

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

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

**ORDER NO. CTB-939**

**ORDER**

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

**FINDINGS OF FACT**

1. Chevron USA, Inc. (“Applicant”) 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, Applicant 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. Applicant 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, Applicant 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 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. Applicant provided notice of the Application to the Bureau of Land Management (“BLM”) or New Mexico State Land Office (“NMSLO”), as applicable.
6. Applicant intends to keep the oil and gas production from one or more group(s) of wells segregated from the oil and gas production from all other wells prior to measuring it with an allocation meter. Each group is identified as its own train in Exhibit A.
7. Applicant in the notice for the Application stated that it sought authorization to add additional pools, leases, and wells and identified the parameters to make such additions.
8. Applicant 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”).

### **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. To the extent that ownership is diverse, Applicant satisfied the notice requirements for the Application in accordance with 19.15.12.10(A)(2), (C)(4)(c), and (C)(4)(e) NMAC.
11. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.10(B)(1) or (C)(1) NMAC, as applicable.
12. Commingling involving 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. Subsequent additions of pools, leases, and wells within Applicant's defined parameters, as modified herein, will not, in reasonable probability, reduce the commingled production's value or otherwise adversely affect the interest owners in the production to be added. Applicant satisfied the notice requirements for subsequent additions of pools, leases, and wells in the notice for the Application, in accordance with 19.15.12.10(C)(4)(g) NMAC.
14. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

### **ORDER**

1. Effective May 13, 2020, Applicant is authorized to surface commingle and off-lease measure oil and gas production from the pools, leases, and wells identified in Exhibit A.
2. No later than sixty (60) days after the BLM or NMSLO approves or denies a Proposed Agreement, Applicant shall submit Form C-103 with a copy of the decision and agreement. If Applicant withdraws or the BLM or NMSLO denies a Proposed Agreement, then this Order shall terminate on the date of such action, and Applicant shall cease commingling the production from the Pooled Area. If the BLM or NMSLO approves but modifies the Proposed Agreement(s), then Applicant shall comply with the approved agreement(s), and no later than sixty (60) days after such decision, Applicant shall submit a new surface commingle application to conform this Order with the approved agreement(s). If OCD denies the application, this Order shall terminate on the date of such action.
3. Applicant 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.
4. The allocation of oil and gas production from each train shall be separated and metered prior to commingling.
5. The allocation of oil and gas production shall be based on the production life of each well. The production of a well shall be 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.

For each well, during the initial production period, the oil and gas production shall be allocated using a curve created from a minimum of ten (10) well tests per month. Any day in which the oil and gas production is affected by abnormal conditions shall not be included in the computation of time determining the well test schedule.

For each well, during the plateau period, the oil and gas production shall be allocated using a minimum of three (3) well tests per month.

For each well during the decline period, the oil and gas production shall be allocated using the minimum number of well tests: (a) three (3) well tests per month when the decline rate is greater than 22% per month; (b) two (2) well tests per month when the decline rate is between 22% and 10% per month; and (c) one (1) well test per month when the decline rate is less than 10% per month.

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

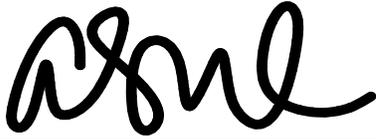
Applicant shall conduct a well test by separating and metering the oil and gas production from each well for either (a) a minimum of twenty-four (24) consecutive hours; or (b) a combination of nonconsecutive periods that meet the following conditions: (i) each period shall be a minimum of six (6) hours; 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 greater than fifteen (15) days until the well is no longer shut-in.

6. Applicant 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.
7. Applicant shall measure the commingled gas at a central delivery point described in Exhibit A in accordance with 19.15.19.9 NMAC, provided however that if the gas is flared, regardless whether OCD has granted an exception pursuant to 19.15.18.12(B) NMAC, Applicant shall report the gas in accordance with 19.15.18.12(F) NMAC.
8. Applicant shall calibrate the meters used to measure or allocate oil and gas production in accordance with 19.15.12.10(C)(2) NMAC.
9. Applicant may submit an application to amend this Order to add pools, leases, and subsequently drilled wells with spacing units adjacent to or within the tracts commingled by this Order by submitting a Form C-107-B via the OCD Fee Portal and providing notice of the application to all owners of interest in the production to be added.

10. Applicant shall not commence commingling involving state, federal, or tribal leases until approved by the BLM or NMSLO, as applicable.
11. OCD retains jurisdiction and reserves the right to modify or revoke this Order if it determines that the Application did not accurately describe the pools, leases, and wells in the Pooled Area(s) or any action affecting or related to the commingling of oil and gas production, or as deemed necessary to prevent waste or protect correlative rights, public health, or the environment.

**STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION**



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**ADRIENNE SANDOVAL  
DIRECTOR**

**DATE:** 5/12/2020

State of New Mexico  
Energy, Minerals and Natural Resources Department

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## Exhibit A

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Order: CTB-939

Operator: Chevron USA, Inc. (4323)

Central Tank Battery: Culebra Bluff West Sec 15 Central Tank Battery

Central Tank Battery Location (NMPM): Unit B, Section 15, Township 23 South, Range 28 East

Gas Custody Transfer Meter Location (NMPM): Unit B, Section 15, Township 23 South, Range 28 East

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### Pools

Pool Name	Pool Code
PURPLE SAGE; WOLFCAMP (GAS)	98220

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### Leases as defined in 19.15.12.7(C) NMAC

Lease	Location (NMPM)	
NMNM 16331	NE/4	Sec 3-T23S-R28E
NMNM 13233	SE/4	Sec 3-T23S-R28E
Fee	W/2 NE/4	Sec 10-T23S-R28E
Fee	NE/4 SE/4	Sec 10-T23S-R28E
Fee	E/2 NE/4, NW/4 SE/4, S/2 SE/4	Sec 10-T23S-R28E
Fee	Part of S/2 SE/4	Sec 10-T23S-R28E
Pooling Agreement	W/2 Sections 15 and 22	T23S-R28E
Pooling Agreement	E/2 Sections 15 and 22	T23S-R28E

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### Wells

Well API	Well Name	Location (NMPM)	Pool Code	Train
30-015-45709	CB NE 15 22 002 1H	B-15-23S-28E	98220	1
30-015-45710	CB NE 15 22 002 2H	B-15-23S-28E	98220	1
30-015-45711	CB NE 15 22 002 3H	A-15-23S-28E	98220	1
30-015-44876	CB SO 15 22 004 1H	D-15-23S-28E	98220	1
30-015-44877	CB SO 15 22 004 2H	D-15-23S-28E	98220	1
30-015-44878	CB SO 15 22 004 3H	D-15-23S-28E	98220	1
30-015-45666	CB Hayes 10 3 Fed Com 005 1H	B-15-23S-28E	98220	2
30-015-45667	CB Hayes 10 3 Fed Com 005 2H	A-15-23S-28E	98220	2
30-015-45668	CB Hayes 10 3 Fed Com 005 3H	A-15-23S-28E	98220	2

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**Exhibit B**

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Order: **CTB-939**

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

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**Pooled Areas**

Pooled Area	Location (NMPPM)		Acres	Pooled Area ID
CA WC BLM	E/2 Sec 3 and Sec 10	T23S-R28E	639.57	A

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**Leases Comprising Pooled Areas**

Lease	Location (NMPPM)		Acres	Pooled Area ID
NMNM 16331	NE/4	Sec 3-T23S-R28E	159.57	A
NMNM 13233	SE/4	Sec 3-T23S-R28E	160	A
Fee	W/2 NE/4	Sec 10-T23S-R28E	80	A
Fee	NE/4 SE/4	Sec 10-T23S-R28E	40	A
Fee	E/2 NE/4, NW/4 SE/4, S/2 SE/4	Sec 10-T23S-R28E	194.56	A
Fee	Part of S/2 SE/4	Sec 10-T23S-R28E	5.44	A