

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

**IN THE MATTER OF THE APPLICATION
OF CHEVRON U.S.A. INC. FOR SURFACE
COMMINGLING AND OFF-LEASE STORAGE,
LEA COUNTY, NEW MEXICO.**

CASE NO. 12818

02 JAN 29 PM 1: 58
OIL CONSERVATION DIVISION

APPLICATION

CHEVRON U.S.A. Inc. (“Chevron”) through its undersigned attorneys, hereby makes application for an exception to the provisions of Oil Conservation Division Rule 309-A to authorize surface commingling and off-lease storage of hydrocarbon production from the Strawn formation, North Lusk-Strawn Pool and in support of its application states:

1. Chevron is the operator of the following described Oil and Gas Leases and the Strawn formation wells which produce thereon from the North Lusk-Strawn Pool in Sections 29 and 32, Township 18 South, Range 32 East, NMPM, Lea County New Mexico:

State of New Mexico Oil and Gas Lease No. LG-7655, (N/2, Section 32, Township 18 South, Range 32 East, NMPM):

North Lusk 32 State Well No. 1, located 330 feet from the North line and 2258 feet from the West line (Unit C) of Section 32.

Federal Oil and Gas Lease No. NM 96855 (NW/4 NE/4, NW/4 NW/4, S/2 N/2 and S/2 , Section 29, Township 18 South, Range 32 East, NMPM):

North Lusk 29 Well No. 1, located 330 feet from the South line and 2005 feet from the West line (Unit N) of Section 29.

2. Chevron owns 100% of the working interest in Federal Oil & Gas Lease No. NM 96855. However, Chevron owns only approximately 57% of the working interest in State of New Mexico Oil & Gas Lease No. LG-7655.

3. Chevron seeks authority for surface commingling and off-lease storage of production from the North Lusk 32 State Well No. 1 and the North Lusk 29 Federal Well No. 1 on Federal Oil and Gas Lease No. NM 96855 in the North Lusk "29" Federal No. 1 Battery which is located in the SW/4 of Section 29, Township 18 South, Range 32 East, NMPM.

4. The production from the North Lusk "32" State Well No. 1 which will be commingled in the North Lusk "29" Federal No. 1 Battery with production from Federal Oil and Gas Lease No. NM 96855 will be separately measured on lease prior to commingling to assure accurate allocation of commingled production.

5. The commercial value of the commingled production will not be less than the sum of the values of the production from each common source of supply.

6. Owners of interest in the commingled production have not consented in writing to surface commingling and, therefore, Chevron requests that this matter be set for hearing before a Division examiner.

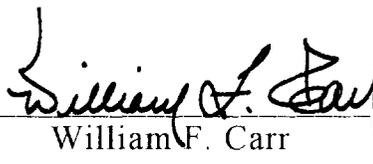
7. Notice of this application has been provided in accordance with Division Rules to the owners and purchasers of the proposed commingled production identified on Exhibit A to this application. The Commissioner of Public Lands of the State of New Mexico and the United States Bureau of Land Management also have been notified of this application.

7. Approval of the proposed commingling will be in the interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Chevron U.S.A. Inc. requests that this application be set for hearing before an examiner of the Oil Conservation Division on February 21, 2002, and after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted,

HOLLAND & HART, LLP

By 
William F. Carr

ATTORNEYS FOR
CHEVRON U.S.A. INC.

EXHIBIT A

**Application of Chevron Texaco North America Upstream
For Surface Commingling and Off-Lease Storage,
Lea County, New Mexico.**

NOTIFICATION LIST

Pride Energy Company
Post Office Box 701602
Tulsa, Oklahoma 74170

Attn: John Pride

Mr. Chris Cullins
4422 FM 1960 West
Suite 105
Houston, Texas 77068

Canterra Resources Partner, Ltd.
Post Office Box 2069
Marshall, Texas 75672

Attn: Allen C. Staggers, Jr.

Commissioner of Public Lands
State of New Mexico
Post Office Box 1148
Santa Fe, New Mexico 87504-1148

United States Department of the Interior
Bureau of Land Management
2909 West 2nd Street
Roswell, New Mexico 88201

LEGAL ADVERTISEMENT:

CASE NO. 2818 :

Application of Chevron U.S.A. Inc. for surface commingling and off lease storage, Lea County, New Mexico. Applicant seeks authority to commingle in its North Lusk 29 Federal No. 1 Battery located in the SW/4 of Section 29, Township 18 South, Range 32 East, NMPM, Lea County, New Mexico, production from the North Lusk-Strawn Pool from the following leases and wells:

New Mexico Oil and Gas Lease No. LG-7655 (N/2, Section 32, Township 18 South, Range 32 East, NMPM):

North Lusk 32 State Well No. 1, located 330 feet from the North line and 2258 feet from the West line (Unit C) of Section 32.

Federal Oil and Gas Lease No. NM 96855 (NW/4 NE/4, NW/4 NW/4, S/2 N/2, and S/2, Section 29, Township 18 South, Range 32 East NMPM):

North Lusk 29 Federal Well No. 1, located 330 feet from the South line and 2005 feet from the West line (Unit N) of Section 29.

Said leases and wells are located approximately 9 miles South of Maljamar, New Mexico.

HOLLAND & HART LLP
AND
CAMPBELL & CARR
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
BILLINGS • BOISE
CHEYENNE • JACKSON HOLE
SALT LAKE CITY • SANTA FE
WASHINGTON, D.C.

SUITE 1
110 NORTH GUADALUPE
SANTA FE, NEW MEXICO 87501-6525
MAILING ADDRESS
P.O. BOX 2208
SANTA FE, NEW MEXICO 87504-2208

TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043
www.hollandhart.com

January 31, 2002

CERTIFIED MAIL –
RETURN RECEIPT REQUESTED

To: All Owners of Interest in Commingled Production

Re: Application of Chevron U.S.A. Inc. for surface commingling and off-lease storage, Lea County, New Mexico.

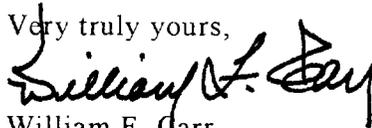
Gentlemen:

This letter is to advise you that Chevron U.S.A. Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking authority for surface commingling and off-lease storage of hydrocarbons produced from wells identified in the application which produce from the Strawn formation, North Lusk-Strawn Pool. These wells are located in Section 29 and 32, Township 18 South, Range 32 East, NMPM, Lea County, New Mexico.

This application has been set for hearing before a Division Examiner on February 21, 2002. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Prehearing Statement three days in advance of a scheduled hearing. This statement must include: the names of the parties and their attorneys, a concise statement of the case, the names of all witnesses the party will call to testify at the hearing, the approximate time the party will need to present its case, and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,



William F. Carr

Attorney for Chevron U.S.A. Inc.

cc: Frank Cusimano, Esq.
Chevron U.S.A. Inc.
Claydesta Plaza
15 Smith Road
Midland, Texas 79705