by the BLM and SLO.

(17) Jurisdiction of this case is retained for the entry of such further orders as the OCD may deem necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



**DYLAN M. FUGE
DIRECTOR (ACTING)**

Date: 1/20/23

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: R-22488

Case: 22873

Operator: Chevron USA, Inc. (4323)

Central Tank Battery: Hayhurst Central Tank Battery 10

Central Tank Battery Location: UL A, Section 10, Township 26 South, Range 27 East

Central Tank Battery: Hayhurst Central Tank Battery 35

Central Tank Battery Location: UL A, Section 35, Township 25 South, Range 27 East

Central Tank Battery: Hayhurst Central Tank Battery 12

Central Tank Battery Location: UL G, Section 12, Township 26 South, Range 27 East

Gas Title Transfer Meter Location: NE/4 Section 10, Township 26 South, Range 27 East

Pools

Pool Name	Pool Code
DELAWARE RIVER; BONE SPRING	16800
HAY HOLLOW; BONE SPRING, NORTH	30216
WELCH; BONE SPRING	64010
PURPLE SAGE; WOLFCAMP (GAS)	98220

Leases as defined in 19.15.12.7(C) NMAC

Lease	UL or Q/Q	S-T-R
	All	23-25S-27E
	All	26-25S-27E
	All	35-25S-27E
	All	1-26S-27E
PA Wolfcamp NMNM 137168A	All	2-26S-27E
	All	10-26S-27E
	All	11-26S-27E
	All	12-26S-27E
	All	14-26S-27E
	All	15-26S-27E
	All	23-25S-27E
	All	26-25S-27E
	All	35-25S-27E
	All	1-26S-27E
PA Bone Spring for NMNM 137168X	All	2-26S-27E
	All	10-26S-27E
	All	11-26S-27E
	All	12-26S-27E
	All	14-26S-27E
	All	15-26S-27E

Wells

Well API	Well Name	UL or Q/Q	S-T-R	Pool
30-015-43929	Cicada Unit #1H	E/2	10-26S-27E	98220
		E/2	15-26S-27E	
30-015-43930	Cicada Unit #2H	W/2	10-26S-27E	98220
		W/2	15-26S-27E	
30-015-43937	Cicada Unit #3H	E/2	10-26S-27E	98220
		E/2	15-26S-27E	
30-015-43936	Cicada Unit #4H	W/2	10-26S-27E	98220
		W/2	15-26S-27E	
30-015-43926	Cicada Unit #5H	E/2	10-26S-27E	98220
		E/2	15-26S-27E	
30-015-43932	Cicada Unit #6H	W/2	10-26S-27E	98220
		W/2	15-26S-27E	
30-015-44347	Cicada Unit #7H	E/2	35-25S-27E	98220
		E/2	2-26S-27E	
30-015-44346	Cicada Unit #8H	E/2	35-25S-27E	98220
		E/2	2-26S-27E	
30-015-44350	Cicada Unit #9H	E/2	35-25S-27E	98220
		E/2	2-26S-27E	
30-015-44349	Cicada Unit #10H	E/2	35-25S-27E	98220
		E/2	2-26S-27E	
30-015-44345	Cicada Unit #11H	E/2	35-25S-27E	98220
		E/2	2-26S-27E	
30-015-44348	Cicada Unit #12H	E/2	35-25S-27E	98220
		E/2	2-26S-27E	
30-015-44367	Cicada Unit #13H	W/2	10-26S-27E	98220
		W/2	15-26S-27E	
30-015-44371	Cicada Unit #14H	W/2	10-26S-27E	98220
		W/2	15-26S-27E	
30-015-44353	Cicada Unit #15H	W/2	10-26S-27E	98220
		W/2	15-26S-27E	
30-015-44351	Cicada Unit #16H	W/2	10-26S-27E	98220
		W/2	15-26S-27E	
30-015-44354	Cicada Unit #17H	W/2	10-26S-27E	98220
		W/2	15-26S-27E	
30-015-44352	Cicada Unit #18H	W/2	10-26S-27E	98220
		W/2	15-26S-27E	
30-015-45602	Cicada Unit #23H	E/2	23-25S-27E	98220
		E/2	26-25S-27E	
30-015-45720	Cicada Unit #24H	E/2	23-25S-27E	98220
		E/2	26-25S-27E	
30-015-45601	Cicada Unit #25H	W/2	23-25S-27E	98220
		W/2	26-25S-27E	
30-015-45600	Cicada Unit #26H	W/2	23-25S-27E	98220
		W/2	26-25S-27E	
30-015-45426	Cicada Unit #19H	W/2	23-25S-27E	98220
		W/2	26-25S-27E	

30-015-45425	Cicada Unit #20H	W/2	23-25S-27E	98220
		W/2	26-25S-27E	
30-015-45424	Cicada Unit #21H	W/2	23-25S-27E	98220
		W/2	26-25S-27E	
30-015-45423	Cicada Unit #22H	W/2	23-25S-27E	98220
		W/2	26-25S-27E	
30-015-46468	Cicada Unit #27H	E/2	10-26S-27E	98220
		E/2	15-26S-27E	
30-015-46469	Cicada Unit #28H	E/2	10-26S-27E	98220
		E/2	15-26S-27E	
30-015-46470	Cicada Unit #29H	E/2	10-26S-27E	98220
		E/2	15-26S-27E	
30-015-46342	Cicada Unit #33H	W/2	35-25S-27E	98220
		W/2	2-26S-27E	
30-015-46343	Cicada Unit #34H	W/2	35-25S-27E	98220
		W/2	2-26S-27E	
30-015-46344	Cicada Unit #35H	E/2	35-25S-27E	98220
		E/2	2-26S-27E	
30-015-46345	Cicada Unit #36H	E/2	35-25S-27E	98220
		E/2	2-26S-27E	
30-015-46346	Cicada Unit #37H	W/2	35-25S-27E	98220
		W/2	2-26S-27E	
30-015-46347	Cicada Unit #38H	W/2	35-25S-27E	98220
		W/2	2-26S-27E	
30-015-46348	Cicada Unit #39H	W/2	35-25S-27E	98220
		W/2	2-26S-27E	
30-015-46898	Cicada Unit #30H	W/2	11-26S-27E	98220
		W/2	14-26S-27E	
30-015-46901	Cicada Unit #31H	W/2	11-26S-27E	98220
		W/2	14-26S-27E	
30-015-46913	Cicada Unit #32H	W/2	11-26S-27E	98220
		W/2	14-26S-27E	
30-015-48782	Cicada Unit #41H	E/2	23-25S-27E	98220
		E/2	26-25S-27E	
		NE/4	35-25S-27E	
30-015-48783	Cicada Unit #43H	E/2	23-25S-27E	98220
		E/2	26-25S-27E	
		NE/4	35-25S-27E	
30-015-49465	Cicada Unit #45H	E/2	11-26S-27E	98220
		E/2	14-26S-27E	
30-015-49466	Cicada Unit #47H	E/2	11-26S-27E	98220
		E/2	14-26S-27E	
30-015-49467	Cicada Unit #48H	E/2	11-26S-27E	98220
		E/2	14-26S-27E	
30-015-49468	Cicada Unit #50H	E/2	11-26S-27E	98220
		E/2	14-26S-27E	
30-015-49469	Cicada Unit #56H	W/2	1-26S-27E	98220
		W/2	12-26S-27E	

30-015-49470	Cicada Unit #57H	W/2 W/2	1-26S-27E 12-26S-27E	98220
30-015-49471	Cicada Unit #58H	W/2 W/2	1-26S-27E 12-26S-27E	98220
30-015-49472	Cicada Unit #59H	W/2 W/2	1-26S-27E 12-26S-27E	98220
30-015-49624	Cicada Unit #60H	E/2 E/2	1-26S-27E 12-26S-27E	98220
30-015-49625	Cicada Unit #61H	E/2 E/2	1-26S-27E 12-26S-27E	98220
30-015-49626	Cicada Unit #62H	E/2 E/2	1-26S-27E 12-26S-27E	98220
30-015-49627	Cicada Unit #63H	E/2 E/2	1-26S-27E 12-26S-27E	98220
30-015-49001	Cicada Unit #51H	W/2 W/2	10-26S-27E 15-26S-27E	64010
30-015-49000	Cicada Unit #52H	W/2 W/2	10-26S-27E 15-26S-27E	64010
30-015-48999	Cicada Unit #53H	W/2 W/2	10-26S-27E 15-26S-27E	64010
30-015-49598	Macallan 12 1 Federal State Com 23 #2H	W/2 W/2	1-26S-27E 12-26S-27E	16800
30-015-49603	Wild Turkey 12 1 Federal Com 24 #1H	E/2 E/2	1-26S-27E 12-26S-27E	16800
30-015-49602	Wild Turkey 12 1 Federal Com 24 #2H	E/2 E/2	1-26S-27E 12-26S-27E	16800
30-015-49604	Wild Turkey 12 1 Federal Com 24 #3H	E/2 E/2	1-26S-27E 12-26S-27E	16800
30-015-49684	Tito 26 23 Federal State Com 25 #1H	W/2 W/2	23-25S-27E 26-25S-27E	30216
30-015-49685	Tito 26 23 Federal State Com 25 #2H	W/2 W/2	23-25S-27E 26-25S-27E	30216
30-015-49686	Tito 26 23 Federal State Com 25 #3H	W/2 W/2	23-25S-27E 26-25S-27E	30216
30-015-49687	Tito 26 23 Federal State Com 25 #4H	W/2 E/2 W/2 E/2	23-25S-27E 26-25S-27E	30216