

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

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

CASE NO. 20332

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 pooling all uncommitted interests in the Wolfcamp formation [Purple Sage; Wolfcamp (Gas) (Pool Code 98220)] in the 640-acre horizontal spacing unit comprised of the E/2 of Section 15 and the E/2 of Section 22 of Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico. In support of its application, Chevron states:

1. Chevron U.S.A. Inc. (OGRID No. 4323) is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.

2. Chevron seeks to dedicate the above-referenced horizontal spacing unit to the following proposed wells:

- The **CB NE 15 22 002 No. 1H**, which will be horizontally drilled from a surface hole location in the NW/4 NE/4 (Unit B) of Section 15 to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 22;
- The **CB NE 15 22 002 No. 2H**, which will be horizontally drilled from a surface hole location in the NW/4 NE/4 (Unit B) of Section 15 to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 22; and

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- The **CB NE 15 22 002 No. 3H**, which will be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) of Section 15 to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 22.

The completed interval for the proposed **CB NE 15 22 002H** will be within 330' of the quarter-quarter line separating the W/2 E/2 from the E/2 E/2 of Sections 15 and 22 to allow inclusion of this acreage into a standard 640-acre horizontal spacing unit.

3. Pursuant to the Special Rules for the Purple Sage; Wolfcamp (Pool Code 98220), the completed intervals for these wells will comply with the 330-foot setback requirement.

4. Since the proposed wells will be simultaneously drilled and completed, Chevron requests an extension of the time period to drill and complete the initial well from 120 days to 365 days.

5. Chevron 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.

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

7. In order to permit Chevron to obtain its 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 Chevron U.S.A. 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 April 4, 2019, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the horizontal spacing unit;
- B. Approving the initial wells;

- C. Designating Chevron U.S.A. Inc. operator of this spacing unit and the horizontal wells to be drilled thereon;
- D. Authorizing Chevron 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% penalty for the risk assumed by Chevron in drilling and completing the wells against any working interest owner that does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

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**ATTORNEYS FOR CHEVRON PRODUCTION
COMPANY**

CASE 20332:

Application of Chevron Production Company for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all uncommitted interests in the Wolfcamp formation [Purple Sage; Wolfcamp (Gas)] in the 640-acre horizontal spacing unit comprised of the E/2 of Section 15 and the E/2 of Section 22 of Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico. The above-referenced unit will be dedicated to the following proposed wells:

- The **CB NE 15 22 002 No. 1H**, which will be horizontally drilled from a surface hole location in the NW/4 NE/4 (Unit B) of Section 15 to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 22;
- The **CB NE 15 22 002 No. 2H**, which will be horizontally drilled from a surface hole location in the NW/4 NE/4 (Unit B) of Section 15 to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 22; and
- The **CB NE 15 22 002 No. 3H**, which will be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) of Section 15 to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 22.

The completed interval for the proposed **CB NE 15 22 002H** will be within 330' of the quarter-quarter line separating the W/2 E/2 from the E/2 E/2 of Sections 15 and 22 to allow inclusion of this acreage into a standard 640-acre horizontal spacing unit. Pursuant to the Special Rules for the Purple Sage; Wolfcamp, the completed intervals for these wells will comply with the 330-foot setback requirement. Since the proposed wells will be simultaneously drilled and completed, Chevron requests an extension of the time period to drill and complete the initial well from 120 days to 365 days. Also to be considered will be the cost of drilling and completing the wells, the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Chevron Production Company as operator, and a 200% charge for risk involved in drilling and completing the well. Said area is located approximately 3 miles northeast of Loving, New Mexico.