

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

**APPLICATION OF CHEVRON U.S.A.  
INC. FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.**

**CASE NO.** \_\_\_\_\_

**APPLICATION**

Chevron U.S.A. Inc. ("Applicant") (OGRID No. 4323), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order pooling all uncommitted interests in the Bone Spring formation underlying a standard 480-acre, more or less, horizontal spacing unit comprised of the W/2 of Section 3, and the NW/4 of Section 10, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico. In support of its application, Chevron states:

1. Applicant is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.
2. Applicant seeks to dedicate the above-referenced horizontal spacing unit to the following proposed initial wells:
  - the **DL 10 3 Kraken Fed Com #207H Well** and the **DL 10 3 Kraken Fed Com #208H Well** to be horizontally drilled from surface hole locations in the NW/4 SW/4 (Unit L) of Section 10 to bottom hole locations in the NW/4 NW/4 (Unit D) of Section 3; and
  - the **DL 10 3 Kraken Fed Com #209H Well** to be horizontally drilled from a surface hole location in the NW/4 SW/4 (Unit L) of Section 10 to a bottom hole location in the NE/4 NW/4 (Unit C) of Section 3.

3. The completed interval for the proposed **DL 10 3 Kraken Fed Com #208H Well** will be within 330 feet of the quarter-quarter line separating the W/2 W/2 from the E/2 W/2 of Section 3 and the W/2 NW/4 from the E/2 NW/4 of Section 10 to allow inclusion of this acreage into a standard 480-acre horizontal spacing unit.

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

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

6. In order to permit Applicant to obtain it's just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this horizontal spacing unit should be pooled and Applicant should be designated the operator of this proposed horizontal well and spacing unit.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on February 6, 2020, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the Bone Spring formation underlying the proposed spacing unit;
- B. Approving the initial wells in the horizontal well spacing unit;
- C. Designating Applicant as operator of the horizontal spacing unit and the horizontal wells to be drilled thereon;
- D. Authorizing Applicant to recover its costs of drilling, equipping and completing the wells;

- 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% charge for the risk assumed by Applicant in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

HOLLAND & HART LLP

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