



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



Administrative Order PC-1234

May 3, 2011

Chevron U S A, Inc.
15 Smith Road
Midland, TX, 79705

Attention: Carolyn Haynie

Chevron U S A, Inc. ("Chevron") has applied to surface commingle oil and gas production from the following three wells, Lea County, New Mexico:

Monument 12 State Well No. 4 API 30-025-33635
Located in Unit Letter L, Sec 12, T19S, R36E
North Monument Drinkard Gas Pool (96971), 160 acre spacing

Monument 12 State Well No. 10 API 30-025-33998
Located in Unit Letter M, Sec 12, T19S, R36E
proposed North Monument Delaware Pool (97750), 40 acre spacing

Monument 23 State Well No. 28 API 30-025-35067
Located in Unit Letter E, Sec 23, T19S, R36E
Northwest Monument Yeso Pool (97089), 40 acre spacing

It is our understanding that all three of these wells and producing pools are contained in one identically owned lease - depths including the Delaware, Yeso, Drinkard, and Abo formations. This lease includes lands as follows:

Township 19 South, Range 36 East, NMPM, Lea County, New Mexico.

Section 1: S/2
Section 11: E/2
Section 12: N/2, SW/4
Section 14: All except SW/4 NE/4
Section 23: NE/4, NW/4 SE/4, W/2 W/2

Oil and gas production from this lease is transported, separated, and sold at the Monument 12/13 Battery located in Unit Letter K of Section 12, Township 19 South, Range 36 East, NMPM, Lea County, New Mexico. The volumes of oil and gas from this lease are determined by subtracting



constantly metered production from other leases being processed from the total oil and gas sold from this facility.

Chevron has completed its application for this exception, including providing notice to all revenue and working interest owners including the New Mexico State Land Office. There has been no objection and it appears the value of oil and gas will not be reduced by the commingling.

As allowed in 19.15.12.10 NMAC, Chevron's application for surface commingling as proposed in the application is hereby approved. Production from this lease shall be determined by the subtraction method. Production of individual wells within the lease shall be determined by either continuous metering or periodic well tests.

The operator shall notify the Hobbs district office of the Division upon commencement of off-lease measurement and sales.



JAMI BAILEY
Division Director

JB/wvjj

cc: Oil Conservation Division – Artesia
State Land Office – Oil, Gas, and Minerals Division

Jones, William V., EMNRD

From: Jones, William V., EMNRD
Sent: Tuesday, May 03, 2011 3:07 PM
To: 'Haynie, Carolyn (CHaynie) [Kelly Services]'
Subject: PC-1234 Chevron Three wells on a Monument State Lease in Lea County
Attachments: PC-1234_Chevron_Monument State additl 3 wells_Lea.docx

Hello Carolyn:

Your engineer wanted a quick copy.

Here is what I want to submit to Jami tomorrow. Please look this over and let me know if something glaring is wrong? I will wait until about Noon and then give it to her. If she signs, I will send another email confirming this when it happens. This should allow you to start production from those three wells.

I apologize for the GIANT delay in this – taken me some time to switch gears from SWD's to commingling.

To update Pool/Lease Surface Commingle approval for the entire Battery, I would recommend you redo your cover letter, check to make sure all the RI, ORRI, and WI within the wells/pools going into this Battery were noticed already (notice additional folks if you need to), draw a rough schematic, explain again how you will handle the leases within the battery, and send the package up here asking for approval. Hopefully you have most of these items already done and can just use that data.

Regards,

Will Jones

William V Jones, P.E.
Engineering, Oil Conservation Division
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