

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 S. First St., Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

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

Form C-141
Revised August 8, 2011

Submit 1 Copy to appropriate District Office in accordance with 19.15.29 NMAC.

Release Notification and Corrective Action

DAB1008428955

OPERATOR

Initial Report Final Report

Name of Company	Chevron USA Inc. #4323	Contact	David A. Pagano
Address	15 Smith Rd., Midland, TX, 79705	Telephone No.	wk: 575-396-4414X275 cell: 505-787-9816
Facility Name	Skelly 940 BTY	Facility Type	Oil Production Batteries

Surface Owner	Federal BLM	Mineral Owner	Federal	API No.	30-D15-32599
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SKU 940 BTY - Latitude: 32.824393 / Longitude: -103.864209

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
								Eddy

NATURE OF RELEASE

Type of Release	Flare	Volume of Release	141.96MMSCF	Volume Recovered	0 MSCF
Source of Release	Flare	Date and Hour of Occurrence	07/27/11 7:30AM	Date and Hour of Discovery	07/27/11 14:00 PM
Was Immediate Notice Given?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom?			
By Whom?		Date and Hour			
Was a Watercourse Reached?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse.			

If a Watercourse was Impacted, Describe Fully.* N/A
Describe Cause of Problem and Remedial Action Taken.*

On July 27, 2011, due to an unforeseeable increase in production from the field and an increase in compression from the other third-party gas producers going to the Frontier commercial sales gas line, caused a significant, sustained pressure increase in the sales line rose and we were unable to get our gas into the sales line. This development was beyond our control and unanticipated. The facility heater treater that routes gas to the sales line was rated at a pressure of 40 psi, and the sales line was at 60 psi. Therefore, since the heater treater vessel was not designed to handle an increase in pressure to over 40 psi, we were unable to boost our pressure to meet the demand of the significant increase in the sales line. As a result, Chevron routed the gas to the control/combustion device, the facility flare, to minimize emissions as much as possible and maintain safe operations.

Chevron immediately began the process effort of identifying a solution and mitigate potential impacts and further minimize emissions. Two additional interim measures were implemented: 1) the field personnel reduced or shut in, to the extent practicable, the amount of gas being produced and routed to the facility, and 2) a temporary, supplemental compressor was used to boost the pressure to direct a portion of the gas into the sales line resulting in approximately 225 MCF of gas routed/recovered to the sales line rather than the flare.

To mitigate the emissions, a small compressor was used to boost the pressure to get more sales into the sales line, which resulted in a reduction of flaring approximately 225mcf per day. However, despite Chevron's interim measures, the significant, sustained pressure in the sales line resulted in some continued flaring while a more permanent resolution was being developed. During this time, additional design possibilities were being developed and reviewed with an emphasis on safety, health and environment. Upon adoption of a design plan, installation of a two phase separator to handle the higher pressure was installed upstream of the heater treater. Installation was complete on June 13, 2012 and the new separator successfully routes the gas into the sales line. Although intermittent flaring continues, we would like to close out this filing since the levels are below the minor reporting threshold.

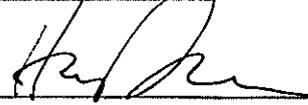
To reduce emissions, the gas was flared. There was a significant capital expenditure of approximately \$1.0 million in addition to the utilization of both third party vendors/contractors and Chevron employees.

Describe Area Affected and Cleanup Action Taken.*

To minimize flaring during this time, 50-60% of the wells were shut-in.

2RP-3622

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

Signature: 		<u>OIL CONSERVATION DIVISION</u>	
Printed Name: David A. Pagano		Approved by Environmental Specialist: 	
Title: Health & Environmental Specialist		Approval Date: 3/24/16	Expiration Date: N/A
E-mail Address: dpagn@chevron.com		Conditions of Approval: FINAL	Attached <input type="checkbox"/>
Date: 07/20/12	Phone: 505-787-9816		

* Attach Additional Sheets If Necessary