

**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

APPLICATION

Chevron U.S.A. Inc., ("Chevron") through its undersigned attorneys, files this application with the Oil Conservation Division for an order (a) 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. In support of its application, Chevron states:

1. Chevron (OGRID No. 4323) is the only working interest owner in the Bone Spring formation underlying two leases: (a) a single federal lease (NMNM 27506) covering 320 acres comprising the entire W/2 of Section 29, Township 26 South, Range 33 East, NMPM, Lea County, New Mexico; and (b) a single state lease (VB 1833) covering approximately 154.71 acres comprising the entire W/2 of Irregular Section 32 bordering the State of Texas.

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2. This acreage has been placed in the WC-025 G-06 S263319P; BS Upper Shale Pool (Pool Code 97955) and is subject to the Division's general statewide rules for oil development.

3. The Bureau of Land Management has informed Applicant that it desires a single Communitization Agreement covering the 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.

4. Division Rule 19.15.16.7.L recognizes state exploratory units and participating areas within federal units as approved "project areas" for purposes of efficient horizontal well development. However, this rule currently does not expressly recognize communitized areas as "project areas" for horizontal well development.

5. In order to meet the Bureau of Land Management and New Mexico State Land Office requirements for development of the subject acreage, Application requires approval from the Division to treat this acreage as a single project area (hereinafter referred to as the "W/2 Project Area").

6. Approval of the W/2 Project Area will allow Chevron to efficiently locate surface facilities and horizontal wells for the maximum recovery of hydrocarbons in a manner similar to that currently allowed for state exploratory units and participating areas within federal units.

7. 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).

8. Pursuant to Rule 19.15.16.15.E, Chevron will provide notice of this application to the affected persons in the 40-acre spacing units that adjoin the proposed W/2 Project Area.

9. Under Order R-14035 the Division recently approved the 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).

10. 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.

11. For surface lease commingling purposes, a communitized area is considered a "lease" or area of common ownership and authorization to surface commingle is regulated and implemented on a "lease" basis rather than a well by well basis. *See* 19.15.12.7 NMAC.

12. 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.

13. 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).

14. Chevron seeks to amend Administrative Orders CTB-760 and OLM-97 to add to the approved surface commingling oil and gas production from existing and future wells dedicated to the W/2 Project Area that are completed in this same pool. The W/2 Project Area is currently dedicated to 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).

15. 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.

16. Amending Administrative Orders CTB-760 and OLM-97 to add to the approved surface commingling oil and gas production from existing and future wells completed in the Bone Spring formation, WC-025 G-06 S263319P; BS Upper Shale Pool (Pool Code 97955), underlying 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.

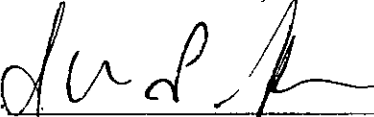
17. Pursuant to NMAC 19.15.12.10, notice of this commingling application will be provided to the interest owners, including royalty and overriding royalty interests, in the E/2 Project Area, the 200-Acre Spacing Unit and the proposed W/2 Project Area.

18. Since federal and state lands are involved, Chevron is also seeking authority to surface commingle production from the Bureau of Land Management and the New Mexico State Land Office, and has provided a copy of this application to these agencies.

WHEREFORE, Chevron U.S.A. Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 15, 2015, and that after notice and hearing as required by law, the Division enter an order granting the relief sought under this application.

Respectfully submitted,

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By 

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CASE 15373 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. Applicant in the above-styled cause seeks an order (a) 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 existing and future wells completed in the Bone Spring formation, WC-025 G-06 S263319P; BS Upper Shale Pool (Pool Code 97955), underlying this proposed project area. The subject acreage is located approximately 50 miles South of Jal, New Mexico.