

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

APPLICATION OF CHEVRON USA, INC.
FOR A NON-STANDARD SPACING AND
PRORATION UNIT, AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

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CASE NO: 15074

APPLICATION

Chevron USA Inc., ("Chevron") through its undersigned attorneys, hereby files this application with 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 S/2N/2 of Section 18, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation, North Bell Lake – Bone Springs Pool, underlying this acreage. In support of its application, Chevron states:

1. Chevron (OGRID No. 4323) is a working interest owner in the S/2N/2 of Section 18 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 **Bell Lake 18-23-34 1H Well**, which will be horizontally drilled from a surface location 2290 feet from the North Line and 330 feet from the West line (Unit E) to a bottom hole location 2290 feet from the North line and 330 feet from the East line (Unit H) of Section 18. The completed interval for this well will commence in SW/4NW/4 (Unit E) of Section 18 and remain within the 330-foot standard offset required by Statewide 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 USA 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 January 23, 2014, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 160-acre non-standard spacing and proration unit in the Bone Spring formation, North Bell Lake – Bone Spring Pool, comprised of the S/2N/2 of Section 18, Township 23 South, Range 34 East, NMPM;
- B. Pooling all mineral interests in the non-standard spacing and proration unit;
- C. Designating Chevron USA Inc. operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing Chevron USA Inc. 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 USA Inc. 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 USA INC.

CASE 15074: **Application of Chevron USA 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 S/2N/2 of Section 18, Township 23 South, Range 34 East, NMPM, Lea County and (2) pooling all mineral interests in the Bone Spring formation, North Bell Lake – Bone Spring Pool, underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Bell Lake 18-23-34 1H Well**, which will be horizontally drilled from a surface location in the SW/4NW/4 (Unit E) to a bottom hole location in the SE/4NE/4 (Unit H) of Section 18. The completed interval for this well will commence in the SW/4NW/4 (Unit E) of Section 18 and remain within the 330-foot standard offset required by the 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 USA Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 8.5 miles northeast of Cotton Place, New Mexico.