

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, COMPULSORY POOLING, AND APPROVAL
OF AN UNORTHODOX WELL LOCATION,
LEA COUNTY, NEW MEXICO.

CASE NO. 16713

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 320-acre non-standard spacing and proration unit comprised of the E/2 E/2 of Section 18 and the E/2 E/2 of Section 19, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico; (2) pooling all mineral interests in the Wolfcamp formation underlying this acreage, and (3) approving an unorthodox location for its proposed **SD EA 18 19 Fed Com P15 No. 17H Well**. In support of its application, Chevron states:

1. Chevron is a working interest owner in proposed non-standard unit 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 **SD EA 18 19 Fed Com P15 No. 17H Well**, its proposed **SD EA 18 19 Fed Com P15 No. 18H Well**, and its proposed **SD EA 18 19 Fed Com P15 No. 19H Well**, which will be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) of Section 18 to a bottom hole location in SE/4 SE/4 (Unit P) of Section 19.
3. This project area is located within the Sanders Tank; Upper Wolfcamp (Pool Code 98097). This pool is subject to Statewide Rules for oil wells set forth in 19.15.15 NMAC, which requires wells to be located no closer than 330 feet to the outer boundary of the spacing

unit. Rules 19.15.15.13.B and 19.15.4.12.A(2) allows the Director to grant an exception to the well location requirements.

4. The proposed **SD EA 18 19 Fed Com P15 No. 17H Well** will be unorthodox because the completed interval for this well will be closer than 330 feet to the outer boundary. The completed interval for this well will commence 330 feet from the north line, 1,150 feet from the east line of Section 18 to a location 330 feet from the south line, 1,150 feet from the east line of Section 18. The completed interval therefore encroaches on the spacing and proration units to the west, northwest, and southwest. Chevron is the 100% working interest owner in the spacing and proration unit to the west.

5. The completed interval for the proposed **SD EA 18 19 Fed Com P15 No. 18H Well** and the proposed **SD EA 18 19 Fed Com P15 No. 19H Well** will remain within the 330-foot standard offset required by the Statewide Rules set forth in 19.15.15 NMAC.

6. 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.

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

8. Since the proposed wells will be simultaneously drilled and completed, Chevron requests an extension of the 120-day time period to drill and complete the wells provided by the Division's standard pooling order.

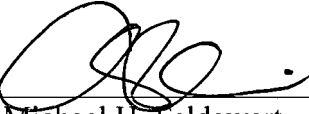
9. In order to permit Chevron to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard spacing unit should be pooled and Chevron should be designated the operator of these proposed horizontal wells and spacing unit.

WHEREFORE, Chevron requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 3, 2018, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 320-acre non-standard spacing and proration unit in the Wolfcamp formation, comprised of the E/2 E/2 of Section 18 and the E/2 E/2 of Section 19, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico;
- B. Pooling all mineral interests in the non-standard spacing and proration unit;
- C. Approving Chevron's request for an unorthodox location for the proposed SD EA 18 19 Fed Com P15 No. 17H Well;
- D. Designating Chevron U.S.A. Inc. operator of this non-standard spacing unit and the horizontal wells to be drilled thereon;
- E. Authorizing Chevron to recover its costs of drilling, equipping and completing the wells;
- F. 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;
- G. Imposing a 200% penalty for the risk assumed by Chevron in drilling, completing and equipping the wells against any working interest owner who does not voluntarily participate in the drilling of the wells; and
- H. Providing an extension of the 120-day period to drill and complete the wells provided by the Division's standard pooling order.

Respectfully submitted,

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ATTORNEYS FOR CHEVRON U.S.A. INC.

CASE 16113

Application of Chevron U.S.A. Inc. for a non-standard spacing and proration unit, compulsory pooling, and approval of an unorthodox well location, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard, 320-acre spacing and proration unit comprised of the E/2 E/2 of Section 18 and the E/2 E/2 of Section 19, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico; (2) pooling all mineral interests in the Wolfcamp formation underlying this acreage; and (3) approving an unorthodox well location. Said non-standard unit is to be dedicated to applicant's proposed **SD EA 18 19 Fed Com P15 No. 17H Well**, its proposed **SD EA 18 19 Fed Com P15 No. 18H Well**, and its proposed **SD EA 18 19 Fed Com P15 No. 19H Well**, which will be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) of Section 18 to a bottom hole location in SE/4 SE/4 (Unit P) of Section 19. The completed interval for the **SD EA 18 19 Fed Com P15 No. 17H Well** will commence 330 feet from the north line, 1,150 feet from the east line of Section 18 to a location 330 feet from the south line, 1,150 feet from the east line of Section 19, thereby encroaching on the spacing and proration units to the west, northwest, and southwest. The completed interval for the **SD EA 18 19 Fed Com P15 No. 18H Well** and the **SD EA 18 19 Fed Com P15 No. 19H Well** will remain within the 330-foot standard offset required by the rules. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as wells as actual operating costs and charges for supervision, designation of Chevron U.S.A. Inc. as operator of the wells and a 200% charge for risk involved in drilling said wells. Said area is located approximately 25 miles west of Jal, New Mexico.