

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

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

151255
CASE NO. 11526

APPLICATION

CHEVRON U.S.A. 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 160-acre spacing and proration unit comprised of the N/2N/2 of Section 19, Township 23S, Range 34E, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage. In support of its application, Chevron states:

1. Chevron U.S.A. Inc. (OGRID No. 4323) is a working interest owner in the N/2N/2 of Section 19 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 19-23-34 1H Well**, which will be horizontally drilled from a surface location in the NW/4NW/4 (Unit D) to a standard bottom hole location in NE/4NE/4 (Unit A) of Section 19. The completed interval for this well will commence in NW/4NW/4 (Unit D) of Section 19 and remain within the 330-foot standard offset required by the Statewide Rules set forth in 19.15.15 NMAC.

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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 U.S.A. Inc. to obtain it's 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 should be designated the operator of this proposed horizontal well and spacing unit.

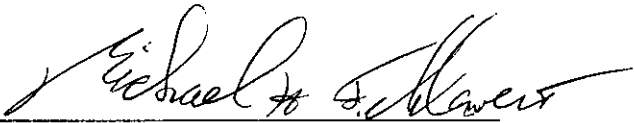
WHEREFORE, Chevron requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 1, 2014, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 160-acre non-standard spacing and proration unit in the Bone Spring Sands formation, comprised of the N/2N/2 of Section 19, Township 23S, Range 34E, N.M.P.M.;
- B. Pooling all mineral interests in the non-standard spacing and proration unit;
- C. Designating Chevron U.S.A. Inc. operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing Chevron 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 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 U.S.A. INC.

CASE ¹⁵¹²⁴⁵~~11526~~

Application of Chevron U.S.A. 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 N/2N/2 of Section 19, Township 23 South, Range 34 East, N.M.P.M., Lea County and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Bell Lake 19-23-34 1H Well**, which will be horizontally drilled from a surface location in the NW/4NW/4 (Unit D) to a standard bottom hole location in the NE/4NE/4 (Unit A) of Section 19. The completed interval for this well will commence in the NW/4NW/4 (Unit D) of Section 19 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 U.S.A. Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 9 miles Northeast of Cotton Place, New Mexico.