

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

**APPLICATION OF CHEVRON U.S.A. INC. FOR APPROVAL OF A
474.85 ACRE NON-STANDARD PROJECT AREA COMPRISED
OF ACREAGE SUBJECT TO A PROPOSED COMMUNITIZATION
AGREEMENT, LEA COUNTY, NEW MEXICO.**

CASE NO. 15309

CHEVRON'S PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Chevron U.S.A. Inc. ("Chevron") as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

Chevron U.S.A. Inc.
1400 Smith Street
Houston, Texas 77002

ATTORNEY

Michael H. Feldewert
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STATEMENT OF THE CASE

Chevron seeks an order approving a 474.85 acre non-standard project area comprised of acreage subject to a proposed federal and state communitization agreement covering the E/2 of Section 29 and the E/2 of irregular Section 32, Township 26 South, Range 33 East, N.M.P.M., Lea County, New Mexico. The E/2 of Section 32 is an irregular section of state lands bordering the State of Texas that contains approximately 155-acres, while the E/2 of Section 29 is subject to two federal leases. All of this acreage has been placed in WC-025 G 06 926331 19P; Bone

Spring Pool (Pool Code 97955) and is subject to the Division's general statewide rules for oil development.

The Bureau of Land Management has informed Chevron that it desires a single Communitization Agreement covering the entire E/2 of Section 29 and the E/2 of irregular Section 32. The New Mexico State Land Office has informed Chevron it will approve a single Communitization Agreement for the subject acreage, but that for administrative purposes wells drilled in the subject acreage must be dedicated to the entire E/2 of Section 29 and the E/2 of irregular Section 32. In order to meet the Bureau of Land Management and New Mexico State Land Office requirements, Chevron requires approval from the Division to treat the communitized area as a single project area.

Division Rule 19.15.16.7.L recognizes state exploratory units and participating areas within federal units as "project areas" for purposes of efficient horizontal well development. However, this rule does not expressly recognize communitized areas as "project areas" for horizontal well development. Approval of the proposed communitized area as a single project area is consistent with the intent of a "project area" expressed in Rule 19.15.16.7.L(2) and will allow Chevron to efficiently locate surface facilities and horizontal wells for the maximum recovery of hydrocarbons in a manner similar to that currently allowed for state exploratory units and participating areas within federal units.

APPLICANT'S PROPOSED EVIDENCE

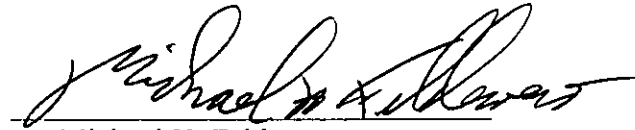
WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Robert Morrison Petroleum Landman	Approx. 15 minutes	Approx. 8.
Patrick Taha Petroleum Geologist	Approx. 10 minutes	Approx 4.

PROCEDURAL MATTERS

None at this time.

Respectfully submitted,

HOLLAND & HART, LLP

A handwritten signature in black ink, appearing to read "Michael H. Feldewert", is written over a horizontal line.

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