

**PADILLA LAW FIRM, P.A.**

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December 27, 2013

**HAND-DELIVERED**

Jami Bailey, Division Director  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

**Re: *Chevron U.S.A. Inc.***  
***Bell Lake 18-23-34 #1H ("Bell Lake")***  
***S/2N/2 of Section 18, T23S, R34E, NMPM, Lea County, New Mexico***

Dear Mr. Bailey:

The purpose of this letter is to protest, on behalf of Endurance Resources, LLC, our client, the drilling of the above-referenced well proposed by Chevron U.S.A. Inc.

It is our understanding that Chevron has moved a drilling rig onto a location to drill an east/west horizontal well in the S/2N/2 of Section 18 with apparent intentions to commence drilling of the well to the Bone Springs formation. To our knowledge no permission has been obtained for a non-standard spacing unit nor has Chevron pooled the acreage dedicated to the proposed spacing unit.

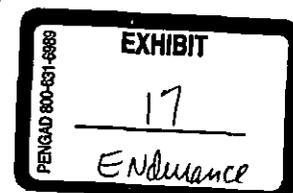
Today Endurance Resources, LLC will file an Application to Drill its Starcaster 18 Fed 4H well with the Bureau of Land Management proposing to drill the well dedicated to an E/2E/2 of Section 18 spacing unit, and drilled to the Bone Springs formation. A copy of that application is attached hereto.

Leaschold and mineral ownership for Section 18 is as follows:

N/2 of Section 18

- 1) Chevron- 41.9075% WI
- 2) Ray Westall- 4.04625% WI
- 3) Randall Harris-4.04625% WI
- 4) Tritex Energy A LP (Endurance)-20.937917% WI
- 5) Unleased Mineral Interest Owners-28.645833%

#17



S/2 of Section 18

1) BTA Oil Producers LLC-100% WI

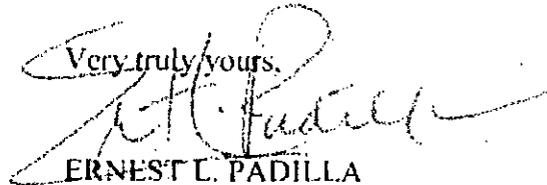
The reasons for opposition to the proposed well include:

- 1) Endurance's interpretation of Chevron's proposed east/west lateral in the S/2 N/2 of Section 18 is that the well will be an economic failure at the proposed \$ 9.8 million AFE (less than 15% ROR).
- 2) North/south laterals in this part of the Bone Spring trend outperform east/west laterals where pay thickness equivalent is the same by 30% or more, due to the intersection of natural fractures and alignment with the stress regime.
- 3) A north/south lateral in the E/2E/2 of Section 18 will encounter substantially more pay in the 2<sup>nd</sup> Bone Spring target interval than the Chevron proposed east/west lateral in the S/2N/2 of Section 18.
- 4) Endurance estimates that 200-300 MBO of recoverable reserves will be wasted by an East-West well. This affects all owners in the project, including the State of New Mexico royalties.
- 5) Endurance has considerable experience in Bone Springs exploration.

The owners of the Ray Westall, Randall Harris, and BTA support the Endurance proposed well and will participate in the drilling of the Starcaster 18 Fed 4H for the foregoing reasons.

Finally, we request that the Oil Conservation Division order Chevron to suspend any drilling of its proposed well until all parties can be heard at hearing to determine which of the opposing proposals should be adopted in the best interests of conservation of oil and gas resources underlying Section 18.

Thank you for your prompt attention to this matter.

Very truly yours,  
  
ERNEST L. PADILLA

EI.P:jbg

c: Endurance Resources, LLC w/o encl.

Enclosures: As stated

HOLLAND & HART



**Michael H. Feldewert**  
Recognized Specialist in the Area of  
Natural Resources - oil and gas law - New  
Mexico Board of Legal Specialization  
mfeldewert@hollandhart.com

December 30, 2013

**VIA HAND DELIVERY**

Ms. Jami Bailey, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

**Re: Protest of Endurance Resources, LLC to Chevron U.S.A. Inc.'s Bell Lake 18-23-34 1H Well**

Dear Ms. Bailey,

This letter is in response to the protest letter filed with the Division on December 27, 2013, by Endurance Resources, LLC ("Endurance").

In its letter, Endurance represents that it owns approximately 20.94% of the working interest in the N/2 of Section 18 through Tritex Energy A LP. Chevron U.S.A. Inc. ("Chevron") currently owns 41.91% of the working interest in the N/2 of Section 18 and has proposed to drill a horizontal well from west to the east in the S/2 N/2 of Section 18. Endurance objects to the orientation of the well.

Enclosed with this letter is the Division approved APD for Chevron's proposed well. Chevron owns an interest in each tract in which any part of this proposed well will be located. See NMAC 19.15.16.15(A).

In addition, on or about November 12, 2013, Chevron sent well proposal letters to the working interest owners of record in the S/2N/2 of Section 18, including Tritex Energy. No competing well proposal has been received by Chevron from Tritex Energy, Endurance, or any other purported working interest or mineral owner in the subject acreage.

On December 12, 2013, Chevron filed an application for pooling the S/2N/2 of Section 18. The Division has set the application for hearing on January 23, 2014.

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 [www.hollandhart.com](http://www.hollandhart.com)

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ☺



Chevron has had a rig schedule for this well for some time and plans on spudding the well today. Any concerns Endurance has with this proposed well can be addressed at the scheduled January 23rd hearing, once Endurance demonstrates that it has standing in this matter. Given the above reasons, the diligence with which Chevron has pursued voluntary pooling for its proposed well, and the fact that Endurance has yet to submit any competing development proposal to the working interest owners in Section 18, Chevron respectfully requests that you deny Endurance's request to suddenly suspend Chevron's approved drilling permit.

Sincerely,

Michael H. Feldewert

cc. Gabe Wade, Attorney for the Division  
Ernest L. Padilla, Attorney for Endurance Resources, LLC

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**State of New Mexico**  
**Energy, Minerals and Natural Resources**  
**Oil Conservation Division**  
**1220 S. St Francis Dr.**  
**Santa Fe, NM 87505**

Form C-161  
 August 1, 2011  
 Permit 178410

**APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE**

1. Operator Name and Address CHEVRON U S A INC Attn: Sandy Stedman-Daniel Houston, TX 77252		2. OGRID Number 4323
4. Property Code 40209		3. API Number 30-025-41481
5. Property Name BELL LAKE 18 23 34		6. Well No. 001H

7. Surface Location										
UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County	
E	18	23S	34E	2	2290	N	330	W	Lea	

8. Proposed Bottom Hole Location										
UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County	
H	18	23S	34E	H	2290	N	330	E	Lea	

9. Pool Information									5150
BELL LAKE;BONE SPRING, NORTH									

Additional Well Information				
11. Well Type New Well	12. Well Type OIL	13. Cable/ Rotary	14. Lease Type Private	15. Ground Level Elevation 3525
16. Multiple N	17. Proposed Depth 14817	18. Formation Bone Spring	19. Contractor	20. Spud Date
Depth to Ground water		Distance from nearest fresh water well		Distance to nearest surface water

☑ We will be using a closed-loop system in lieu of lined pits

21. Proposed Casing and Cement Program						
Type	Hole Size	Casing Size	Casing Weight/lb	Setting Depth	Grade of Cement	Estimated TOC
Surf	17.5	13.375	48	1050	1050	0
Int1	12.25	9.825	40	5020	1138	0
Prod	8.75	5.6	17	14817	2000	4520

**Casing/Cement Program: Additional Comments**  
 THERE WILL BE A PILOT HOLE - 8.75, SETTING DEPTH 11,000. AN OPEN HOLE CEMENTED WHIPSTOCK WILL BE UTILIZED W/2 7/8" TAILPIPE TO PLUG THE PILOT HOLE AFTER EVALUATION. TAIL PIPE WILL BE CEMENTED IN PLACE FROM PILOT HOLE TD OF 11,000' TO 50' ABOVE DETERMINED KOP. LATERAL WILL BE AN OH PACKER COMPLETION (NO CEMENT) FROM TD TO END OF CURVE (+/-10,750') THERE WILL BE A STAGE TOOL AT THE END OF CURVE TO CEMENT BACK UP TO 500' INSIDE INTERMEDIATE CASING.

22. Proposed Blowout Prevention Program			
Type	Working Pressure	Test Pressure	Manufacturer
Double Ram	5000	5000	T-3

23. I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify I have complied with 19.15.14.9 (A) NMAC <del>id</del> and/or 19.15.14.9 (B) NMAC <del>id</del> , if applicable.		<b>OIL CONSERVATION DIVISION</b>	
Signature:		Approved By: Paul Kautz	
Printed Name: Electronically filed by Denise Pinkerton		Title: Geologist	
Title: Regulatory Specialist		Approved Date: 11/5/2013	
Email Address: lsskejd@chevron.com		Expiration Date: 11/5/2015	
Date: 11/4/2013		Phone: 432-687-7375	
Conditions of Approval Attached			

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**State of New Mexico**  
**Energy, Minerals and Natural Resources**  
**Oil Conservation Division**  
**1220 S. St Francis Dr.**  
**Santa Fe, NM 87505**

Form C-102  
 August 1, 2011  
 Permit 170410

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

1. API Number 30-025-41481	2. Pool Code 5150	3. Pool Name BELL LAKE;BONE SPRING, NORTH
4. Property Code 40209	5. Property Name BELL LAKE 18 23 34	6. Well No. 001H
7. OGRID No. 4323	8. Operator Name CHEVRON U S A INC	9. Elevation 3525

**10. Surface Location**

UL - Lot E	Section 18	Township 23S	Range 34E	Lot Idn 2	Feet From 2280	N/S Line N	Feet From 330	E/W Line W	County Lea
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**11. Bottom Hole Location if Different From Surface**

UL - Lot H	Section 18	Township 23S	Range 34E	Lot Idn	Feet From 2280	N/S Line N	Feet From 330	E/W Line E	County Lea
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12. Dedicated Acres 157.71	13. Joint or Infill	14. Consolidation Code	15. Order No.
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**NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION**

	<b>OPERATOR CERTIFICATION</b>
	<p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p>E-Signed By: Denise Pinkerton          Title: Regulatory Specialist          Date: 11/4/2013</p>
	<b>SURVEYOR CERTIFICATION</b>
	<p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p>Surveyed By: RONALD EIDSON          Date of Survey: 8/17/2013          Certificate Number: 3239</p>

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State of New Mexico  
Energy, Minerals and Natural Resources  
Oil Conservation Division  
1220 S. St Francis Dr.  
Santa Fe, NM 87505

Form APD Comments

Permit 170410

PERMIT COMMENTS

Operator Name and Address: CHEVRON U S A INC (4323) Attn: Sandy Stadman-Daniel Houston, TX 77252	API Number: 30-025-41481
	Well: BELL LAKE 18 23 34 #001H

Created By	Comment	Comment Date
DPINKERTON	PLATS AND RIG LAYOUT INFORMATION WILL BE MAILED IN TODAY.	10/31/2013

**State of New Mexico  
Energy, Minerals and Natural Resources  
Oil Conservation Division  
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**PERMIT CONDITIONS OF APPROVAL**

Operator Name and Address: CHEVRON U S A INC (4323) Attn: Sandy Stedman-Daniel Houston, TX 77252	API Number: 30-025-41481
	Well: BELL LAKE 16 23 34 #001H

OCD Reviewer	Condition
pkautz	Will require a directional survey with the C-104
pkautz	Once the well is spud, to prevent ground water contamination through whole or partial conduits from the surface, the operator shall drill without interruption through the fresh water zone or zones and shall immediately set in cement the water protection string

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December 31, 2013

**VIA EMAIL**

Jami Bailey, Division Director  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

**Re: *Chevron U.S.A. Inc.***  
***Bell Lake 18-23-34 #1H ("Bell Lake")***  
***S/2N/2 of Section 18, T23S, R34E, NMPM, Lea County, New Mexico***

Dear Mr. Bailey:

We have received a copy of the letter dated December 30, 2013, to you from Mr. Michael Feldewert on behalf of Chevron. Mr. Feldewert's letter omits facts that are very relevant to the issues that we brought to your attention by our December 27, 2013 letter to you.

First, Mr. Feldewert's letter states in part:

"No competing well proposal has been received by Chevron from Tritex Energy, Endurance, or any other purported working interest or mineral owner in the subject acreage."

Because Endurance Resources LLC (Tritex Energy A LP is an affiliated entity) has been actively leasing in Section 18, it had formulated a proposal to drill a north/south oriented well in the E/2E/2 of Section 18. Randall Harris, one of the interest owners in the N/2 of Section 18 received Chevron's well proposal on November 15, 2013. He transmitted the proposal to Endurance Resources. On November 20, 2013, Endurance Resources principals immediately set up a meeting with Chevron, and then, together with Mr. Harris, met with Chevron personnel in Houston to present their E/2E/2 proposed well to Chevron. On November 20, Endurance submitted to its AFE to Chevron. In fact, Endurance Resources has submitted its AFE to all working interest owners affected by its proposal, and all have agreed in principal. Chevron, through its personnel at the November 20 meeting, did not respond to the proposal or the AFE, so Endurance, again submitted its proposal to Chevron's higher management.

As a consequence, we can only surmise that Mr. Feldewert was not given the full version of the communications that have occurred facts between Endurance Resources and Chevron relative to the drilling of a well in Section 18.

Mr. Feldewert's letter transmits Chevron's C-102 for its proposed well. Sections 14 and 15 of the C-102 are not filled out. No code was specified for Section 14 of how the various working interests or unleased interests were consolidated or force pooled to dedicate the interest to the proposed spacing unit. Section 15 of the form requires the Division's order for a non-standard spacing unit which is required in this case; there is none stated on the form.

To date Endurance Resources has not received notice of the proposed hearing scheduled for January 23, 2014, as mentioned in Mr. Feldewert's letter. We suppose that the notice of the hearing has been geared to give only the minimum 20-day notice.

In this case Endurance Resources has reached out to Chevron and has shown good faith in proposing its well to Chevron. It presented its geologic conclusions and supporting data, based on its significant experience in drilling Bone Springs wells, and an AFE which is approximately \$2.8 million less than the Chevron AFE which is slightly short of \$10 million. On the other hand, Chevron has sent out a minimal proposal and has exhibited a take it or leave it attitude.

Chevron's application is premature. For one thing, there is still about 28% of unleased acreage in the N/2 of Section 18. Because of the prematurity of Chevron's actions in this instance, we view their action of spudding and commencement of a well as an intentional trespass, therefore, in bad faith.

Accordingly, we renew our earlier request that drilling of the well be suspended until a hearing is held in this matter.

Very truly yours,

*Ernest L. Padilla*

ERNEST L. PADILLA

ELP:jbg

c: Endurance Resources, LLC  
Michael Feldewert, Esq.  
Gabe Wade, Esq.