

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

**APPLICATION FOR SURFACE COMMINGLING
SUBMITTED BY CHEVRON USA, INC.**

ORDER NO. PLC-713

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having considered the application and the recommendation of the OCD Engineering Bureau, issues the following Order.

FINDINGS OF FACT

1. Chevron USA, Inc. (“Operator”) submitted a complete application to surface commingle and off-lease measure the oil and gas production ("Application") from the pools, leases, and wells identified in Exhibit A.
2. To the extent that ownership is identical, Operator submitted a certification by a licensed attorney or qualified petroleum landman that the ownership in the pools, leases, and wells to be commingled is identical as defined in 19.15.12.7(B) NMAC.
3. Operator proposed a method to allocate the oil and gas production to the pools, leases, and wells to be commingled.
4. To the extent that ownership is diverse, Operator provided notice of the Application to all persons owning an interest in the oil and gas production to be commingled, including the owners of royalty and overriding royalty interests, regardless of whether they have a right or option to take their interests in kind, and those persons either submitted a written waiver or did not file an objection to the Application.
5. Operator provided notice of the Application to the Bureau of Land Management (“BLM”) or New Mexico State Land Office (“NMSLO”), as applicable.
6. Operator certified the commingling of oil and gas production from the pools, leases, and wells will not in reasonable probability reduce the value of the oil and gas production to less than if it had remained segregated.
7. Operator stated that it sought authorization to surface commingle and off-lease measure, as applicable, oil and gas production from an infill well which produces from a pool and spacing unit dedicated to a well identified in Exhibit A.
8. Operator submitted or intends to submit one or more proposed communitization agreement(s) (“Proposed Agreement(s)”) to the BLM or NMSLO, as applicable, identifying the leases to be consolidated into a single pooled area (“Pooled Area”), as described in Exhibit B.

CONCLUSIONS OF LAW

9. OCD has jurisdiction to issue this Order pursuant to the Oil and Gas Act, NMSA 1978, §§ 70-2-6, 70-2-11, 70-2-12, 70-2-16, and 70-2-17, and 19.15.12 NMAC.
10. Operator satisfied the notice requirements for the Application in accordance with 19.15.12.10(A)(2), (C)(4)(c), and (C)(4)(e) NMAC, as applicable.
11. Operator's proposed method of allocation, as modified herein, complies with 19.15.12.10(B)(1) or (C)(1) NMAC, as applicable.
12. Commingling of oil and gas production from state, federal, or tribal leases shall not commence until approved by the BLM or NMSLO, as applicable, in accordance with 19.15.12.10(B)(3) and (C)(4)(h) NMAC.
13. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

ORDER

1. Operator is authorized to surface commingle and off-lease measure oil and gas production from the pools, leases, and wells identified in Exhibit A.

Operator is authorized to surface commingle and off-lease measure, as applicable, oil and gas production from an infill well producing from the same pool and spacing unit dedicated to a well identified in Exhibit A.

2. For each Pooled Area described in Exhibit B, Operator shall submit a Proposed Agreement to the BLM or NMSLO, as applicable, prior to commencing oil and gas production. If Operator fails to submit the Proposed Agreement, this Order shall terminate on the following day.
3. No later than sixty (60) days after the BLM or NMSLO approves or denies a Proposed Agreement, Operator shall submit Form C-103 to OCD with a copy of the decision and a description of the approved lands, as applicable. If Operator withdraws or the BLM or NMSLO denies a Proposed Agreement, this Order shall terminate on the date of such action, and Operator shall cease commingling the production from the Pooled Area. If the BLM or NMSLO approves but modifies the Proposed Agreement(s), Operator shall comply with the approved Agreement(s), and no later than sixty (60) days after such decision, Operator shall submit a new surface commingle application to OCD to conform this Order with the approved Agreement(s). If OCD denies the new surface commingle application, this Order shall terminate on the date of such action.
4. Operator shall allocate the oil and gas production to each lease within a Pooled Area in proportion to the acreage that each lease bears to the entire acreage of the Pooled Area described in Exhibit B.
5. The allocation of oil and gas production to an infill well shall be determined in the same manner as oil and gas production to the well dedicated to the pool and spacing unit.

6. The allocation of oil and gas production shall be based on the production life of each well as measured for three periods: (a) the initial production period shall be measured from the first production until the earlier of either the peak production rate or thirty (30) days after the first production; (b) the plateau period shall be measured from the end of the initial production period to the peak decline rate; and (c) the decline period shall be measured from the end of the plateau period until the well is plugged and abandoned.

During the initial production period, the oil and gas production for each well identified in Exhibit A shall be allocated using a production curve calculated from a minimum of ten (10) well tests per month, except that any day in which a well test cannot achieve an accurate result due to a temporary change in oil and gas production shall not be included in the computation of time determining the well test schedule. The production curve shall be calculated by interpolating daily production for each day using the known daily production obtained by well tests and shall use a method of interpolation that is at minimum as accurate as maintaining a constant rate of change for each day's production between the known daily production values.

During the plateau period, the oil and gas production for each well identified in Exhibit A shall be allocated using a minimum of three (3) well tests per month.

During the decline period, the oil and gas production for each well identified in Exhibit A shall be allocated as follows: (a) a minimum of three (3) well tests per month when the decline rate is greater than twenty-two percent (22%) per month; (b) a minimum of two (2) well tests per month when the decline rate is between twenty-two percent (22%) and ten percent (10%) per month; and (c) a minimum of one (1) well test per month when the decline rate is less than ten percent (10%) per month.

Upon OCD's request, Operator shall submit a Form C-103 to the OCD Engineering Bureau that contains the decline rate curve and other relevant information demonstrating the production life of a well.

Operator shall conduct a well test by separating and metering the oil and gas production from that well for either (a) a minimum of twenty-four (24) consecutive hours; or (b) a combination of nonconsecutive periods that meet the following conditions: (i) each period shall be a minimum of six (6) hours; and (ii) the total duration of the nonconsecutive periods shall be a minimum of eighteen (18) hours.

The well test requirements of this Order shall be suspended for any well shut-in for a period that continues for more than fifteen (15) days until the well commences production.

7. Operator shall measure the commingled oil at a central tank battery described in Exhibit A in accordance with 19.15.18.15 NMAC or 19.15.23.8 NMAC.
8. Operator shall measure the commingled gas at a central delivery point or central tank battery described in Exhibit A in accordance with 19.15.19.9 NMAC, provided however that if the gas is flared, and regardless of whether OCD has granted an exception pursuant to

19.15.18.12(B) NMAC, Operator shall report the gas in accordance with 19.15.18.12(F) NMAC.

9. Operator shall calibrate the meters used to measure or allocate oil and gas production in accordance with 19.15.12.10(C)(2) NMAC.
10. If the commingling of oil and gas production from any pool, lease, or well reduces the value of the commingled oil and gas production to less than if it had remained segregated, no later than sixty (60) days after the decrease in value has occurred Operator shall submit a new surface commingling application to OCD to amend this Order to remove the pool, lease, or well whose oil and gas production caused the decrease in value. If Operator fails to submit a new application, this Order shall terminate on the following day, and if OCD denies the application, this Order shall terminate on the date of such action.
11. Operator shall submit Forms C-102 and C-103 to the OCD Engineering Bureau identifying an infill well prior to commingling and off-lease measuring, as applicable, oil and gas production from an infill well with the production from another well.
12. Operator shall not commence commingling oil or gas production from state, federal, or tribal leases until approved by the BLM or NMSLO, as applicable.
13. OCD retains jurisdiction and reserves the right to modify or revoke this Order as it deems necessary to prevent waste or protect correlative rights, public health, or the environment.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



**ADRIENNE SANDOVAL
DIRECTOR**

AS/dm

DATE: 3/02/2021

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: **PLC-713**

Operator: **Chevron USA, Inc. (4323)**

Central Tank Battery: **Cotton Draw Central Tank Battery 3**

Central Tank Battery Location (NMPM): **Unit J, Section 3, Township 25 South, Range 32 East**

Gas Custody Transfer Meter Location (NMPM): **SE/4, Section 3, Township 25 South, Range 32 East**

Central Tank Battery: **Cotton Draw Sat 15**

Central Tank Battery Location (NMPM): **Unit A, Section 15, Township 25 South, Range 32 East**

Pools

Pool Name	Pool Code
WC-025 G-07 S253216D; UPPER WOLFCAMP	98270
WC-025 G-06 S253209L; BONE SPRING	96715

Leases as defined in 19.15.12.7(C) NMAC

Lease	Location (NMPM)	
NMLC 62300	E/2 E/2, SW/4 SE/4	Sec 15-T25S-R32E
NMLC 62300	W/2 NE/4	Sec 15-T25S-R32E
NMLC 62300	NW/4 NE/4	Sec 15-T25S-R32E
NMLC 62300	W/2 E/2	Sec 22-T25S-R32E
NMNM 123518	E/2 E/2	Sec 22-T25S-R32E

Wells

Well API	Well Name	Location (NMPM)	Pool Code	Train
30-025-45534	CO YETI 15 22 Fed Com #52H	A-15-25S-32E	98270	
30-025-45537	CO YETI 15 22 Fed Com #54H	A-15-25S-32E	98270	
30-025-45536	CO YETI 15 22 Fed Com #56H	A-15-25S-32E	98270	
30-025-45531	CO YETI 15 22 Fed Com #51H	B-15-25S-32E	96715	
30-025-45533	CO YETI 15 22 Fed Com #53H	A-15-25S-32E	96715	
30-025-45535	CO YETI 15 22 Fed Com #55H	A-15-25S-32E	96715	

Exhibit B

Operator: Chevron USA, Inc. (4323)

Pooled Area	Location (NMPM)		Acres	Pooled Area ID
CA BS BLM	E/2	Sec 15-T25S-R32E	640	A
	E/2	Sec 22-T25S-R32E		
CA WC BLM	E/2	Sec 15-T25S-R32E	640	B
	E/2	Sec 22-T25S-R32E		

Lease	Location (NMPM)		Acres	Pooled Area ID
NMLC 62300	E/2 E/2, SW/4 SE/4	Sec 15-T25S-R32E	200	A
NMLC 62300	W/2 NE/4	Sec 15-T25S-R32E	80	A
NMLC 62300	NW/4 NE/4	Sec 15-T25S-R32E	40	A
NMLC 62300	W/2 E/2	Sec 22-T25S-R32E	160	A
NMNM 123518	E/2 E/2	Sec 22-T25S-R32E	160	A
NMLC 62300	E/2 E/2, SW/4 SE/4	Sec 15-T25S-R32E	200	B
NMLC 62300	W/2 NE/4	Sec 15-T25S-R32E	80	B
NMLC 62300	NW/4 NE/4	Sec 15-T25S-R32E	40	B
NMLC 62300	W/2 E/2	Sec 22-T25S-R32E	160	B
NMNM 123518	E/2 E/2	Sec 22-T25S-R32E	160	B