

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

**APPLICATION OF CHEVRON U.S.A. INC. FOR AUTHORITY TO VERTICALLY
EXPAND THE UNITIZED INTERVAL OF THE CICADA UNIT TO INCLUDE THE
BONE SPRING FORMATION AND TO COMMINGLE PRODUCTION AT THE
SURFACE, EDDY COUNTY, NEW MEXICO.**

**CASE NO. 22873
(formerly Case 15845)**

CHEVRON'S PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Chevron U.S.A. Inc. ("Chevron") as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

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ATTORNEY

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STATEMENT OF THE CASE

Chevron seeks authority to vertically expand the unitized interval of the Cicada Unit to include the Bone Spring formation and to commingle production at the surface from the Bone Spring and Wolfcamp formations underlying the Cicada Unit. The Cicada Unit was initially

approved by Division Order R-14459 and subsequently expanded by Order R-20858 (issued in Case 15845) to include the following 6400 acres of the Federal and State lands in Eddy County:

Township 25 South, Range 27 East, NMPM

Section 23: All
Section 26: All
Section 35: All

Township 26 South, Range 27 East, NMPM

Section 1: All
Section 2: All
Section 10: All
Section 11: All
Section 12: All
Section 14: All
Section 15: All

The unitized interval currently includes the stratigraphic equivalent of the top of the Wolfcamp formation encountered at a true vertical depth of 9,092 feet down to the stratigraphic equivalent of the bottom of the Wolfcamp formation at a true vertical depth of 11,235 feet as encountered in the Hay Hollow Unit Well No. 2 (API No. 30-015-21549) in Unit F, Section 12, Township 26 South, Range 27 East. The proposed expanded unitized interval will be the stratigraphic equivalent of the top of the Bone Spring formation at a true vertical depth of 6,064 feet down to the stratigraphic equivalent of the base of the Wolfcamp formation at a true vertical depth of 11,235 feet as encountered in the Hay Hollow Unit 2 well.

Chevron is the designated operator of the Cicada Unit and owns all the working interest in the Wolfcamp and Bone Spring formations underlying the Unit Area. Chevron has met with the New Mexico State Land Office and the Bureau of Land Management and received preliminary approval to vertically expand the unitized interval to include the Bone Spring formation.

Chevron also seeks approval to surface commingle production from the Bone Spring and Wolfcamp formations underlying the Cicada Unit. All ownership in the Bone Spring and Wolfcamp formations underlying the Cicada Unit is common. Chevron intends to allocate production from the Bone Spring and Wolfcamp formations using the well test method pursuant to NMAC 19.15.12.10.B(1)(a). Chevron will also show that the API gravity of the oil and BTU content of the produced gas from the Bone Spring and Wolfcamp formations underlying the Cicada Unit are similar and should not present a problem with surface commingling.

The Bone Spring formation underlying the Cicada Unit is currently subject to the following three pools: North Hay Hollow: Bone Spring Pool (30216); Delaware River: Bone Spring Pool (16800); and Welch: Bone Spring Pool (64101). The Wolfcamp formation underlying the Cicada Unit is subject to the Purple Sage Wolfcamp (Gas) Pool (98220). The Division’s district office has indicated that no change is needed to the existing Bone Spring pools underlying the Cicada Unit.

APPLICANT’S PROPOSED EVIDENCE

WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Gregg Pazer, Petroleum Landman	Via Affidavit	Approx. 3
Karl Bloor, Petroleum Geology	Via Affidavit	Approx. 5
Bradley Hulme, Petroleum Engineer	Via Affidavit	Approx. 3

PROCEDURAL MATTERS

Chevron intends to present this matter via affidavit if it remains unopposed, with the witnesses available for examination as needed.

Respectfully submitted,

HOLLAND & HART, LLP



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State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
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QUESTIONS

Action 122131

QUESTIONS

Operator: CHEVRON U S A INC 6301 Deauville Blvd Midland, TX 79706	OGRID: 4323
	Action Number: 122131
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	<i>Not answered.</i>
Testimony time (in minutes)	<i>Not answered.</i>