

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION DIVISION
FOR THE PURPOSE OF CONSIDERING:**

CASE NO. 13991

**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, RIO ARRIBA,
MCKINLEY, SANDOVAL) COUNTY, NEW
MEXICO.**

**ENTRY OF APPEARANCE AND
PRE-HEARING STATEMENT**

This Entry of Appearance and Pre-Hearing Statement is submitted by the Oil Conservation Division (OCD).

APPEARANCES OF PARTIES

Applicant:

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Respondent:

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RESPONDENT'S STATEMENT OF CASE

The Applicant seeks an order approving its proposed pilot project relating to acreage located within the boundaries of the three specified Sections in San Juan County, New Mexico. As part of this project, Applicant proposes to drill new infill wells and perform other work and testing in the area. The Respondent does not necessarily oppose the ultimate entry of an order permitting Applicant to proceed with its project, but contends that entry of any such order is, at this time, premature. Respondent thus enters its appearance to provide information to the hearing examiner regarding issues related to the Applicant's proposed plan, and to advise the hearing examiner of ongoing efforts being engaged in collectively by the OCD and other operators in this geographic area to develop a collaborative plan to address the issues affecting the Basin-Fruitland Coal Gas Pool that have been raised by the Applicant in this matter.

RESPONDENT'S PROPOSED EVIDENCE

Witnesses:

Estimated Time:

Steven Hayden, OCD District III Geologist

30 minutes

Mr. Hayden will provide testimony regarding the following:

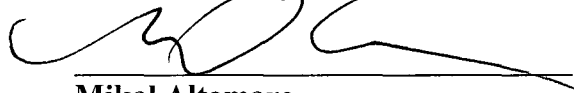
1. The Coalbed Methane Committee (CMC): Mr. Hayden will provide general information regarding the decision to reconvene the CMC, the purpose of the CMC meetings upon reconvening and who was involved in that process.
2. Mr. Hayden's concerns regarding the following:
 - a. Changes to Basin-Fruitland Coal (BFC) spacing are being addressed collectively by the CMC, in which Applicant was invited to participate and has not. Applicant was also provided with information following the first CMC meeting regarding the topics of discussion. Applicant was therefore aware prior to the filing of this Application that the CMC was addressing the same issues (BFC spacing) as Applicant has now raised in its Application, and was further aware of the BLM-imposed limitations regarding no new surface disturbances, as well as discussions of the committee regarding a buffer zone around the infill area.
 - b. Future infill will likely be constrained to using existing locations and directional drilling technology to accommodate the BLM Resource Management Plan and concerns for public and environmental interests;
 - c. Two of the three Sections referenced in the Application are partial Sections, and they share the third Section with another Operator. Thus, per R-9061, Applicant has three spacing units, the entirety of which is located less than a mile from the High Productivity Area boundary.

Therefore, this area may ultimately be part of what is to be a buffer zone around an infill area.

- d. Production in E $\frac{3}{4}$ Section 2 does not suggest insufficient drainage of the spacing unit.
- e. Spacing unit in W/2 SW/4 Section 2, E/2 SE/4 Section 3 and NE4 Section 10 currently has "0" production.
- f. Spacing unit in SW/4 SE/4 and SE/4 SW/4 of Section 3 and NW/4 of Section 10 has a temporarily abandoned well and a well averaging 410 MCFD.

PROCEDURAL MATTERS

The OCD requests that the examiner postpone resolution of the Applicant's requested approval of its pilot project to allow the CMC time to fully and properly address the spacing and infill issues in a way that best serves the oil and gas community as a whole.



Mikal Altomare
Attorney for the Oil Conservation
Division

CERTIFICATE OF SERVICE

I hereby certify that I served a copy of this Entry of Appearance and Pre-Hearing Statement on attorneys for the Applicant by telecopier at (505) 983-6043 this 13th day of September, 2007.


Mikal Altomare