

August 21, 2007

HAND DELIVERED

Mark E. Fesmire, P. E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

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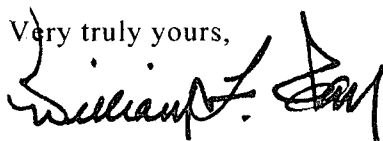
Re: Application of Chevron USA Inc. for approval of a pilot project for the purpose of determining proper well density requirements for wells in the Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the Application of Chevron USA Inc. in the above-referenced case as well as a copy of the legal advertisement. Chevron requests that this matter be placed on the docket for the September 20, 2007 Examiner hearings.

Your attention to this request is appreciated.

Very truly yours,



William F. Carr

Enclosures

cc: Paul Owen, Esq.
Senior Counsel
Chevron USA Inc.

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

**APPLICATION OF CHEVRON USA, INC. FOR APPROVAL OF A PILOT PROJECT
FOR THE PURPOSE OF DETERMINING PROPER WELL DENSITY REQUIREMENTS
FOR WELLS IN THE BASIN-FRUITLAND COAL GAS POOL,
SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. 13991

APPLICATION

CHEVRON USA, INC. ("Chevron"), through its undersigned attorneys, hereby makes application pursuant to Division Rule 104.D(3) for approval of a pilot project for the purpose of determining the appropriate well density in Fruitland Coal Formation, Basin-Fruitland Coal Gas Pool, for the purpose of determining the proper well density in this pool.

In support of its application, Chevron states:

1. Chevron is an interest owner in the Basin-Fruitland Coal Gas Pool which was created by Order No. R-8768 dated November 1, 1988 and subsequently amended by Order No. R- 8768-C dated October 15, 2002. This pool is located in all or portions of Townships 19 through 31 North, Ranges 1 through 16 West, NMPM, San Juan, Rio Arriba, McKinley and Sandoval Counties New Mexico.

2. The Basin-Fruitland Coal Gas Pool is governed by the "Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool" adopted by Order No. R-8768 on November 1, 1988 and thereafter amended from time to time. This pool has been the subject of Division and Commission orders that have revised the spacing and well density requirements for this pool (See Order No. R-8768-A, R-8768-B, R-8768-C, and Order No. R-8768-F). Although the pool has been divided into a "Low Productivity Area" and a "High Productivity Area" (See Order No. R- 8768-F, Dated July 17, 2003) current well spacing rules for all portions of the pool provide for 320-acre gas well spacing with no more than two wells per standard 320-acre spacing unit. These rules currently prevent the drilling of additional wells on these spacing units.

3. Chevron seeks authorization to initiate a pilot project in the Low Productivity Area of the Basin Fruitland Coal Gas Pool in a project area comprised of Sections 2, 3, and N/2 10, Township 31 North, Range 7 West, NMPM, San Juan County, New Mexico.

4. The purpose of this pilot project is to obtain production information to verify the absence of interference between wells; improve estimates of original gas-in-place and recoverable reserves; and evaluate the economic success of increased infill development, and prepare recommendations to the Oil Conservation Division and affected operators in the Middle Mesa Area of the Basin-Fruitland Coal Gas Pool.

5. Chevron proposes to drill three new infill wells at standard locations in the tracts identified on Exhibit A to this application, in the Fruitland Coal formation to obtain geological and engineering data necessary to understand this portion of the reservoir.

6. The proposed project wells are to be located to test the concept of increased well density with each well to be located at least 500 feet or more from an existing well.

7. Chevron proposes to drill all of the initial increased density pilot project wells in calendar years 2007 and 2008 at standard and non-standard well locations.

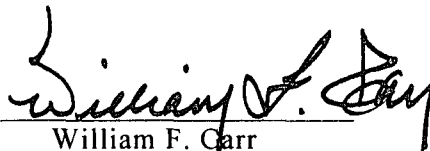
8. Notice of this application has been provided in accordance with Division Rule 104.D(3) and Rule 1210.A(2) to the Division designated-operators in all adjoining spacing units and to the Bureau of Land Management and the New Mexico Commissioner of Public lands. These affected parties are identified on Exhibit C to this application.

9. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Chevron USA, Inc. requests that this application be set for hearing before an examiner of the Oil Conservation Division on September 20, 2007 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 USA, INC.

EXHIBIT A

**APPLICATION OF CHEVRON USA, INC.
FOR APPROVAL OF A PILOT PROJECT
FOR THE PURPOSE OF DETERMINING
PROPER WELL DENSITY REQUIREMENTS
FOR WELLS IN THE BASIN-FRUITLAND COAL GAS POOL,
SAN JUAN COUNTY,
NEW MEXICO.**

PROPOSED PILOT PROJECT WELL LOCATIONS

TOWNSHIP 31 NORTH, RANGE 7 WEST, NMPM

**Irregular Section 2: SE/4 NW/4
Irregular Section 3: SE/4 NW/4
Section 10: SE/4 NE/4**

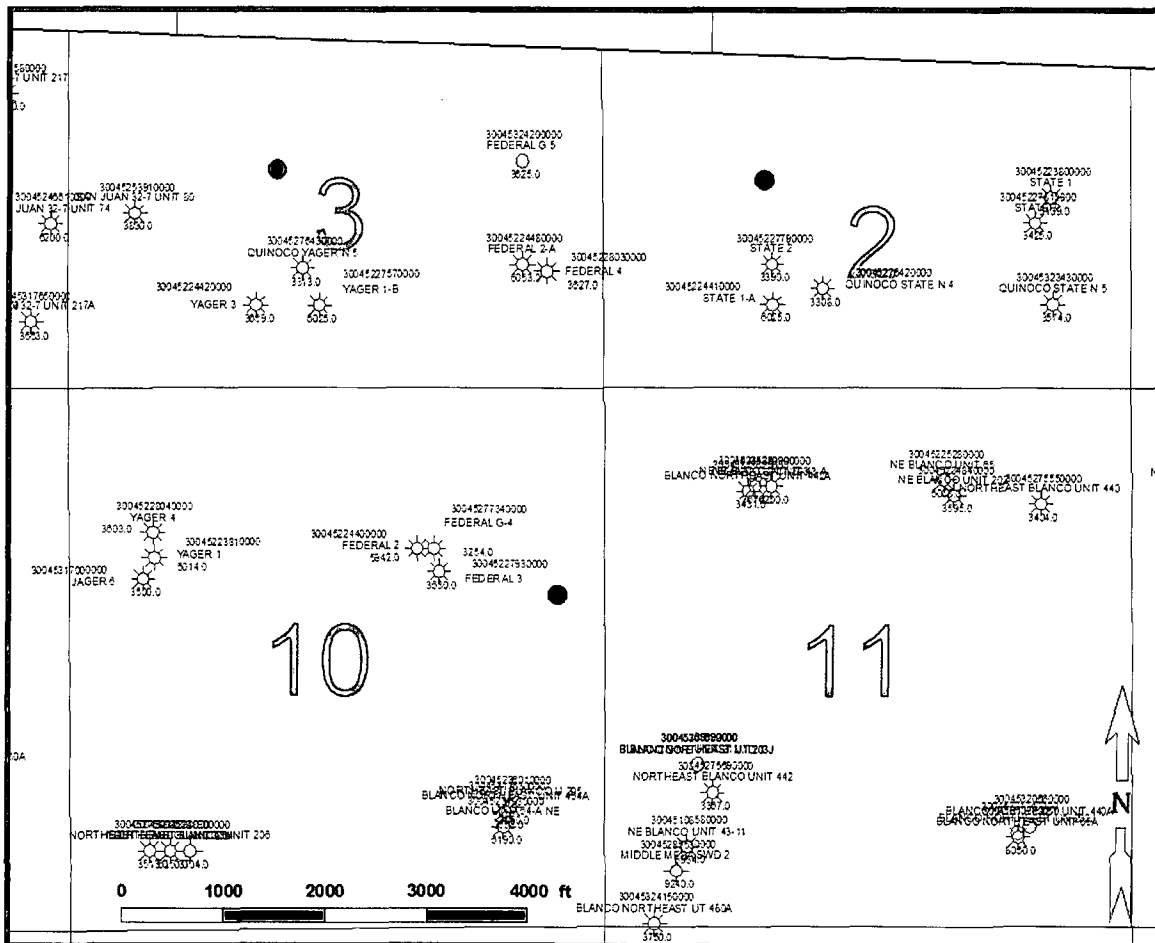


EXHIBIT B

**APPLICATION OF CHEVRON USA, INC.
FOR APPROVAL OF A PILOT PROJECT
FOR THE PURPOSE OF DETERMINING
PROPER WELL DENSITY REQUIREMENTS
FOR WELLS IN THE BASIN-FRUITLAND COAL GAS POOL,
SAN JUAN COUNTY,
NEW MEXICO.**

NOTIFICATION LIST

Devon Energy Production Co. LP
Post Office Box 1678
Oklahoma City, Oklahoma 730101-1678
(Operator of the Northeast Blanco Unit)

ConocoPhillips Company
3401 E. 30th Street
Farmington, New Mexico 87402-8807
(Operator of the San Juan 32-7 Unit)

Burlington Resources Oil & Gas Co. LP
c/o ConocoPhillips Company
3401 E. 30th Street
Farmington, New Mexico 87402-8807
(Operator of the Allison Unit)

Burlington Resources Oil & Gas Co. LP
Post Office Box 4829
Farmington, New Mexico 87499

Coleman Oil & Gas, Inc.
Post Office Drawer 3337
Farmington, New Mexico 87499

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

Bureau of Land Management
1235 La Plata Highway
Farmington, New Mexico 87401-8731

Oil Conservation Division
District III
1000 Rio Brazos Road
Aztec, New Mexico 87410

Case 1399 Application of Chevron USA, Inc. for approval of a pilot project for the purpose of determining proper well density requirements for wells in the Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico. Pursuant to Division Rule 104.D(3) applicant seeks approval for a pilot program in the Fruitland Coal formation, Basin-Fruitland Coal Gas Pool, to gather data to determine the appropriate well density in the Fruitland Coal formation for wells in pools governed by the "Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool" which currently limits well density to two wells on each 320-acre standard gas spacing unit. The pilot project area encompasses the following acreage in San Juan County, New Mexico:

Township 31 North, Range 7 West, NMPM
Sections: 2, 3, N/2 10

The project area is located approximately 30 miles southwest of Farmington, New Mexico.