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

APPLICATION FOR SURFACE COMMINGLING
SUBMITTED BY CHEVRON USA INC. **ORDER NO. PC-1384**

ORDER

The Director of the New Mexico Oil Conservation Division ("OCD"), having considered the application and the recommendation of the Engineering Bureau, issues the following Order.

FINDINGS OF FACT

1. Chevron USA Inc. ("Applicant") submitted a complete application to surface commingle 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 certified the commingling of oil and gas production from the pools, leases, and wells will not in reasonable probability reduce the value of the oil and gas production to less than if it had remained segregated.

CONCLUSIONS OF LAW

7. 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.

8. 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, as applicable.

9. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.10(B)(1) or (C)(1) NMAC, as applicable.

10. Commingling of oil and gas production from 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.

11. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

ORDER

1. Applicant is authorized to surface commingle oil and gas production from the pools, leases, and wells identified in Exhibit A.

2. This Order supersedes Order CTB-793.

3. 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 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 separated and metered prior to commingling.

   For each well, during the plateau period, the oil and gas production shall be allocated using a minimum of four (4) well tests per month.

   For each well, during the decline period, the oil and gas production shall be allocated on the basis of: (a) four (4) well tests per month when the decline rate is greater than 21% per month; (b) three (3) well tests per month when the decline rate is between 21% and 13% per month; (c) two well tests per month when the decline rate is between 13% and 6% per month; and (d) one (1) well test per month when the decline rate is less than 6% per month.

   Applicant shall submit a Form C-103 each quarter to the Engineering Bureau in Santa Fe that identifies the allocation method for each well, and for any well allocated by the well test method, Applicant shall provide the following information: (a) the current decline rate; (b) the minimum number of well tests per month required by this Order; and (c) the number of well tests conducted each 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.

4. 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.

5. 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, and 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.

6. Applicant shall calibrate the meters used to measure or allocate oil and gas production in accordance with 19.15.12.10(C)(2) NMAC.

7. If the commingling of oil and gas production from any pool, lease, or well reduces the value of the commingled oil and gas production to less than if it had remained segregated, no later than sixty (60) days after the decrease in value has occurred Applicant shall submit a new surface commingle application to OCD to amend this Order to remove the pool, lease, or well whose oil and gas production caused the decrease in value. If Applicant fails to submit a new application, this Order shall terminate on the following day, and if OCD denies the application, this Order shall terminate on the date of such action.

8. Applicant shall not commence commingling oil or gas production from state, federal, or tribal leases until approved by the BLM or NMSLO, as applicable.

9. OCD retains jurisdiction and reserves the right to modify or revoke this Order as it deems necessary to prevent waste or protect correlative rights, public health, or the environment.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

DATE: 6/12/2020

ADRIENNE SANDOVAL
DIRECTOR

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: PC-1384
Operator: Chevron USA Inc. (4323)
Central Tank Battery: Salado Draw Central Tank Battery 23
Central Tank Battery Location (NMPM): Units N & O, Section 14, Township 26 South, Range 32 East
Central Tank Battery: Satellite 14
Central Tank Battery Location (NMPM): N/2 NW/4, Section 14, Township 26 South, Range 32 East
Central Tank Battery: Satellite 15
Central Tank Battery Location (NMPM): W/2 SE/4, Section 15, Township 26 South, Range 32 East
Gas Custody Transfer Meter Location (NMPM): Unit C, Section 14, Township 26 South, Range 32 East

Pools

Pool Name	Pool Code
WC-025 G-08 S263205N; UPPER WOLFCAMP	98065
JENNINGS; UPPER BONE SPRING SHALE	97838

Leases as defined in 19.15.12.7(C) NMAC

Lease	Location (NMPM)	
NMNM 118722	All Sec 14 & 15 & 23	T26S-R32E

Wells

Well API	Well Name	Location (NMPM)	Pool Code	Train
30-025-42800	SD WE 14 Federal P5 1H	M-14-26S-32E	97838	
30-025-42801	SD WE 14 Federal P5 2H	M-14-26S-32E	97838	
30-025-42802	SD WE 23 Federal P5 1H	M-14-26S-32E	97838	
30-025-42803	SD WE 23 Federal P5 2H	M-14-26S-32E	97838	
30-025-43086	SD WE 14 Federal P7 3H	P-14-26S-32E	97838	
30-025-43087	SD WE 14 Federal P7 4H	P-14-26S-32E	97838	
30-025-43088	SD WE 23 Federal P7 3H	P-14-26S-32E	97838	
30-025-43089	SD WE 23 Federal P7 4H	P-14-26S-32E	97838	
30-025-43640	SD WE 15 Federal P9 5H	O-15-26S-32E	97838	
30-025-43641	SD WE 15 Federal P9 6H	O-15-26S-32E	97838	
30-025-43642	SD WE 15 Federal P9 7H	O-15-26S-32E	97838	
30-025-43613	SD WE 15 Federal P12 1H	N-15-26S-32E	97838	
30-025-43594	SD WE 15 Federal P12 2H	N-15-26S-32E	97838	
30-025-43595	SD WE 15 Federal P12 3H	N-15-26S-32E	97838	
30-025-43596	SD WE 15 Federal P12 4H	N-15-26S-32E	97838	
30-025-40602	Kiehne Ranch 15 26 32 USA 1H	M-15-26S-32E	97838	
30-025-45867	SD 14 23 Federal P18 9H	C-14-26S-32E	98065	

30-025-45819	SD 14 23 Federal P18 10H	C-14-26S-32E	98065
30-025-45820	SD 14 23 Federal P18 11H	C-14-26S-32E	98065
30-025-45821	SD 14 23 Federal P18 12H	C-14-26S-32E	98065
30-025-45822	SD 14 23 Federal P18 13H	C-14-26S-32E	98065
30-025-45823	SD 14 23 Federal P18 14H	C-14-26S-32E	98065
30-025-45705	SD 14 23 Federal P19 15H	B-14-26S-32E	98065
30-025-45824	SD 14 23 Federal P19 16H	B-14-26S-32E	98065
30-025-45706	SD 14 23 Federal P19 17H	B-14-26S-32E	98065
30-025-45825	SD 14 23 Federal P19 18H	B-14-26S-32E	98065
30-025-45707	SD 14 23 Federal P19 19H	B-14-26S-32E	98065
30-025-45826	SD 14 23 Federal P19 20H	B-14-26S-32E	98065
30-025-43463	SD WE 23 Federal P25 4H	O-23-26S-32E	97838
30-025-43460	SD WE 23 Federal P25 5H	N-23-26S-32E	97838
30-025-43461	SD WE 23 Federal P25 6H	N-23-26S-32E	97838
30-025-43462	SD WE 23 Federal P25 7H	O-23-26S-32E	97838
30-025-46725	SD 15 Federal P418 7H	O-15-26S-32E	98065
30-025-46726	SD 15 Federal P418 8H	O-15-26S-32E	98065
30-025-46728	SD 15 Federal P418 9H	O-15-26S-32E	98065
30-025-46729	SD 15 Federal P418 10H	O-15-26S-32E	98065
30-025-46730	SD 15 Federal P419 11H	P-15-26S-32E	98065
30-025-46731	SD 15 Federal P419 12H	P-15-26S-32E	98065
30-025-46810	SD 15 Federal P419 13H	P-15-26S-32E	98065
30-025-46732	SD 15 Federal P419 14H	P-15-26S-32E	98065