

**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. 15058

**APPLICATION OF REGENERATION ENERGY CORP.
FOR A NON-STANDARD SPACING AND PRORATION UNIT
AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 15043

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 IN CASE NO. 15058

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

ATTORNEY

Michael H. Feldewert
Adam G. Rankin
Holland & Hart, LLP
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APPLICANT IN CASE NO. 15043

Regeneration Energy Corp.
Post Office Box 210
Artesia, New Mexico 88211-0210

ATTORNEY

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STATEMENT OF THE CASE

Chevron owns 75% of the working interest in a federal lease covering Section 17, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico. Under Case 15058, Chevron seeks to develop the Bone Spring formation underlying this federal lease by initially drilling its proposed Prodigal Sun 17-24-34 1H Well in the Second Bone Spring Sands underlying the E/2 E/2 of Section 17. Accordingly, Chevron seeks an order (1) creating a non-standard 160-acre spacing and proration unit comprised of the E/2 E/2 of Section 17; (2) pooling all mineral interests in the Bone Spring formation underlying this acreage to form a 160-acre project area for its proposed well; and (3) designating Chevron as the operator of this non-standard spacing unit and the horizontal well to be drilled thereon. The subject acreage is located within one-mile of the North Red Hills Bone Spring Pool (Code 96434) and the completed interval for Chevron's proposed well will be within the 330-foot standard offset required by the Division's rules.

Regeneration Energy Corp. ("Regen") owns 12.5% of the working interest in the E/2 E/2 of Section 17. Under Case 15043 Regen also seeks to create a non-standard spacing and proration unit comprised of the E/2 E/2 of Section 17 for a proposed horizontal well in the Avalon Shale interval of the Bone Spring formation. The parties have engaged in efforts to reach agreement on the development of their common acreage, but have reached an impasse. The case was continued upon agreement of the parties so that their competing applications and development plans could be heard by the Division at the October 31st hearing docket, and have further agreed that these cases should be consolidated for hearing.

Chevron believes that its proposed drilling plan provides the best option to develop the Bone Spring formation underlying the federal lease, provides the best opportunity for a

commercial well, provides for an orderly well drilling and election process, allows the most efficient use of surface facilities, and will prevent waste and protect correlative rights. Chevron also believes that as a 75% working interest owner in the federal lease, it should be named the operator of any wells drilled in the Bone Spring formation underlying this lease.

APPLICANT'S PROPOSED EVIDENCE

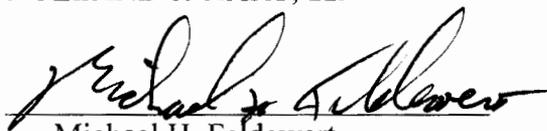
WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Jason Levin, Petroleum Landman	Approx. 15 mins.	Approx. 5.
Ken Schwartz, Petroleum Geologist	Approx. 15 mins.	Approx 5.
Sean Cheben, Facilities Engineer	Approx. 15 mins.	Approx. 5.

PROCEDURAL MATTERS

The parties have agreed that Cases 15058 and 15043 should be consolidated for hearing.

Respectfully submitted,

HOLLAND & HART, LLP



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ATTORNEYS FOR CHEVRON U.S.A. INC.

CERTIFICATE OF SERVICE

I hereby certify that on October 24, 2013, I served a copy of the foregoing document to the following via electronic mail to:

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**Attorney for
Regeneration Energy Corporation**

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