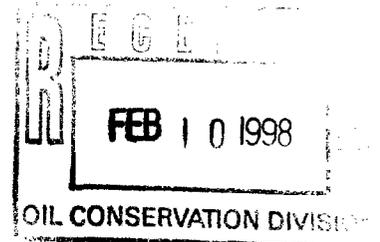


**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

IN THE MATTER OF THE APPLICATION OF
CHEVRON U.S.A. PRODUCTION COMPANY
FOR REINSTATEMENT OF UNDERPRODUCTION
FOR ITS BOGEL FLATS UNIT NOS. 3 AND 17
GAS PRORATION UNIT, INDIAN BASIN-
UPPER PENNSYLVANIAN GAS POOL,
EDDY COUNTY, NEW MEXICO.



CASE NO. 11937

APPLICATION

CHEVRON U. S. A. PRODUCTION COMPANY ("Chevron"), pursuant to the provisions of Rule 14(b) of the General Rules and Regulations for the Prorated Gas Pools of New Mexico, hereby makes application to the New Mexico Oil Conservation Division for an order reinstating canceled underproduction for its Gas Proration Unit, in the Indian Basin Upper-Pennsylvanian Gas Pool, comprised of all of Section 9, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, which is dedicated to its Bogel Flats Unit Well No. 3 (API # 300-15-10575) and its Bogel Flats Unit Well No. 17 (API # 300-15-29295). Said Gas Proration Unit is located approximately 22 miles west of Carlsbad, New Mexico.

In support of its application, Chevron states:

1. Chevron is the operator of a standard 640-acre gas spacing and proration unit in the Indian Basin-Upper Pennsylvanian Gas Pool comprised of all of Section 9, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico.

2. The Indian Basin-Upper Pennsylvanian Gas Pool is a prorated pool subject to the General Rules and Regulations for the Prorated Gas Pools of New Mexico as promulgated by Division Order No. R-8170.

3. Prior to April, 1997, this Gas Proration Unit was dedicated to the Bogel Flats Unit Well No. 3 and was carried in Oil Conservation Division proration schedules as a marginal unit.

4. In April 1997, Chevron first produced its Bogel Flats Unit Well No. 17 which is also dedicated to this Gas Proration Unit. Since that date, this Gas Proration Unit has been able to produce more gas during the proration period than its shadow allowable for any month.

5. On July 1, 1997, at the end of the classification period, this marginal Gas Proration Unit had produced more during the proration period to that time than its shadow allowable for the same period and, it should have been reclassified as a non-marginal Gas Proration Unit pursuant to Rule 14(a) of the Division General Rule for the Prorated Gas Pools of New Mexico. Furthermore, all underproduction which accrued or would have accrued as a non-marginal Gas Proration Unit from that production period should have been reinstated pursuant to Rule 14(b).

6. On April 1, 1997, this Gas Proration Unit had accrued substantial underproduction which was canceled by the Division.

7. By the end of the proration period running from April 1997 through March

1988, this Gas Proration Unit will have overproduced its assigned allowable.

8. Rule 14(b) of the General Rules and Regulations for the Prorated Pools of New

Mexico provides:

A GPU reclassified to non-marginal under the provisions of Rule 14(a) shall have reinstated to it all underproduction which accrued or would have accrued as a non-marginal GPU from the current production period, underproduction from the prior proration period may be reinstated after notice and hearing. All uncompensated-for underproduction accruing to the GPU while marginal shall be chargeable upon reclassification to non-marginal.

9. Pursuant to the provisions of Rule 14(b), the subject Gas Proration Unit should have had reinstated to it all underproduction which would have accrued to it as a non-marginal Gas Proration Unit during the proration period running from April, 1997 through March, 1998. Furthermore, this Gas Proration Unit is eligible for the reinstatement of the underproduction for the prior proration period (April 1996 through March 1997).

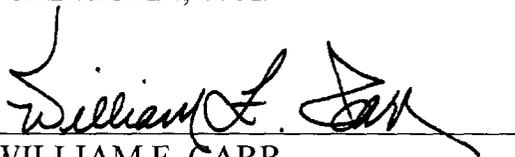
10. Approval of this application will afford the interest owners of this Gas Proration Unit the opportunity to produce their just and equitable share of the recoverable gas from the Indian Basin-Upper Pennsylvanian Gas Pool thereby protecting their correlative rights.

11. In accordance with the provisions of Division Rule 1207, Chevron has notified all affected parties of this application.

WHEREFORE, Chevron U.S.A. Production Company requests that this application be set for hearing before an Examiner of the Oil Conservation Division and, after notice and hearing as required by law, the Division enter its order reinstating the requested underproduction for the Bogel Flats Unit Well Nos. 3 and 17 Gas Proration Unit.

Respectfully submitted,

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& SHERIDAN, P. A.

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