

**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. 20386

APPLICATION

Chevron U.S.A. Inc. ("Chevron"), OGRID Number 215099, through its undersigned attorneys, hereby makes an application to the Oil Conservation Division pursuant to the provisions of NMSA (1978), Section 70-2-17, for an order: (1) to the extent necessary, approving the creation of a 640-acre, more or less, Wolfcamp spacing unit; and, (2) pooling all uncommitted mineral interests within a Wolfcamp horizontal spacing unit underlying the E/2 of Sections 16 and 21, Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico. In support of this application, Chevron states as follows:

1. Chevron is an interest owner in E/2 of Section 21 of the proposed spacing unit and has a right to drill a well thereon.
2. Chevron seeks to dedicate the E/2 of Sections 16 and 21, Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico to form a 640-acre, more or less, spacing unit.
3. Chevron plans to drill the following wells:
 - a. **HH SO 16 21 Fed State Com 002 1H**, a horizontal well with a surface location 330' FSL and 1,592' FEL of Section 21, Township 26 South, Range 27 East, Eddy County, and the intended bottom hole location is 330' FNL and 1,592' FEL of Section 16, Township 26 South, Range 27 East, Eddy County;
 - b. **HH SO 16 21 Fed State Com 002 2H**, a horizontal well with a surface location 330' FSL and 1,567' FEL of Section 21 Township 26 South, Range 27 East,

Eddy County, and the intended bottom hole location is 330' FNL and 1,567' FEL of Section 16, Township 26 South, Range 27 East, Eddy County; and

- c. **HH SO 16 21 Fed State Com 002 3H**, a horizontal well with a surface location 330' FSL and 1,542' FEL of Section 21 Township 26 South, Range 27 East, Eddy County, and the intended bottom hole location is 330' FNL and 1,542' FEL of Section 16, Township 26 South, Range 27 East, Eddy County.

These wells are proposed to be drilled vertically to a depth of approximately 9,570' to the Wolfcamp formation and laterally in a southerly direction within the formation to the referenced bottom hole location.

4. These wells will be located within the Purple Sage Wolfcamp Gas Pool and will comply with the Division's setback requirements in Order No. R-14262.

5. Chevron sought, but has been unable to obtain, a voluntary agreement from all interest owners in the Wolfcamp formation underlying the proposed spacing unit to participate in the drilling of the well or to otherwise commit their interests to the well.

6. The creation of a horizontal spacing unit and the pooling of all interests in the Wolfcamp formation underlying the proposed unit will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

WHEREFORE, Chevron requests 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 its order:

A. Creating a horizontal spacing unit in the Wolfcamp formation comprised of E/2 of Sections 16 and 21, Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico;

B. Pooling all mineral interests in the Wolfcamp formation underlying a horizontal spacing unit within the E/2 of Sections 16 and 21, Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico;

C. Designating Chevron as operator of this unit and the wells to be drilled thereon;

D. Authorizing Chevron to recover its costs of drilling, equipping and completing these wells;

E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure;

F. Setting a 200% charge for the risk involved in drilling and completing the wells in the event a working interest owner elects not to participate in the well.

Respectfully submitted this 5th day of March, 2019.

MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.

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CASE NO. 20386: **Application of Chevron U.S.A. Inc. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order from the Division: (1) to the extent necessary, approving the creation of a 640-acre, more or less, Wolfcamp horizontal spacing unit; and, (2) pooling all uncommitted mineral interests within a Wolfcamp horizontal spacing unit underlying the E/2 of Sections 16 and 21, Township 26 South, Range 27 East, NMPM, Eddy County, New Mexico. This spacing unit will be dedicated to the **HH SO 16 21 Fed State Com 002 1H, HH SO 16 21 Fed State Com 002 2H, and HH SO 16 21 Fed State Com 002 3H** wells, to be horizontally drilled. The producing area for these wells will be orthodox. Also to be considered will be the cost of drilling and completing said wells, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Chevron as operator of the wells, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 12 miles south-southeast of Black River Village, New Mexico.