TYPE NSL

APP NO. 0 TD SOL 33361448

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



Chevron C.P. Fally Fed A#6 5533

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: [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication] [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling] [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement] [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion] [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase] [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response] [1] TYPE OF APPLICATION - Check Those Which Apply for [A] Location - Spacing Unit - Simultaneous Dedication NSL NSP SD Check One Only for [B] or [C] [B] 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] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply Working, Royalty or Overriding Royalty Interest Owners [A] [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] 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.

D			
Print or Type Name	Signature	Title	Date

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



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	
Applic	[DHC-Down	ndard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication] Indard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication] Inhole Commingling] [CLS - Commingling] [PLC-Pool/Lease Commingling] Index [CLM-Off-Lease Measurement] Index [CLM-Off-Lease Measureme	
[1]	TYPE OF AF [A]	PPLICATION - Check Those Which Apply for [A] Location - Spacing Unit - Simultaneous Dedication	
	Check [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 WFX PMX SWD IPI EOR PPR	
	[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]		CURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THI ATION INDICATED ABOVE.	Е ТҮРЕ
	al is <mark>accurate</mark> a	ATION: I hereby certify that the information submitted with this application for admining and complete to the best of my knowledge. I also understand that no action will be take equired information and notifications are submitted to the Division.	strative en on this
	Note: Sarah Rittenhouse r Type Name		11/6/2006
rimit O	i Type Name	Signature Title I	Date

e-mail Address

Sarah C. Rittenhouse Project Manager / Geologist



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

2006 NOV 28 AM 10 12

November 6, 2006

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:

C.P. Falby Federal A #6 1310' FNL & 1100' FWL, NW/4 NW/4 of Section 8, T22S, R37E, Unit Letter D 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 NW/4 NW/4 of Section 8 will be simultaneously dedicated in the Penrose Skelly, Grayburg Pool to the proposed well and to the SO Penrose Sky Unit #151. The SO Penrose Sky Unit #151 was drilled pre-1970 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 four wells that have produced the Grayburg formation in the NW/4 of Section 8. The proposed well will be located in the approximate northwest 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 NW/4 of Section 8 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.

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 sarah.rittenhouse@chevron.com. If I am not available, you can also reach Michael Gelbs by phone at (281) 561-7939 or by email at mike.gelbs@chevron.com. Thank you for consideration of this matter.

Sincerely,

Sarah C. Rittenhouse

Project Manager / Geologist

Attachments

cc: NMOCD District 1 – Hobbs, NM

Michael Gelbs Sarah Rittenhouse George Pritchard

Well File

NOTIFICATION LIST

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

C.P. Falby Fed A #6
1310' FNL & 1100' FWL
Section 8, T22S, R37E, Unit Letter D
Lea County, New Mexico

Offset Operators, Working Interest Owners, W/2 Section 8:

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

State of New Mexico

DISTRICT I 1625 N. FRENCH DR., MOBBS, NM 88240

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

DISTRICT II 1301 W. GRAND AVENUE, ARTESIA, NM 80210

DISTRICT III 1000 Rio Brazos Rd., Axtec, NM 87410 OIL CONSERVATION DIVISION 1220 SOUTH ST. FRANCIS DR. Santa Fe, New Mexico 87505

DISTRICT IV 1220 S. ST. FRANCE DR., SANTA FR. NM 87	WELL LOCATION AND	ACREAGE DEDICATION	PLAT	AMENDED REPORT
API Number	Pool Code		Pool Name	
Property Code	-	l erty Name Y FEDERAL A		Well Number
OGRID No.	•	ator Name U.S.A. INC.		Elevation 3429'

Surface Location

ſ	UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	Rast/West line	County
	D	8	22-S	37-E		1310	NORTH	1100	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint o	r Infill Con	nsolidation	Code Or	der No.				

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

	· · · · · · · · · · · · · · · · · · ·
3428.8' 3426.6'	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 owns 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 woluntary pooling agreement or a compusory pooling order heretafore entered by the division.
3429.0' 3426.2'	Signature Date
	Printed Name
	SURVEYOR CERTIFICATION
GEODETIC COORDINATES NAD 27 NME Y=514716.1 N X=852964.8 E	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.
LAT.=32.409877' N LONG.=103.189633' W	OCTOBER 30, 2006 Date Surveyed JR Signature & Seal of S
	Bary 12 10 06 6 06.11.16912
	Certificate No. GARY EDSON 12841

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:

C.P. Falby Fed A #6

1310' FNL & 1100' FWL Section 8, T22S, R37E, Unit Letter D Lea County, New Mexico

PRIMARY OBJECTIVE: GRAYBURG

SUPPORTING DATA:

- 1. Chevron U.S.A. Inc. (Chevron) is the operator of the proposed C.P. Falby Fed A #6 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).

Omereter	Well	API#	Location	Formation	Cur	n Prod	Curre	ent Prod	Status
Operator	wen	API#	Location	rormation	MBO	MMCF	BOPD	MCFPD	Status
	C P Falby B								
Chevron	#4	30025101060000	8-L	Grayburg	2	36	5	180	Active
	C P Falby B								
Chevron	#1	30025101030000	8-K	Grayburg	123	-	-		Inactive
	C P Falby A								
Chevron	#1	30025101170000	<u>8-C</u>	Grayburg	39	134			Inactive
	C P Falby A								
Chevron	#3	30025101180000	8-F	Grayburg	40	13	-		Inactive
	So. PS Unit								
Chevron	151	30025101040000	8-D	Grayburg	102	214	-		Inactive
	So. PS Unit								
Chevron	181	30025101190000	8-N	Grayburg	35	_63	-	<u>-</u>	Inactive
	So. PS Unit								
Chevron	180	30025214980000	8-M	Grayburg	2	26	-	-	Inactive
]	So. PS Unit								
Chevron	156	30025101200000	8-E	Grayburg	4	97			Inactive

- 3. The proposed C.P. Falby Fed A #6 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-to-gross 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.

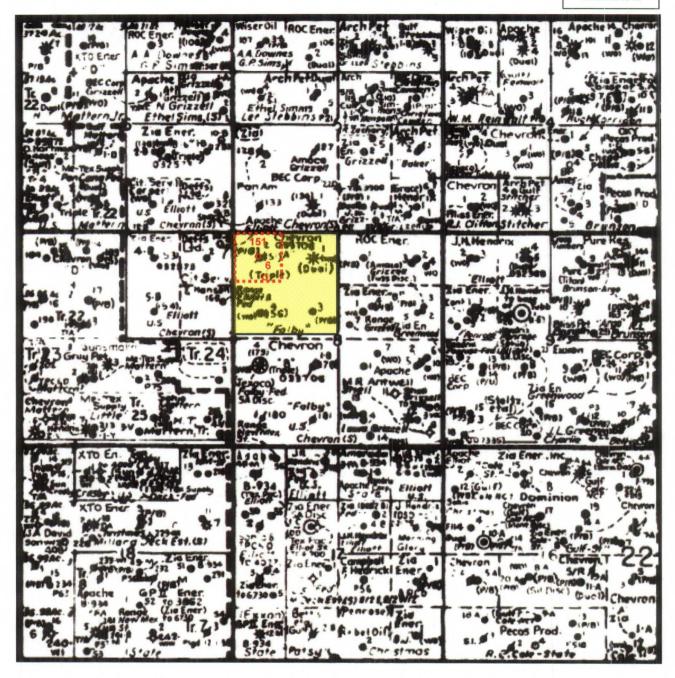
The following table provides drainage areas calculated from the HCPV map and reserves of the offsetting wells.

Operator	Well	API#	Location	Formation	Drainage	E	UR
Орегаю	W C11	Ari#	Location	romation	Acres	MBO	MMCF
Chevron	C P Falby A #1	30025101170000	8-C	Grayburg	. 5	45	260
Chevron	C P Falby A #3	30025101180000	8-F	Grayburg	5	40	46
Chevron	So. PS Unit 151	30025101040000	8-D	Grayburg	12	102	214
Chevron	So. PS Unit 181	30025101190000	8-N	Grayburg	5	35	63
Chevron	So. PS Unit 180	30025214980000	8-M	Grayburg	0	2	26
Chevron	C P Falby B 1	30025101030000	8-K	Grayburg	16	123	0
Chevron	C P Falby B 4	30025101060000	8-L	Grayburg	0	2	36
Chevron	So. PS Unit 156	30025101200000	8-E	Grayburg	1	4	97

As seen above, the average drainage area of the offsetting locations is only 6 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	
	wen	Location	HCF V	Acres	MBO	MMCF
Chevron	Falby Fed A #6	8-D	9.8	6	70	409

- 4. The W/2 of Section 8 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 C.P. Falby Fed A #6 will share a 40-acre proration unit and will be simultaneously dedicated with the SO Penrose Sky Unit 151 as a Penrose Skelly, Grayburg producer in Section 8, Unit Letter D.
- 6. Approval of this application will allow for the recovery of oil and gas reserves which would not otherwise be recovered.



Chevron USA Inc.



SO Penrose Sky Unit #151 660 FNL & 660 FWL C.P. Falby Fed A #6 (proposed) 13100 FNL & 1100 FWL, Unit D Section 8, T22S-R37E Lea County, New Mexico

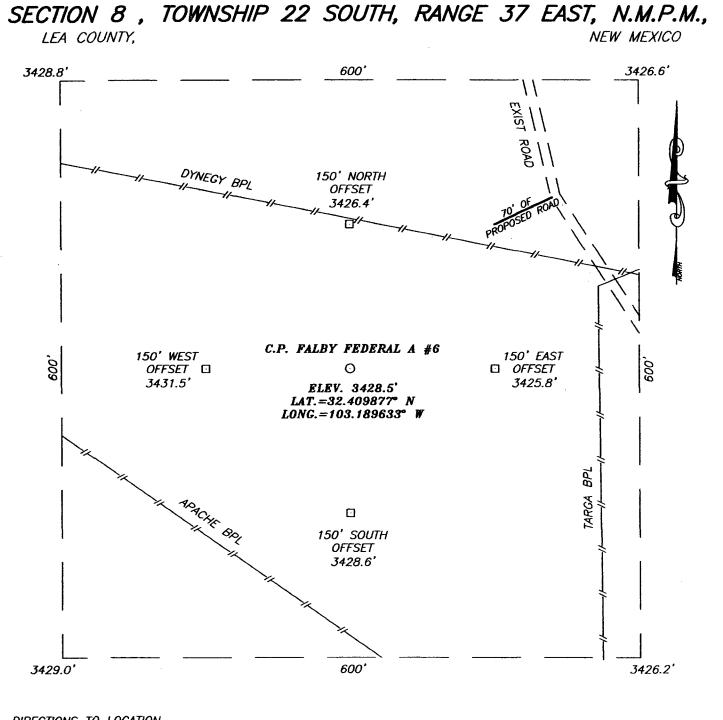


C.P. Falby A Lease



40 Acre Proration Unit

Scale: 1"=2000' Approx.



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF S. LEGION RD. AND DELAWARE BASIN RD. (SOUTHWEST OF EUNICE), GO NORTH ON S. LEGION RD. APPPROX. 0.3 MILES. TURN LEFT AT CATTLEGUARD AND GO WEST APPROX. 300 FEET, VEER RIGHT AND GO NORTH APPROX. 200 FEET, VEER LEFT AND GO WEST APPROX. 0.6 MILES, VEER RIGHT AND CONTINUE NORTHWEST APPROX. 0.4 MILES TO A PROPOSED ROAD SURVEY. FOLLOW PROPOSED ROAD SURVEY SOUTHWEST APPROX. 300 FEET TO THIS LOCATION.



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

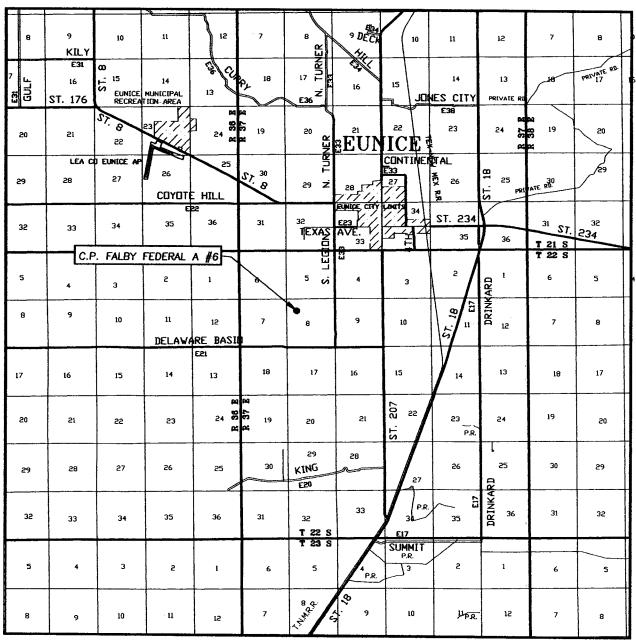
100	o	100	200 Feet
	Scale:1	<i>'=100'</i>	

U.S.A. CHEVRON INC.

C.P. FALBY FEDERAL A #6 LOCATED 1310 FEET FROM THE NORTH LINE AND 1100 FEET FROM THE WEST LINE OF SECTION 8, TOWNSHIP 22 SOUTH, RANGE 37 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO.

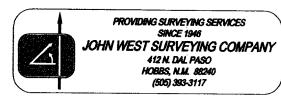
Survey Date: 10	0/30/06		Sheet	1	of	1	Sheets
W.O. Number: 06.	11.1691	Dr	By: JR		Re	ev 1:	N/A
Date: 11/14/06	Disk: CD#	1	0611	1691		Scale	e:1 "=100'

VICINITY MAP



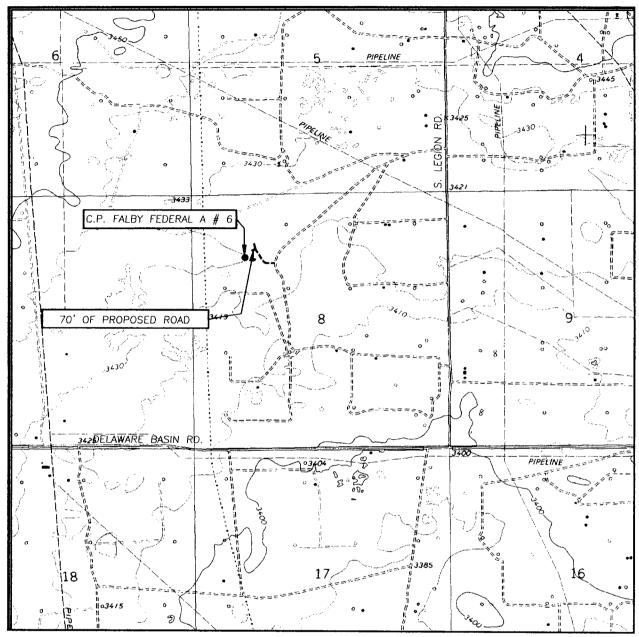
SCALE: 1" = 2 MILES

SEC. <u>8</u>	TWP. <u>22-S</u>	RGE. <u>37-</u>	<u>-E</u>
SURVEY	N.M.I	Р.М.	
COUNTY	LEA_STA	TE NEW M	EXICO
DESCRIPTIO	N_1310' FN	L & 1100	' FWL
ELEVATION_	3	429'	
OPERATOR_	CHEVRON	U.S.A. IN	IC.
LEASE C	P. FALRY	FFDFRAI	Δ





LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: EUNICE, N.M. - 10'

SEC. 8 TWP. 22-S RGE. 37-E

SURVEY N.M.P.M.

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 1310' FNL & 1100' FWL

ELEVATION 3429'

OPERATOR CHEVRON U.S.A. INC.

LEASE C.P. FALBY FEDERAL A

U.S.G.S. TOPOGRAPHIC MAP
EUNICE, N.M.



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

District I 1625 N. French Dr., Hobbs, NM 88240

State of New Mexico Energy, Minerals & Natural Resources Department

Form C-102 Revised June 10, 2003

1301 W. Grand Avenue, Artesia, NM 88210

1000 Rio Brazos Rd., Aztec, NM 87410

1220 South St. Francis Dr. Santa Fe, NM 87505

Submit to Amananiate District Office **OIL CONSERVATION DIVISION**

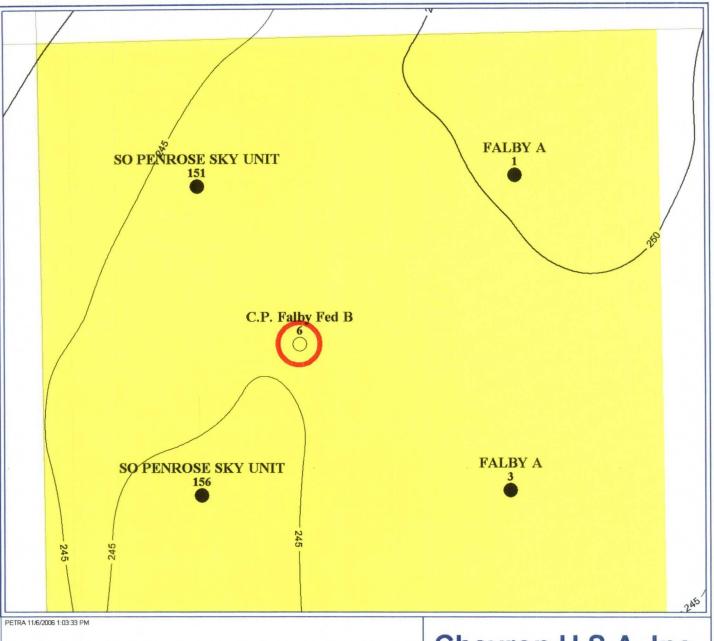
Exhibit 3.1

□ AMENDED REPORT

District IV 1220 South St. Francis Dr., Santa Fe, NM

			² Pool Code 50350	•	³ Pool Name Penrose Skelly; Grayburg				
⁴ Property Code					⁵ Property Name C.P. Falby A Federal				⁶ Well Number 6
⁷ OGRID	No.				⁸ Operator Na Chevron U.S.A.	⁸ Operator Name Chevron U.S.A., Inc.			
					¹⁰ Surface Lo	cation			
UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West I	ine County
D	8	228	37E		1310	North	1100	West	Lea
			¹¹ Bott	tom Hole	Location If D	ifferent From S	urface		•
UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West	line County
² Dedicated Acr 40	res ¹³ Join	nt or Infill	 Consolidation	Code 15 Or	der No.				
NO	ALLOW	ABLE WIL				ION UNTIL ALL IN EEN APPROVED BY		BEEN CONSO	LIDATED OR A
16 40-acre proration u		C.P. Falby A Federal Lease				17 OPE	RATOR CE	ERTIFICATION	
15°	1								ation contained herein is of my knowledge and belie
	<u></u>				<u>.</u>			(1	
1100'								do	, A

some yett-Signature Sarah C. Rittenhouse Printed Name Geologist Title 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. Signature and Seal of Professional Surveyor: Certificate Number



Chevron U.S.A. Inc.

EXHIBIT 4

PENROSE-SKELLY FIELD FALBY A #6

Sec. 8, T22S-37E, Lea CO. New Mexico

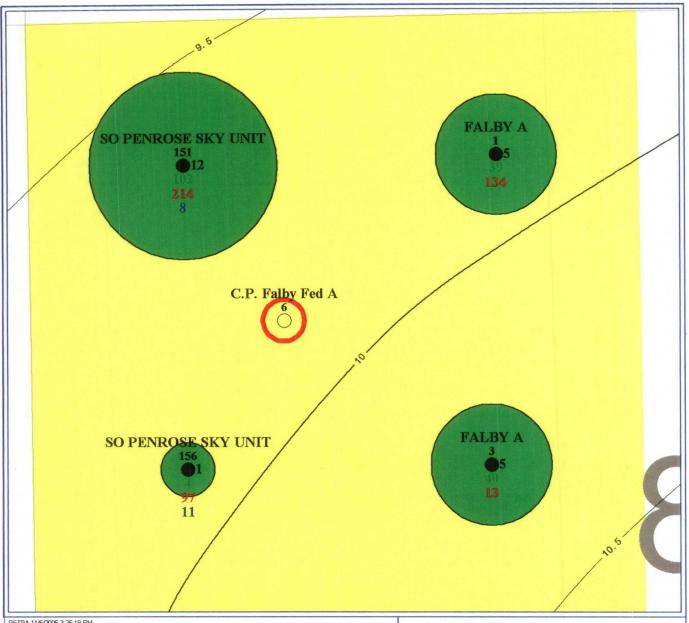
Grayburg New Pay CI=5.'[Gr<40,Por>6%]



POSTED WELL DATA

Well Name Well Number

November 6, 2006



PETRA 11/6/2006 3:25:19 PM

Chevron U.S.A. Inc.

EXHIBIT 5

PENROSE-SKELLY FIELD C.P. FALBY FED A #6

Sec. 8, T22S-37E, Lea CO. New Mexico

Grayburg HCPV CI=0.5 & EUR - Drainage

POSTED WELL DATA

Well Name Well Number

SRLF_PENROSE_SKELLY - DRAINAGE_ZON

SRLF PENROSE SKELLY - GRAYBURG CUM OIL [SRLF] (MBO)
SRLF PENROSE SKELLY - GRAYBURG CUM GAS[SRLF] (MMCF)
SRLF PENROSE SKELLY - GRAYBURG CUM WATER[SRLF] (MBO)



November 6, 2006