

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

**APPLICATION OF CHEVRON U.S.A. INC. FOR APPROVAL OF SURFACE LEASE
COMMINGLING, LEA COUNTY, NEW MEXICO.**

CASE NO. 15204

MOTION TO AMEND AND CLARIFY ORDER NO. R-13920

Chevron U.S.A. Inc. ("Chevron") moves the New Mexico Oil Conservation Division ("Division") to amend Order No. R-13920 to clarify the geographic area of identical ownership affected by the order for purposes of implementing NMAC 19.15.12.7 et. seq. In support of this motion Chevron states:

1. On October 24, 2014, the Division entered Order No. R-13920 granting Chevron's application to surface lease commingle oil and gas production from the Bone Spring formation, the North Red Hills; Bone Spring Pool (Pool Code 96434) at a common tank battery from two existing wells: The Gramma Ridge 14-24-34 Well No. 1H and the Gramma Ridge 14 24 34 Well No. 2H, both located in Section 14, Township 24 South, Range 34 East, NMPM, in Lea County, New Mexico.

2. As reflected in Order R-13920, no party appeared at the hearing in opposition to Chevron's application.

3. Ordering Paragraph 1 of R-13920 authorizes surface lease commingling "from the following leases and wells" but only identifies the wells and not the corresponding "leases."

2014 NOV 12 P 4: 29
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4. NMAC 19.15.12.9(B) sets forth the requirement for lease segregation of oil and gas production as follows:

An operator shall not transport oil or gas from *a lease* until it has been accurately measured or determined by other methods acceptable to the division. An operator shall at all times segregate production from *each lease*. The combination or commingling of production, before marketing, with production from *other leases* without division approval is prohibited.

For purposes of implementing this provision, NMAC 19.15.12.7(C) defines a "lease" as follows:

"Lease" means a contiguous geographical area of identical ownership overlying a pool or portion of a pool. An area pooled, unitized or communitized, either by agreement or by division order, or a participating area shall constitute a lease.

Accordingly, for surface lease commingling purposes, a spacing and proration unit is considered a "lease" and authorization to surface lease commingle is regulated and implemented on a "lease" basis rather than a well by well basis.

5. Pursuant to NMAC 19.15.12.7 et. seq., the applicable "leases" (the contiguous geographical areas of identical ownership overlying a pool or portion of a pool) should be identified in Division orders as the source of production for the purpose of granting authority to surface lease commingle oil and gas production.

6. Ordering paragraph (1) of R-13920 does not identify the "leases" approved for surface lease commingling, and Ordering paragraphs (2) and (3) address specific wells rather than the applicable "leases" authorized for surface lease commingling authority.

7. As currently drafted, Order R-13920 is not consistent with NMAC 19.15.12.7 et. seq. and results in a circumstance where it appears Chevron or a subsequent operator will require additional Division approval to surface lease commingle production from any in-fill wells drilled in the same pool underlying the subject spacing units.

WHEREFORE, to clarify the authority granted under Order R-13920, and to correspond to this order with NMAC 19.15.12.7 et. seq., Chevron requests that the following changes be made to Order R-13920:

A. That the table set forth in Ordering paragraph (1) be modified as follows to reflect the "leases" approved for commingling:

Leases and Current Wells:

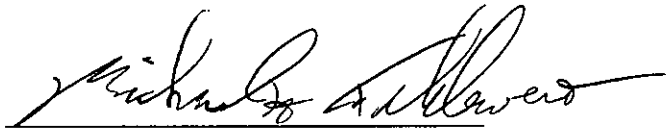
W/2 E/2 of Section 14, T-24-S, R-34-E, currently dedicated to the Gramma Ridge 14- 24-34 Well No. 1H (API 30-025-41811)

W/2 W/2 of Section 14, T-24-S, R-34-E, currently dedicated to the Gramma Ridge 14-24-34 Well No. 2H (API 30-025-41731)

B. That the terms "well" or "wells" in Ordering paragraphs (2) and (3) be replaced with "lease" or "leases."

Respectfully submitted,

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