	8/06 SUSPE	NSE BROOKS LOGGED IN 11/29/06 TYPE NSL APP NO. PTD.S 063336 1255
		NSE DREER LOGGED IN "129/06 TYPE NSL APP NO PTDS 0633336 1255 ABOVE THIS LINE FOR DIVISION USE ONLY NEW MEXICO OIL CONSERVATION DIVISION - Engineering Bureau - 1220 South St. Francis Drive, Santa Fe, NM 87505 5532
		ADMINISTRATIVE APPLICATION CHECKLIST
	ation Acronyn [NSL-Non-Sta [DHC-Dow [PC-Po	ANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE Indard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication] (nhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling] ool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement] [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion] [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[1]	TYPE OF A [A]	PPLICATION - Check Those Which Apply for [A] Location - Spacing Unit - Simultaneous Dedication X NSL NSP SD
	Chec [B]	k One Only for [B] or [C] Commingling - Storage - Measurement DHC CTB PLC PC OLS OLM
	[C]	Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
	[D]	Other: Specify
[2]	NOTIFICAT [A]	TION REQUIRED TO: - Check Those Which Apply, or Does Not Apply Working, Royalty or Overriding Royalty Interest Owners
	[B]	Offset Operators, Leaseholders or Surface Owner
	[C]	Application is One Which Requires Published Legal Notice
	[D]	Notification and/or Concurrent Approval by BLM or SLO U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
	[E]	For all of the above, Proof of Notification or Publication is Attached, and/or,
	[F]	Waivers are Attached
[3]		CCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE ATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Title

e-mail Address

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -1220 South St. Francis Drive, Santa Fe, NM 87505

1220 South St. Francis Drive, Santa Fe, NM 67505

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

Sarah Rittenhouse

Print or Type Name

	DHC-Down [PC-Poe	dard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication] hole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling] of Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement] (WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion] [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase] ified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]
[1]	TYPE OF AP [A]	PLICATION - Check Those Which Apply for [A] Location - Spacing Unit - Simultaneous Dedication NSL NSP SD
	Check [B]	One Only for [B] or [C] Commingling - Storage - Measurement DHC CTB PLC PC OLS OLM
	[C]	Injection - Disposal - Pressure Increase - Enhanced Oil Recovery WFX PMX SWD IPI EOR PPR
	[D]	Other: Specify
[2]	NOTIFICATI [A]	ON REQUIRED TO: - Check Those Which Apply, or 🛛 Does Not Apply Working, Royalty or Overriding Royalty Interest Owners
	[B]	Offset Operators, Leaseholders or Surface Owner
	[C]	Application is One Which Requires Published Legal Notice
	[D]	Notification and/or Concurrent Approval by BLM or SLO U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
	[E]	For all of the above, Proof of Notification or Publication is Attached, and/or,
	[F]	Waivers are Attached
[0]		

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

	Au whith	Project Manager / Geologist	_11/6/2006 Date
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Sarah.Rittenhouse@chevron.com e-mail Address Sarah C. Rittenhouse Project Manager / Geologist



2006 NOU 28 AM 10 12 November 6, 2006

Request for Administrative A

Request for Administrative Approval of Unorthodox Oil Well Location and Simultaneous Dedication

Mr. Mark E. Fesmire New Mexico Oil Conservation Division 1220 South St. Francis Drive Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Chevron respectfully requests administrative approval of an unorthodox oil well location for the following well:

Eunice King #33

2310' FNL & 1520' FWL, SE/4 NW/4 of Section 28, T21S, R37E, Unit Letter F Lea County, New Mexico

The proposed well will be an infill producer in the Penrose Skelly, Grayburg Pool [Pool Code 50350], which is an oil pool spaced on 40 acres. This well is a continuation of our 4 year infill drilling in the same Pool. Chevron's technical analysis of the reservoir still supports the contention that typical Grayburg wells cannot drain 40 acres.

The SE/4 NW/4 of Section 28 will be simultaneously dedicated in the Penrose Skelly, Grayburg Pool to the proposed well and to the Eunice King #3 and Eunice King #29. The Eunice King #3 was drilled in 1937 and was re-completed as a Penrose Skelly, Grayburg producer in 2003. The Eunice King #29 was drilled in 2005 and is currently completed as a Penrose Skelly, Grayburg producer. Chevron also requests approval of the simultaneous dedication.

This application is based on geological and engineering analysis. The analysis and justification for this request is attached as Exhibit 1, along with other supporting documentation. There are seven wells that have produced the Grayburg formation in the NW/4 of Section 28. The proposed well will be located in the approximate southern center point of those wells and 330' off the lease line. Based on drainage calculations, Chevron believes that drilling the infill well will recover reserves that would not be recovered by existing Grayburg producers.

A land plat highlighting the proposed well's location is attached as Exhibit 2. The N/2 of Section 28 is covered by a single fee lease and has common royalty and working interest ownerships. For that reason and the proposed location of the infill well, there are no adversely affected interest owners and no one has been notified of this application.

North America Upstream Midcontinent Business Unit 11111 S. Wilcrest, Rm S1031 Houston, Texas 77099 Tel (281) 561-3773 Fax (281) 561-3576 sarah.rittenhouse@chevron.com November 6, 2006 Page 2

If you have any questions concerning this application or need additional information, please contact me by phone at (281) 561-3773 or by email at <u>sarah.rittenhouse@chevron.com</u>. If I am not available, you can also reach Michael Gelbs by phone at (281) 561-7939 or by email at <u>mike.gelbs@chevron.com</u>. Thank you for consideration of this matter.

Sincerely,

und Patterhome

Sarah C. Rittenhouse Project Manager / Geologist

Attachments

cc: NMOCD District 1 – Hobbs, NM Michael Gelbs Sarah Rittenhouse George Pritchard Well File <u>District II</u> 1301 W. Grand Avenue, Artesia, NM 88210

District III 1000 Rio Brazos Rd., Aztec, NM 87410

Energy, Minerals & Natural Resources Department OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

State of New Mexico

Form C-102 Revised June 10, 2003

Submit to Annuaniate District Office

Exhibit 3.1

AMENDED REPORT

<u>District IV</u> 1220 South St. Francis Dr., Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

1	API Number			² Pool Code 50350									
⁴ Property Code ⁵ Property Name Eunice King									⁶ Well Number 33				
⁷ OGRID	No.				⁸ Operator Na Chevron U.S.A.					9	Elevation 3455		
¹⁰ Surface Location													
UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Fee	t from the	East/West	line	County		
F	28	218	21S 37E		2310	North		1520	West		Lea		
	¹¹ Bottom Hole Location If Different From Surface												
UL or Lot No.	Section	tion Township Range Lot Id		Lot Idn	Feet from the	North/South line	Fee	et from the	East/West line		County		
¹² Dedicated Acro 40	es ¹³ Joir	nt or Infill	Consolidation	Code ¹⁵ Ord	ler No.		1	·······	<u> </u>	L			
NO	ALLOW	ABLE WI				ON UNTIL ALL IN EEN APPROVED BY			EEN CONSO	DLIDATE	D OR A		
16			2310'	Eu	nice King Lease			l hereby certi	ATOR C	nation conta			

29

40-acre

proration unit

33

1520'

Λ	11-1
	Righ Kitt
Signatu	

Sarah C. Rittenhouse

Printed Name

Title

18

Geologist

November 2, 2006

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Certificate Number

Signature and Seal of Professional Surveyor:

NOTIFICATION LIST

Application of Chevron U.S.A. Inc. for Administrative Approval of an Unorthodox Oil Well Location and Simultaneous Dedication:

Eunice King #33 2310' FNL & 1520' FWL Section 28, T21S, R37E, Unit Letter F Lea County, New Mexico

Offset Operators, Working Interest Owners, N/2 Section 28:

1. Chevron U.S.A. Inc. 11111 S. Wilcrest Houston, TX 77099 Operator/100% WI

EXHIBIT 1

ENGINEERING AND GEOLOGICAL JUSTIFICATION

Application of Chevron U.S.A. Inc. for Administrative Approval of an Unorthodox Oil Well Location and Simultaneous Dedication:

Eunice King #33

2310' FNL & 1520' FWL Section 28, T21S, R37E, Unit Letter F Lea County, New Mexico

PRIMARY OBJECTIVE: GRAYBURG

SUPPORTING DATA:

- 1. Chevron U.S.A. Inc. (Chevron) is the operator of the proposed Eunice King #33 well (Exhibit 3). The proposed total depth is 4300' in the top of the San Andres formation.
- 2. The completion will be in the Penrose Skelly, Grayburg Oil Pool and the proposed location encroaches toward the following wells (Exhibit 4).

		<u> </u>			i		r		
Operator	Well	API #	Location	Formation	Cur	n Prod	Curre	ent Prod	Status
Operator	W CII		Location	1 Ormation	MBO	MMCF	BOPD	MCFPD	Status
	Eunice King								
Chevron	#3	30025068390000	2 8- F	Grayburg	120	992	0	44	Active
	Eunice King								
Chevron	#7	30025068430000	28-G	Grayburg	42	346	0.06	253	Inactive
	Eunice King	_							
Chevron	#11	30025068470000	28-B	Grayburg	65	463	33	244	Active
	Eunice King								
Chevron	#19	30025068560002	28-C	Grayburg	10	282	5	243	Active
	Eunice King								
Chevron	#1	30025068370000	2 8- E	Grayburg	190	1187	4	211	Active
	Eunice King								
Chevron	#12	30025068480000	28-A	Grayburg	15	221	19	272	Active
	Eunice King	}	}	ļ]		-		ļ
Chevron	#2	30025068380000	28-D	Grayburg	58	91	2	248	Active
	Eunice King								
Chevron	#27	30025367380000	28-C	Grayburg	7	236	3	457	Active
(Eunice King			ĺ					Ì
Chevron	#28	30025367390000	28-B	Grayburg	10	172	20.8	244	Active
	Eunice King								
Chevron	#29	30025371870000	28-F	Grayburg	5	54	14	193	Active
	Eunice King				ļ				
Chevron	#30	30025378310000	28-D	Grayburg	2	9	10	300	Active
ļ	Eunice King]	ļ)]		ļ
Chevron	#8	30025068440000	28-H	Grayburg	10	167	0	195	Active
	Eunice King								
Chevron	#16	30025068530000	28-A	Grayburg	190	94	-	-	Inactive
	Eunice King						l		
Chevron	#26	30025068660000	28-H	Grayburg	12	72	-	-	Inactive
	Eunice King								
Chevron	#6	30025068420000	28-D	Grayburg	32	284	-		Inactive

	Eunice King								Active
Chevron	#31	30025378320000	28-В	Grayburg	0	0	30	353	2006

- 3. The proposed Eunice King #33 unorthodox Grayburg location is based primarily on drainage considerations:
 - a. Grayburg Reservoir

The Grayburg is a series of alternating subtidal and supratidal dolomites with the subtidal rock having porosity and hydrocarbons while the supratidal rock is tight. The Grayburg depositional environments varied rapidly so that many porous and tight intervals are not continuous from well to well on 40-acre spacing. Tight dolomite and/or anhydrite intervals within the Grayburg create vertical and horizontal flow barriers between different zones of porosity. Additionally, average porosity of the Grayburg is less than 10%, and the average permeability is less than 1 millidarcy. For all of these reasons, Grayburg wells are not usually capable of draining a 40-acre proration unit.

The reservoir was also analyzed by mapping the Hydrocarbon Pore Volume (HCPV) (Exhibit 5). HCPV is the product of feet of net pay (h) times average porosity (phi) times oil saturation (S_o). The attached map is the arithmetic product of grids interpreted from those values. The values were obtained as follows:

- 1. Net pay was read from either modern neutron-density logs or estimated from a map developed from gross pay times net-togross ratio (Exhibit 4).
- 2. Average porosity was calculated from modern well logs using a minimum of 6% crossplot porosity and a maximum of 20%.
- 3. Oil saturation was calculated from a fractional flow curve using representative water cut values.

The following table provides drainage areas calculated from the HCPV map and reserves of the offsetting wells.

Onerator	Well	API #	Location	Formation	Drainage	EUR	
Operator	W CII		Location	Formation	Acres	MBO	MMCF
Chevron	Eunice King #3	30025068390000	28-F	Grayburg	31	126	996
Chevron	Eunice King #7	30025068430000	28-G	Grayburg	8	38	257
Chevron	Eunice King #11	30025068470000	28-B	Grayburg	12	60	441
Chevron	Eunice King #19	30025068560002	2 8- C	Grayburg	6	28	429
Chevron	Eunice King #12	30025068480000	28-A	Grayburg	10	74	1138
Chevron	Eunice King #28	30025367390000	28-В	Grayburg	4	36	808
Chevron	Eunice King #8	30025068440000	28-H	Grayburg	. 3	24	763
Chevron	Eunice King #1	30025068370000	28-Е	Grayburg	42	196	1659

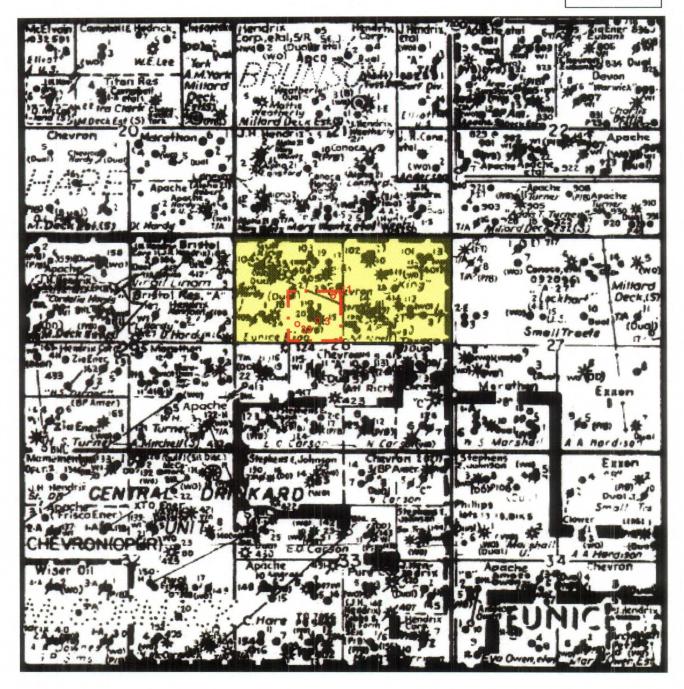
Chevron	Eunice King #2	30025068380000	28-D	Grayburg	17	85	449
Chevron	Eunice King #27	30025367380000	28-C	Grayburg	10	46	1338
Chevron	Eunice King #29	30025371870000	28-F	Grayburg	3	30	842
Chevron	Eunice King #31	30025378320000	28-B	Grayburg	5	47	201
Chevron	Eunice King #30	30025378310000	28-D	Grayburg	9	47	201

As seen above, the average drainage area of the offsetting locations is only 12 acres, and additional reserves can be recovered by drilling the proposed infill well at an approximate equidistant location from the existing offsetting producers. Reserves for the proposed location were calculated using the HCPV map, a 6 acre drainage area, and a 15% recovery factor. The results are as follows:

Operator	Well	Location	HCPV	Drainage	EUR		
	WCII	Location	псг и	Acres	MBO	MMCF	
Chevron	Eunice King #33	28-F	10.4	6	47	201	

- 4. The N/2 of Section 28 is covered by a single fee lease which has common royalty and working interest ownerships. Chevron is the operator and 100% working interest owner of the Grayburg wells toward which the proposed well will encroach. Therefore, there are no offset interest owners or adversely affected parties to notify of this application.
- 5. The proposed Eunice King #33 will share a 40-acre proration unit and will be simultaneously dedicated with the Eunice King #3 and Eunice King #29 as a Penrose Skelly, Grayburg producer in Section 28, Unit Letter F.
- 6. Approval of this application will allow for the recovery of oil and gas reserves which would not otherwise be recovered.

Exhibit 2





DISTRICT I

•

1625 N. PRENCH DR., BOBBS, NM 88240

DISTRICT II 1301 W. GRAND AVENUE, ARTESIA, NN 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

. State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102 Revised October 12, 2005 Submit to Appropriate District Office State Lease - 4 Copies Fee Lease - 3 Copies

OIL CONSERVATION DIVISION 1220 SOUTH ST. FRANCIS DR. Santa Fe, New Mexico 87505

DISTRICT IV 1220 S. ST. FRANCIS DR., SANTA FR, NM 87505		NNI 87505	WELL LOCATION AND ACREAGE DEDICATION PLAT						AMENDED REPORT		
API Number			1	Pool Code Pool Name							
Property	Code		Property Name EUNICE KING						Well Number 33		
OGRID No.			Operator Name CHEVRON U.S.A. INC.					Elevation 3454			
					Surfa	ce Locatio	n				
UL or lot No.	Section	Township	Range	Lot idn	Feet fi	rom the No	rth/South line	eet from the	East/West line	County	
F 28 21-S		6 37-E		23	510	NORTH	1520	WEST	LEA		
			D 44	TT		TE DIE	1 D				

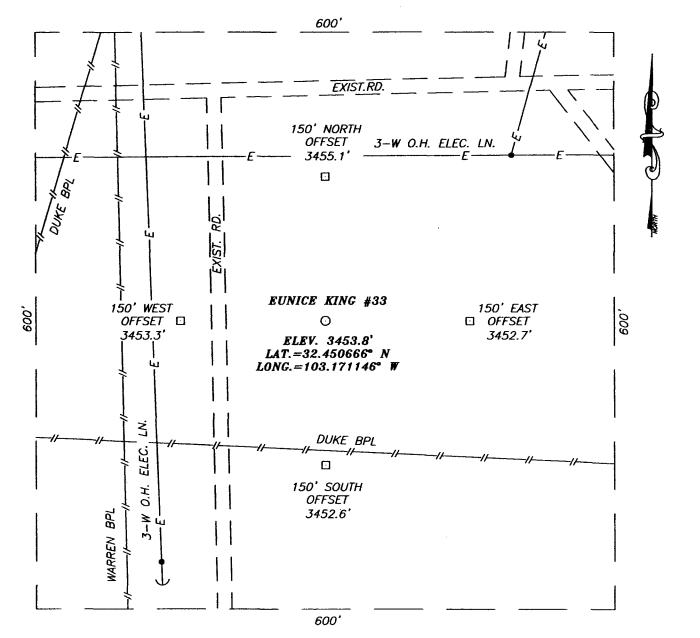
Bottom Hole Location If Different From Surface

UL or la	ot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
						F				
Dedicate	ed Acres	Joint of	Joint or Infill Consolidation		Code Or	der No.				
1										

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

2310	OPERATOR CERTIFICATION I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either orms a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.
	Signature Date
	Printed Name
	SURVEYOR CERTIFICATION
GEODETIC COORDINATES NAD 27 NME Y=529617.1 N	I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.
X=858509.2 E	
LAT.=32.450666* N LONG.=103.171146* W	OCTOBER 30, 2006 Date Surveyed Signature & Seal of Surveyor Professional Surveyor
	hory & 2 cm 11/20 /06
	Certificate No. GARY - RDSOF 12841

SECTION 28, TOWNSHIP 21 SOUTH, RANGE 37 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO



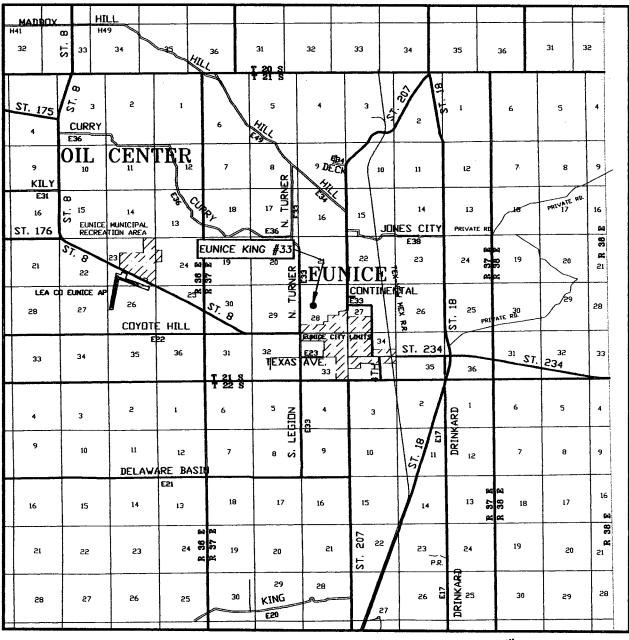
DIRECTIONS TO LOCATION

FROM THE INTERSECTON OF ST. HWY. #8 AND TURNER RD. (WEST OF EUNICE) GO NORTH ON TURNER RD. APPROX. 0.6 MILES. TURN RIGHT (THROUGH YELLOW GATE) AND GO EAST APPROX. 0.3 MILES. TURN RIGHT AND GO SOUTH APPROX. 250 FEET. THIS LOCATION IS APPROX. 100 FEET EAST OF THE ROAD.

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

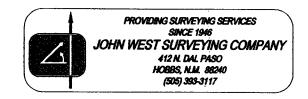
100 8 8 8 9 1	0 	100	200 Feet				
CHEV	RON	U.S.A	A. INC.				
EUNICE KING #33 WELL LOCATED 2310 FEET FROM THE NORTH LINE AND 1520 FEET FROM THE WEST LINE OF SECTION 28, TOWNSHIP 21 SOUTH, RANGE 37 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO.							
Survey Date: 10/30/06 Sheet 1 of 1 Sheets							
W.O. Number: O	6.11.1688 Di	By: JR	Rev 1:N/A				
Date: 11/10/06	Disk: CD#1	06111688	Scale:1 "=100'				

VICINITY MAP

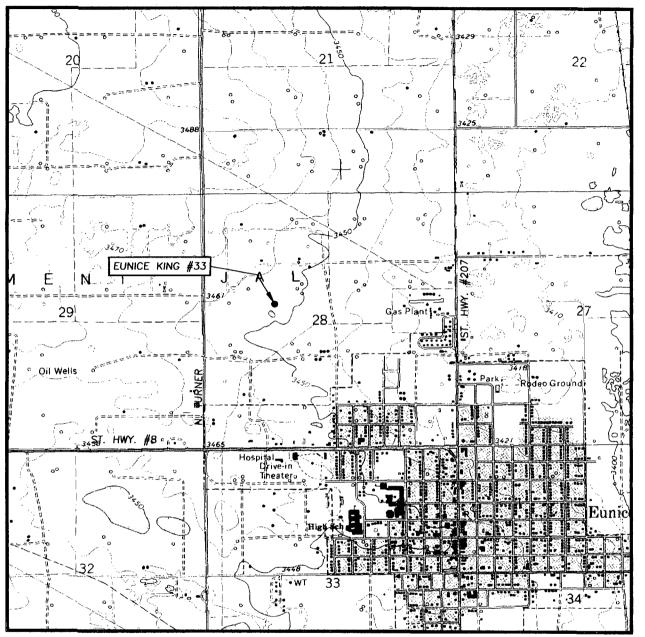


SCALE: 1'' = 2 MILES

SEC. <u>28</u> TWP.<u>21-S</u> RGE.<u>37-E</u> SURVEY______N.M.P.M. COUNTY___LEA___STATE_NEW_MEXICO DESCRIPTION <u>2310'</u> FNL <u>& 1520'</u> FWL ELEVATION______3454' OPERATOR__CHEVRON_U.S.A. INC. LEASE______EUNICE_KING



LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

SEC. <u>28</u> TWP.<u>21-S</u> RGE. <u>37-E</u> SURVEY <u>N.M.P.M.</u> COUNTY <u>LEA</u> STATE <u>NEW MEXICO</u> DESCRIPTION <u>2310' FNL & 1520' FWL</u> ELEVATION <u>3454'</u> OPERATOR <u>CHEVRON U.S.A. INC.</u> LEASE <u>EUNICE KING</u> U.S.G.S. TOPOGRAPHIC MAP EUNICE, N.M. CONTOUR INTERVAL: EUNICE, N.M. – 10'

