

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

**APPLICATION OF CHEVRON U.S.A. INC. FOR APPROVAL OF A 474.71 ACRE NON-STANDARD PROJECT AREA AND TO AMEND ADMINISTRATIVE ORDERS CTB-760 AND OLM-97 TO ADD PRODUCTION FROM THIS PROJECT AREA TO THE AUTHORIZED SURFACE COMMINGLING, LEA COUNTY, NEW MEXICO.**

**CASE NO. 15393**

**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.  
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Houston, Texas 77002

**ATTORNEY**

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**STATEMENT OF THE CASE**

Chevron seeks an order approving a 474.71 acre non-standard project area comprised of acreage subject to a proposed federal and state communitization agreement covering the W/2 of Section 29 and the W/2 of Irregular Section 32 in Township 26 South, Range 33 East; and (b) amending Administrative Orders CTB-760 and OLM-97 to add to the approved surface commingling oil and gas production from the Bone Spring formation, WC-025 G-06 S263319P; BS Upper Shale Pool (Pool Code 97955), underlying this proposed project area.

A single federal lease (NMNM 27506) covers the 320 acres comprising the entire W/2 of Section 29 and a single state lease (VB 1833) covers approximately 154.71 acres comprising the entire W/2 of Irregular Section 32 bordering the State of Texas. The Bureau of Land Management has informed Chevron that it desires a single Communitization Agreement covering the entire W/2 of Section 29 and the W/2 of irregular Section 32. The New Mexico State Land Office has approved a single Communitization Agreement for this acreage.

Division Rule 19.15.16.7.L recognizes state exploratory units and participating areas within federal units as “project areas” for purposes of efficient horizontal well development. However, this rule does not expressly recognize communitized areas as “project areas” for horizontal well development. Chevron seeks approval of this proposed communitized area as a single project area (hereinafter the “W/2 Project Area”). Approval of the W/2 Project Area is consistent with the intent of a “project area” expressed in Rule 19.15.16.7.L(2) and will allow Chevron to efficiently locate surface facilities and horizontal wells for the maximum recovery of hydrocarbons.

Under Order R-14035 the Division approved a communitized area comprised of the E/2 of Section 29 and the E/2 of Irregular Section 32 as a single project area (hereinafter the “E/2 Project Area”). The E/2 Project Area is currently dedicated to the following horizontal wells: Salado Draw 29 26 33 Fed Com Well No. 5H (API No. 30-025-42440), the Salado Draw 29 26 33 Fed Com Well No. 6H (API No. 30-025-42441); Salado Draw 29 26 33 Fed Com Well No. 7H (API No. 30-025-42442) and the Salado Draw 29 26 33 Fed Com Well No. 8H (API No. 30-025-42443). Under Administrative Order NSP-2021, the Division approved a 200-acre non-standard spacing unit comprised of the W/2 W/2 of Section 29 and the NW/4 NW/4 of Irregular Section 32 (hereinafter the “200-Acre Spacing Unit”). The 200-Acre Spacing Unit is currently

dedicated to the Mooses Tooth 29 26 33 Fed Com Well No. 1H (API No. 30-025-42168), is itself a separate communitized area, and will remain a separate communitized area.

Chevron has placed a central tank battery and related facilities at the Porter Brown #1H well site, located on the SE/4 SE/4 (Unit P) of Section 19, Township 26 South, Range 33 East northwest of Section 29. Under Administrative Orders CTB-760 and OLM-97, the Division approved the commingling at the Porter Brown central tank battery of oil and gas production from existing and future wells in the E/2 Project Area and the 200-Acre Spacing Unit completed in the Bone Spring formation, WC-025 G 06 926331 19P; Bone Spring Pool (Pool Code 97955). Under this application, Chevron seeks to amend Administrative Orders CTB-760 and OLM-97 to add oil and gas production from existing and future wells dedicated to the new W/2 Project Area. Chevron expects to dedicate to the new W/2 Project Area the following horizontal wells: Salado Draw 29 26 33 Fed Com Well No. 1H (API No. 30-025-42629), the Salado Draw 29 26 33 Fed Com Well No. 2H (API No. 30-025-42637); Salado Draw 29 26 33 Fed Com Well No. 3H (API No. 30-025-42638) and the Salado Draw 29 26 33 Fed Com Well No. 4H (API No. 30-025-42639). Oil and gas production from the proposed W/2 Project Area, the E/2 Project Area, and the 200-Acre Spacing Unit will be separately metered prior to commingling using an orifice meter for gas, a Coriolis meter for oil, and a Vortex meter for water.

Amending Administrative Orders CTB-760 and OLM-97 to add to the approved surface commingling oil and gas production from existing and future wells in the proposed W/2 Project Area will allow for efficient production, storage, and measurement operations for this acreage; lessen the impact on the surface estate; and is otherwise in the best interest of conservation, the prevention of waste, and the protection of correlative rights.

**APPLICANT'S PROPOSED EVIDENCE**

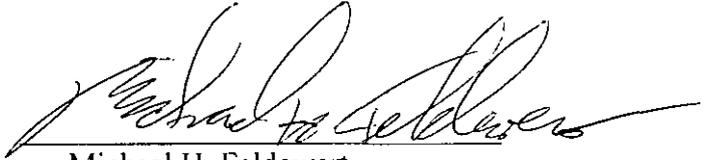
<b>WITNESS Name and Expertise</b>	<b>ESTIMATED TIME</b>	<b>EXHIBITS</b>
India Isbell Petroleum Landman	Approx. 15 minutes	Approx. 8.
Patrick Taha Petroleum Geologist	Approx. 10 minutes	Approx 4.

**PROCEDURAL MATTERS**

None at this time.

Respectfully submitted,

HOLLAND & HART, LLP



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