

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

**APPLICATION OF CHEVRON U.S.A. INC.
FOR A NON-STANDARD SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 15074

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

Chevron U.S.A. Inc.
1400 Smith Street
Houston, Texas 77002

ATTORNEY

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Adam G. Rankin
Holland & Hart, LLP
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**OBJECTING INTEREST
OWNERS**

Endurance Resources, LLC
Tritex Energy A LP
Ray Westall
Randall Harris

ATTORNEY

Ernest L. Padilla
Padilla Law Firm PA
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STATEMENT OF THE CASE

Chevron owns a large leasehold interest (42%) in the N/2 of Section 18, Township 23 South, Range 34 East, in Lea County, New Mexico, and has leases expiring in June of 2014. As a result, in early November of 2013, Chevron obtained a drilling permit from the Division and formally proposed the drilling of the Bell Lake No. 1H well (API No. 30-025-41481) at a standard location in the S/2 N/2 to develop the Second Bone Spring sands (Bell Lake; Bone Spring North Pool) underlying this acreage. Chevron subsequently hosted a meeting with the working interest owners about its well proposal but has been unable to reach consensus on the development of this acreage. Chevron therefore initiated this proceeding to obtain an order creating a non-standard 160-acre spacing and proration unit comprised of the S/2 N/2 of Section 18, pooling all mineral interests in the Bone Spring formation underlying this acreage, and designating Chevron as the operator of this non-standard spacing unit and the horizontal well to be drilled thereon.

On December 31, 2013, Endurance Resources, an affiliate of Tritex Energy A LP, formally proposed the drilling of a well in the E/2 E/2 of Section 18 to develop the same pool Chevron seeks to develop. Endurance contends its proposed standup well will recover more reserves than Chevron's proposed laydown well. Chevron has studied the Second Bone Spring sands underlying this acreage and concluded that no waste will occur from the drilling of its proposed well. In addition, Endurance's well proposal involves federal lands in the S/2 of Section 18 that can be developed independent of the fee lands in the N/2 of Section 18. Since Chevron is a large interest owner in the N/2 of Section 18, has leases expiring in June of 2014, has a well proposal that will not result in waste and which does not involve federal lands, and is

the interest owner that first proposed to develop its acreage, Chevron's application should be approved.

APPLICANT'S PROPOSED EVIDENCE

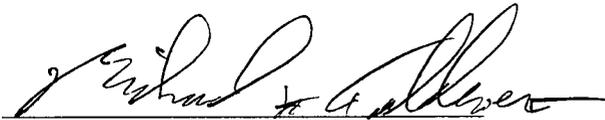
WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Jason Levin, Petroleum Landman	Approx. 15 mins.	Approx. 5.
Ken Schwartz, Petroleum Geologist	Approx. 20 mins.	Approx 5.
Zachary P. Sigmundik Reservoir Engineer	Approx. 15 mins.	Approx. 5.
Sean Cheben, Facilities Engineer	Approx. 15 mins	Approx. 5.

PROCEDURAL MATTERS

None at this time.

Respectfully submitted,

HOLLAND & HART, LLP



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ATTORNEYS FOR CHEVRON U.S.A. INC.

CERTIFICATE OF SERVICE

I hereby certify that on January 1, 2014, I served a copy of the foregoing document to the following via electronic mail to:

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A handwritten signature in black ink, appearing to read "Michael H. Feldewert & Adam G. Rankin", is written over a horizontal line.

Michael H. Feldewert
Adam G. Rankin