



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

December 18, 2006

Chevron
Midcontinent Business Unit
Attn: Sarah C. Rittenhouse
Project Manager
11111 S. Wilcrest, Rm S1031
Houston, TX 77099

Administrative Order NSL-5531

Re: Brunson-Eaves Lease Line Well No. 1
Unit G, Section 10 Twsp 22S, Range 37E
Lea County

Dear Ms. Rittenhouse:

Reference is made to the following:

- (a) your application (**administrative application reference No. pTDS06-31936958**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on November 13, 2006,
- (b) your e-mail communication of December 12, 2006, and
- (c) the Division's records pertinent to your request.

Chevron USA, Inc. (Chevron) has requested to drill its Brunson-Eaves Lease Line Well No. 1 at an unorthodox Grayburg oil well location, 1460 feet from the North line and 1330 feet from the East line (Unit G) of Section 10, Township 22 South, Range 37 East, N.M.P.M., in Lea County, New Mexico. The SW/4 NE/4 of Section 10 will be dedicated to this well to form a standard 40-acre oil spacing and proration unit in the Penrose Skelly-Grayburg Pool (50350).

This location is governed by statewide Rule 104.B(1), which provides that a well shall be located at least 330 feet from any unit boundary, and allows up to four wells per spacing unit. The proposed location is only 140 feet and 10 feet, respectively, from the northern and eastern boundaries of the proposed unit.

Chevron's application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

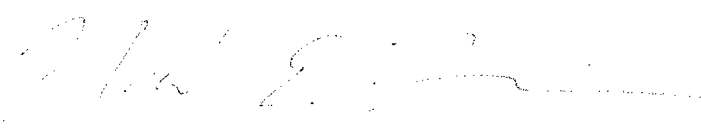
It is our understanding that this location is being requested because Chevron's geologic interpretation indicates that the well can tap into stranded reserves located on the margins of existing spacing units that cannot be effectively drained by wells located at standard locations.

We also understand that, although different leases are involved, the working interest ownership of the proposed unit is identical with the unit toward which this location encroaches. Accordingly, no notice of this application is required.

Pursuant to the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox well location is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs