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

APPLICATION OF CHEVRON U.S.A. INC. FOR A CLOSED LOOP GAS CAPTURE PILOT PROJECT, LEA COUNTY, NEW MEXICO.

CASE NO. 24794

CHEVRON U.S.A. INC.'S PRE-HEARING STATEMENT

Chevron U.S.A. Inc. ("Chevron") (OGRID No. 4323), the applicant in the above-captioned case, submits this Pre-Hearing Statement pursuant to the rules of the Oil Conservation Division.

APPEARANCES

APPLICANT	ATTORNEY
Chevron U.S.A. Inc.	Michael H. Feldewert Adam G. Rankin Paula M. Vance Holland & Hart, LLP Post Office Box 2208 Santa Fe, New Mexico 87504-2208 (505) 988-4421 (505) 983-6043 Facsimile mfeldewert@hollandhart.com agrankin@hollandhart.com pmvance@hollandhart.com

APPLICANT'S STATEMENT OF CASE

Chevron seeks authorization to initiate a pilot Closed Loop Gas Capture ("CLGC") injection project in the Lower Avalon and Second Bone Spring intervals within the Bone Spring formation. Chevron proposes to initiate CLGC injection within a proposed project area of 4,800-

acre, more or less, comprising portions of eight sections within Township 21 South and Township 22 South, Range 33 East, NMPM, Lea County, New Mexico (the "Project Area"), as follows.

Township 21 South, Range 33 East

Section 33:	All

Township 22 South, Range 33 East

Section 3:	All
Section 4:	All
Section 9:	All
Section 10:	All
Section 15:	All
Section 16:	E/2
Section 22:	All

The proposed Project Area is part of an area known as Chevron's Dagger Lake area.

Chevron requests approval for this project to avoid the shut-in of producing wells and reduce flaring (and associated emissions) during temporary natural gas transmission system capacity reductions, such as mechanical or electrical compression outages, plant shutdowns, or other issues that temporarily prevent the delivery of natural gas into a pipeline.

Chevron seeks authority to use the following 15 horizontal wells within the proposed project area to occasionally inject produced gas into the Avalon and Second Bone Spring intervals within the Bone Spring formation:

- The **DL 4 33 Loch Ness Federal Com #4H** (API No. 30-025-46644) with a surface hole location 264 feet FSL and 1,347 feet FEL (Unit O) in Section 4, Township 22 South, Range 33 East, and a bottom hole location 24 feet FNL and 2,302 feet FEL (Unit B) in Section 33, Township 21 South, Range 33 East, NMPM, Lea County, New Mexico;

- The **DL 4 33 Loch Ness Federal Com #5H** (API No. 30-025-46645) with a surface hole location 264 feet FSL and 1,297 feet FEL (Unit P) in Section 4, Township 22 South, Range 33 East, and a bottom hole location 1,170 feet FNL and 1,437 feet FEL (Unit B) in Section 33, Township 21 South, Range 33 East, NMPM, Lea County, New Mexico;
- The **DL 4 33 Loch Ness Federal Com #6H** (API No. 30-025-46646) with a surface hole location 264 feet FSL and 1,247 feet FEL (Unit P) in Section 4, Township 22 South, Range 33 East, and a bottom hole location 27 feet FNL and 543 feet FEL (Unit A) in Section 33, Township 21 South, Range 33 East, NMPM, Lea County, New Mexico;
- The **DL 9 16 Loch Ness Federal Com #16H** (API No. 30-025-46647) with a surface hole location 264 feet FSL and 1,372 feet FEL (Unit O) in Section 4, Township 22 South, Range 33 East, and a bottom hole location 25 feet FSL and 2,310 feet FEL (Unit O) in Section 16, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico;
- The **DL 9 16 Loch Ness Federal Com #17H** (API No. 30-025-46648) with a surface hole location 264 feet FSL and 1,322 feet FEL (Unit O) in Section 4, Township 22 South, Range 33 East, and a bottom hole location 431 feet FSL and 1,415 feet FEL (Unit O) in Section 16, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico;
- The **DL 9 16 Loch Ness Federal Com #18H** (API No. 30-025-46649) with a surface hole location 264 feet FSL and 1,272 feet FEL (Unit P) in Section 4, Township 22 South, Range 33 East, and a bottom hole location 214 feet FSL

and 532 feet FEL (Unit P) in Section 16, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico;

- The **DL 10 3 Kraken Fed Com #207H** (API No. 30-025-49078) with a surface hole location 370 feet FSL and 1,790 feet FWL (Unit N) in Section 10, Township 22 South, Range 33 East, and a bottom hole location 68 feet FNL and 341 feet FWL (Unit D) in Section 3, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico;
- The **DL 10 3 Kraken Fed Com #208H** (API No. 30-025-49079) with a surface hole location 370 feet FSL and 1,815 feet FWL (Unit N) in Section 10, Township 22 South, Range 33 East, and a bottom hole location 40 feet FNL and 1,225 feet FWL (Unit D) in Section 3, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico;
- The **DL 10 3 Kraken Fed Com #209H** (API No. 30-025-49080) with a surface hole location 370 feet FSL and 1,840 feet FWL (Unit N) in Section 10, Township 22 South, Range 33 East, and a bottom hole location 40 feet FNL and 2,179 feet FWL (Unit C) in Section 3, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico;
- The **DL 15 22 Narwhal Fed Com #219H** (API No. 30-025-49081) with a surface hole location 860 feet FSL and 1,790 feet FWL (Unit N) in Section 10, Township 22 South, Range 33 East, and a bottom hole location 42 feet FSL and 339 feet FWL (Unit M) in Section 22, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico;

- The **DL 15 22 Narwhal Fed Com #220H** (API No. 30-025-49082) with a surface hole location 860 feet FSL and 1,815 feet FWL (Unit N) in Section 10, Township 22 South, Range 33 East, and a bottom hole location 40 feet FSL and 1,254 feet FWL (Unit M) in Section 22, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico;
- The **DL 15 22 Narwhal Fed Com #221H** (API No. 30-025-49083) with a surface hole location 860 feet FSL and 1,840 feet FWL (Unit N) in Section 10, Township 22 South, Range 33 East, and a bottom hole location 44 feet FSL and 2,178 feet FWL (Unit N) in Section 22, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico;
- The **DL 10 15 Ogopogo Fed Com #422H** (API No. 30-025-49906) with a surface hole location 1,986 feet FSL and 1,238 feet FEL (Unit I) in Section 10, Township 22 South, Range 33 East, and a bottom hole location 42 feet FSL and 2,297 feet FEL (Unit O) in Section 22, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico;
- The **DL 10 15 Ogopogo Fed Com #423H** (API No. 30-025-49907) with a surface hole location 1,986 feet FSL and 1,213 feet FEL (Unit I) in Section 10, Township 22 South, Range 33 East, and a bottom hole location 39 feet FSL and 1,427 feet FEL (Unit O) in Section 22, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico; and
- The **DL 10 15 Ogopogo Fed Com #424H** (API No. 30-025-49908) with a surface hole location 1,986 feet FSL and 1,188 feet FEL (Unit I) in Section 10, Township 22 South, Range 33 East, and a bottom hole location 42 feet FSL and

535 feet FEL (Unit P) in Section 22, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico (collectively the "CLGC wells").

The proposed average daily injection rate into the CLGC wells is 5 MMSCF/day with an expected maximum injection rate of 6 MMSCF/day during injection. The maximum allowable surface pressure (MASP) for the CLGC wells is 1,250 psi. The current surface pressures under normal operating conditions for the wells is in the range of approximately 748 to 1058 pounds per square inch (psi). Exhibit A at page 10 (MASP Calculations).

The source gas for injection will be diverted at the outlet of the Dagger Lake compressor for the production of Chevron's wells within the Dagger Lake area. The source of gas for injection will be from Chevron's wells producing from the Bone Spring formation in the Dagger Lake area that are identified in the list of wells. Additional source wells may be added over time under an approved surface commingling authorization. Each of Chevron's proposed injection wells are operated by Chevron.

Chevron has examined the available geologic and engineering data and found no evidence of open faults or other hydrogeological connections between the disposal zone and any underground source of drinking water. Chevron has also examined the available geologic and engineering data and determined that the total recoverable volume of hydrocarbons from the reservoir will not be adversely affected by the project. Chevron proposes to allocate gas volumes between temporarily injected produced gas and native gas following temporary injection events using a mass balance methodology for injection events that last less than seven days, and a gas-to-oil ratio ("GOR") methodology for injection events that last more than seven days.

Approval of this application is in the best interests of conservation, the prevention of waste, and the protection of correlative rights.

APPLICANT'S PROPOSED EVIDENCE

WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Victor Torrealba, Project Engineer	Self-Affirmed Statement	Approx. 3
Elson Core-Suárez, Petroleum Geologist	Self-Affirmed Statement	Approx. 2
Yula Tang, Reservoir & Petroleum Engineer	Self-Affirmed Statement	Approx. 1

PROCEDURAL MATTERS

None at this time.

Respectfully submitted,

HOLLAND & HART LLP

By: _____

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State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

QUESTIONS

Action 381124

QUESTIONS

Operator: CHEVRON U S A INC 6301 Deauville Blvd Midland, TX 79706	OGRID: 4323
	Action Number: 381124
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony

Please assist us by provide the following information about your testimony.

Number of witnesses	*Not answered.*
Testimony time (in minutes)	*Not answered.*