

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**CASE NO. 15204
ORDER NO. R-13920**

**APPLICATION OF CHEVRON U.S.A. INC. FOR APPROVAL OF SURFACE
LEASE COMMINGLING, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 18, 2014 before Examiner Richard I. Ezeanyim, and again at 8:15 a.m. on October 16, 2014, before Examiner Michael McMillan.

NOW, on this 24th day of October, 2014, the Division Director, having considered the testimony, the record, and the recommendations of Examiner Ezeanyim,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Chevron U.S.A. Inc. ("Chevron" or "Applicant" or "Operator"), seeks authority to surface lease commingle oil and gas production from the Bone Spring formation, the North Red Hill-Bone Spring Pool (**Pool Code 96434**) and from the following leases and wells.

<u>Name</u>	<u>API No</u>	<u>Surface Location</u>	<u>ULSTR</u>
Gamma Ridge 14- 24-34 Well No. 1H	30-025-41811	330' FNL & 2300' FEL	B-14-24S-34E
Gamma Ridge 14-24-34 Well No. 2H	30-025-41731	330' FNL & 340' FWL	D-14-24S-34E

(3) The Applicant appeared at the hearing through counsel and presented the following testimony.

(a) By administrative application dated July 22, 2014, Chevron sought Division approval of lease commingling of the oil and gas production

from its Gramma Ridge wells. Chevron provided notice of this application to all the interest owners in the leases.

- (b) After providing notice, certain interest owners in the leases objected to the granting of the administrative application. The objecting parties contend that the monthly periodic tests proposed by Chevron will not provide accurate production from these wells. This application was therefore referred to the hearing process.
 - (c) Because of this objection, Chevron changed its method of allocation from periodic monthly tests to metering each well separately using Coriolis Meter for oil, Orifice Meter for gas and Turbine Meter for water.
 - (d) The proposed commingling of production is intended to reduce operating expenses and therefore result in an increased economic life of each well.
 - (e) There will be no reduction in the value of the oil and gas production as a result of the surface commingling.
- (4) No other party appeared at the hearing to oppose the granting of this application.

The Division concludes as follows:

(5) The Applicant's proposal to use the Orifice Meter to separately measure gas production and the Turbine Meter to separately measure water production from each well is appropriate.

(6) The Coriolis Meter is a type of Inertial Mass Flow Meter which measures the mass flow rate of fluids per unit time, and does not measure the Volumetric Flow rate as would a Positive Displacement (PD) Flowmeter. Therefore, to get accurate production from the wells, the density of the fluids being measured should be constant. Assuming that the density of the fluids being measured at the surface is constant, the Coriolis Meter can provide accurate oil production from each well by dividing the mass flow rate of fluids from the Coriolis Meter by the constant fluid density.

(7) In order to prevent waste and protect correlative rights, the Applicant should be allowed to use the proposed Coriolis Meter to measure oil production from each well under these circumstances.

(8) Approval of the proposed surface commingling will allow the Applicant to recover additional oil and gas reserves from these wells that may otherwise not be recovered, thereby preventing waste, will benefit the interest owners in these wells, and will not violate correlative rights

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Chevron U.S.A Inc. ("Applicant" or "Operator"), is hereby authorized to surface lease commingle oil and gas production from the Bone Spring formation, the North Red Hills-Bone Spring Pool (**Pool Code 96434**) and from the following leases and wells.

<u>Name</u>	<u>API No</u>	<u>Surface Location</u>	<u>ULSTR</u>
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(2) The commingled oil and gas production from the wells detailed above shall be measured and sold at the Gamma Ridge 14-24-34 Well No. 2H central tank battery (CTB), located in Unit D of Section 14, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico.

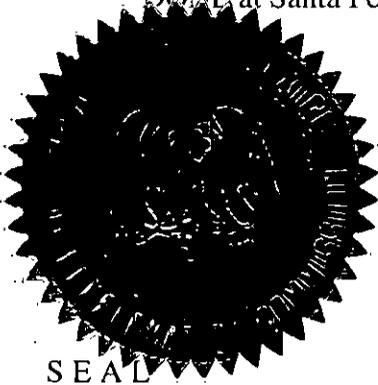
(3) The production from each well shall be continuously and separately measured using Coriolis Meter for oil production and Orifice Meter for gas production before commingling with production from other wells. These Meters shall be calibrated once every month.

(4) This installation and metering equipment shall be installed and operated in accordance with the applicable Division Rules. It is the responsibility of the operator to notify the transporter of this commingling authority.

(5) The operator shall notify the Hobbs District office of the Division prior to implementation of the commingling operations.

(6) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Jami Bailey".

JAMI BAILEY
Director