

DATE 11/28/06	SUSPENSE	ENGINEER BROOKS	LOGGED IN 11/29/06	TYPE NSL	APP NO. PTDSO633361616
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



E.A. Sticher #5
Chevron
5534

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]
 [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
 [A] ☐ 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] 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.

Print or Type Name	Signature	Title	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:

E.A. Sticher #5
2310' FSL & 1310' FWL, NW/4 SW/4 of
Section 4, T22S, R37E, Unit Letter L
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 SW/4 of Section 4 will be simultaneously dedicated in the Penrose Skelly, Grayburg Pool to the proposed well and to the E.A. Sticher #2. The E.A. Sticher #2 was drilled pre-1970 and was re-completed in the Grayburg in 2002. 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 five wells that have produced the Grayburg formation in the SW/4 of Section 4. The proposed well will be located in the approximate northern 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 and SW/4 of SW/4 of Section 10 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,

November 6, 2006

Page 2

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,

A handwritten signature in black ink, appearing to read "Sarah Rittenhouse", with a long horizontal flourish extending to the right.

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:

E.A. Sticher #5

2310' FSL & 1310' FWL

Section 4, T22S, R37E, Unit Letter L

Lea County, New Mexico

Offset Operators, Working Interest Owners, NE/4, SW/4 Section 4:

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

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
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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

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☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM
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U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
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- [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.

Sarah Rittenhouse
Print or Type Name

Signature

Project Manager / Geologist
Title

11/6/2006
Date

Sarah.Rittenhouse@chevron.com
e-mail Address

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

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

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

DISTRICT IV
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

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

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name E.A. STICHER	Well Number 5
OGRID No.	Operator Name CHEVRON U.S.A. INC.	Elevation 3445'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	4	22-S	37-E		2310	SOUTH	1310	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 or Infill	Consolidation Code	Order 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

LOT 4	LOT 3	LOT 2	LOT 1
39.91 AC	39.86 AC	38.80 AC	38.75 AC
GEODETIC COORDINATES NAD 27 NME Y=518411.1 N X=858406.8 E LAT.=32.419871° N LONG.=103.171873° W			
1310'			
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 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 voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature _____ Date _____

Printed Name _____

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.

OCTOBER 30, 2006

Date Surveyed _____ JR

Signature & Seal of Professional Surveyor
GARY H. EIDSON 11/29/06
06.11.1696

Certificate No. GARY EIDSON 12641

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:

E.A. Sticher #5

2310' FSL & 1310' FWL

Section 4, T22S, R37E, Unit Letter L

Lea County, New Mexico

PRIMARY OBJECTIVE: GRAYBURG

SUPPORTING DATA:

1. Chevron U.S.A. Inc. (Chevron) is the operator of the proposed E.A. Sticher #5 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).

Operator	Well	API #	Location	Formation	Cum Prod		Current Prod		Status
					MBO	MMCF	BOPD	MCFPD	
Chevron	Sticher #1	30025100380000	3-B	Grayburg	94	145	-	-	UNKNOWN
Pogo Prod	So. PS Unit 130	30025100200000	3-G	Grayburg	60	56	-	-	UNKNOWN
Chevron	Sticher #2	30025100390000	3-H	Grayburg	13	499	7	341	Active
Chevron	Sticher #3	30025100400000	3-A	Grayburg	8	295	6	378	Active

3. The proposed E.A. Sticher #5 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 Acres	EUR	
						MBO	MMCF
Chevron	Sticher #1	30025100380000	3-B	Grayburg	4	40	0
Chevron	So. PS Unit 130	30025100200000	3-G	Grayburg	7	61	60
Chevron	Sticher #2	30025100390000	3-H	Grayburg	6	59	1265
Chevron	Sticher #3	30025100400000	3-A	Grayburg	1	13	583

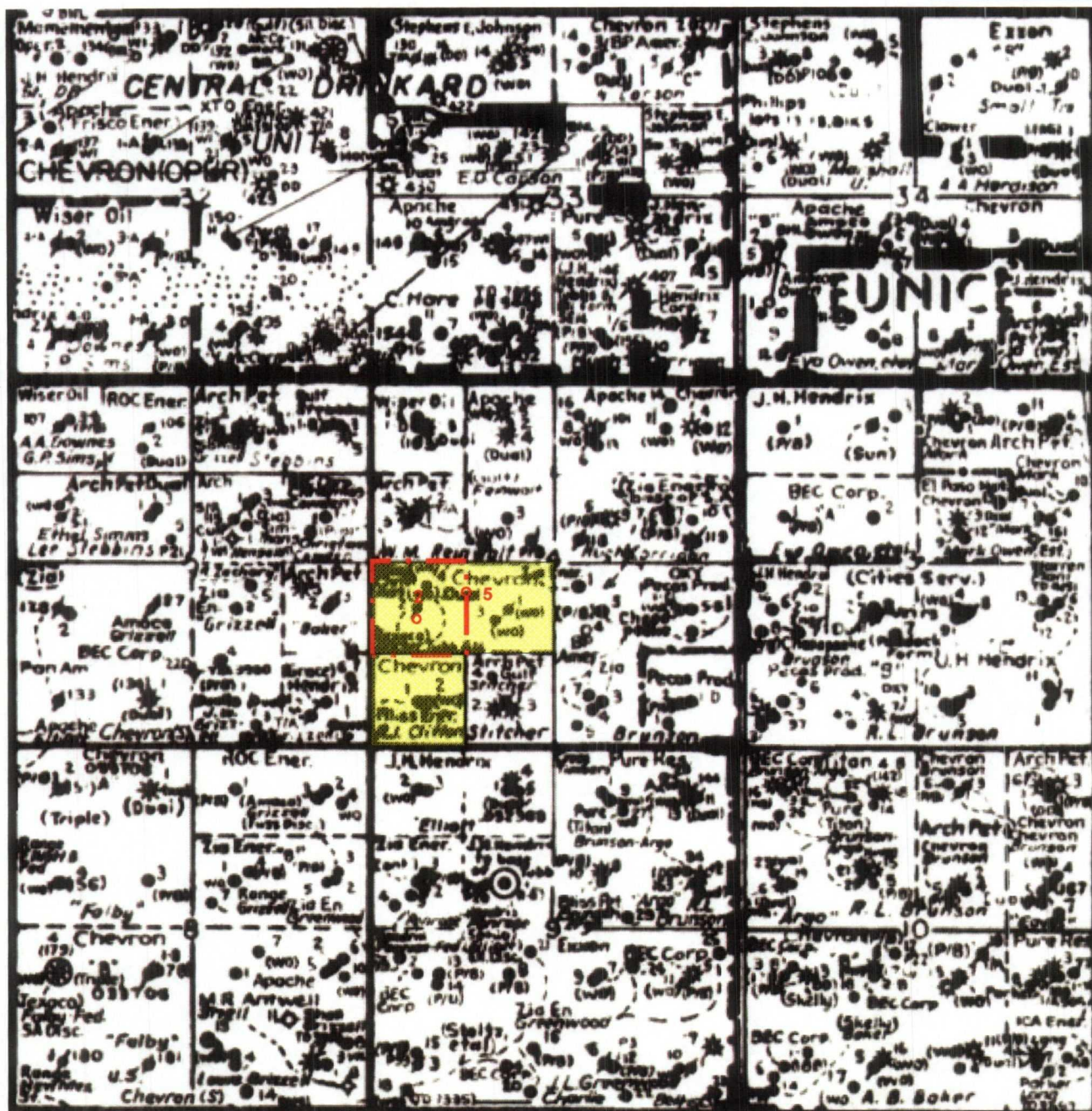
As seen above, the average drainage area of the offsetting locations is only 5 acres, and additional reserves can be recovered by drilling the proposed infill well at an approximate equidistant location from the existing offsetting producers. Reserves for the proposed location were calculated using the HCPV map, a 6 acre drainage area, and a 15% recovery factor. The results are as follows:

Operator	Well	Location	HCPV	Drainage Acres	EUR	
					MBO	MMCF
Chevron	Sticher #5	4-L	10.0	6	47	207

4. The NE/4 SW/4 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 E.A. Sticher #5 will share a 40-acre proration unit and will be simultaneously dedicated with the Sticher #2 as a Penrose Skelly, Grayburg producer in Section 4, Unit Letter L.
6. Approval of this application will allow for the recovery of oil and gas reserves which would not otherwise be recovered.



Chevron USA Inc.



E.A. Sticher #2
1780 FSL & 660 FWL
E.A. Sticher #5 (proposed)
2310 FSL & 1310 FWL, Unit L
Section 4, T22S-R37E
Lea County, New Mexico



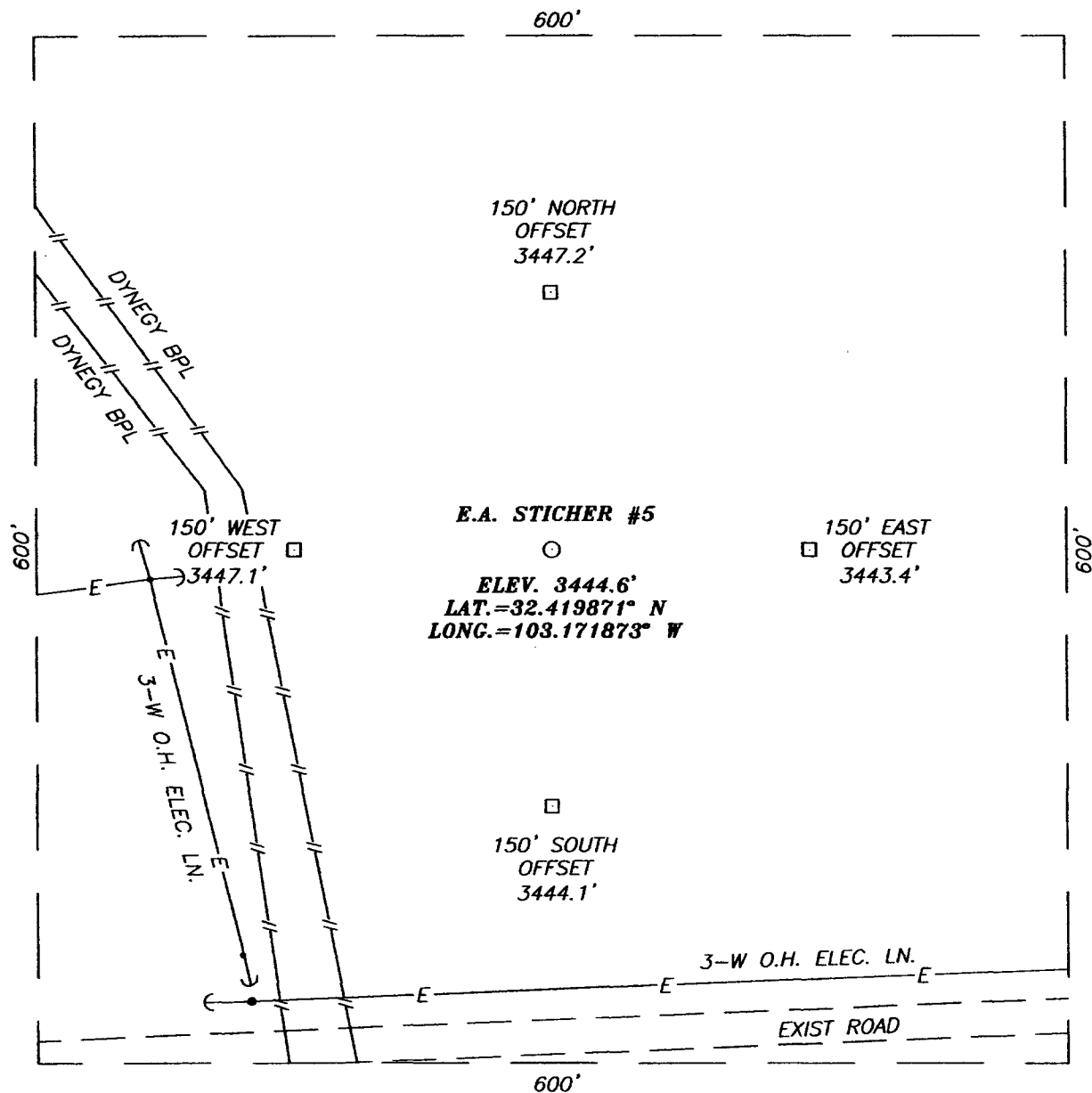
E.A. Sticher Lease



40 Acre Proration Unit

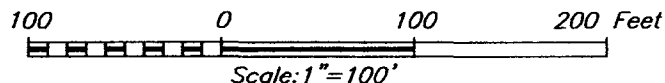
Scale: 1"=2000' Approx.

SECTION 4, TOWNSHIP 22 SOUTH, RANGE 37 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

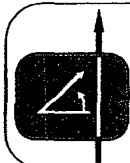
FROM THE INTERSECTION OF S. LEGION RD. AND DELAWARE BASIN RD. (SOUTHWEST OF EUNICE) GO NORTH ON LEGION RD. APPROX. 1.6 MILES. TURN RIGHT AND GO EAST (THROUGH CATTLEGUARD) APPROX. 0.1 MILES. TURN RIGHT AND GO SOUTH APPROX. 0.1 MILES, VEER LEFT AND GO SOUTHEAST APPROX. 0.1 MILES, VEER LEFT AND CONTINUE ON EAST TO THE CHEVRON STICHER BATTERY. THIS LOCATION IS APPROX. 290 FEET NORTH IN PASTURE.



CHEVRON U.S.A. INC.

E.A. STICHER #5
LOCATED 2310 FEET FROM THE SOUTH LINE
AND 1310 FEET FROM THE WEST LINE OF SECTION 4,
TOWNSHIP 22 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: 06.11.1696	Dr By: JR
Date: 11/15/06	Disk: CD#1
06111696	Scale: 1"=100'



PROVIDING SURVEYING SERVICES
SINCE 1948
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

The map displays a grid of sections, with numbers 1 through 36 indicating specific blocks or sections. Key features include:

- Streets:** ST. 176, ST. 8, ST. 234, ST. 207, ST. 18, ST. 17, ST. 16, ST. 15, ST. 14, ST. 13, ST. 12, ST. 11, ST. 10, ST. 9, ST. 8, ST. 7, ST. 6, ST. 5, ST. 4, ST. 3, ST. 2, ST. 1.
- Landmarks and Areas:** EUREKA, JONES CITY, COYOTE HILL, DELAWARE BASIN, SUMMIT P.R., E.A. STICHER #5.
- Other Labels:** KILY, GULF, EUNICE MUNICIPAL RECREATION AREA, LEA CO EUNICE AP, TEXAS AVE., S. LEON, DRINKARD, PRIVATE RD., MEX. RR., N. TURNER, CURRY, DECA, HILL, E31, E32, E33, E34, E35, E36, E37, E38, E39, E40, E41, E42, E43, E44, E45, E46, E47, E48, E49, E50, E51, E52, E53, E54, E55, E56, E57, E58, E59, E60, E61, E62, E63, E64, E65, E66, E67, E68, E69, E70, E71, E72, E73, E74, E75, E76, E77, E78, E79, E80, E81, E82, E83, E84, E85, E86, E87, E88, E89, E90, E91, E92, E93, E94, E95, E96, E97, E98, E99, E100.



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

District II
1301 W. Grand Avenue, Artesia, NM 88210

OIL CONSERVATION DIVISION

Submit to Appropriate District Office

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

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

Exhibit 3.1

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code 50350	³ Pool Name Penrose Skelly; Grayburg
⁴ Property Code	⁵ Property Name E.A. Sticher	⁶ Well Number 5
⁷ OGRID No.	⁸ Operator Name Chevron U.S.A., Inc.	⁹ Elevation 3417

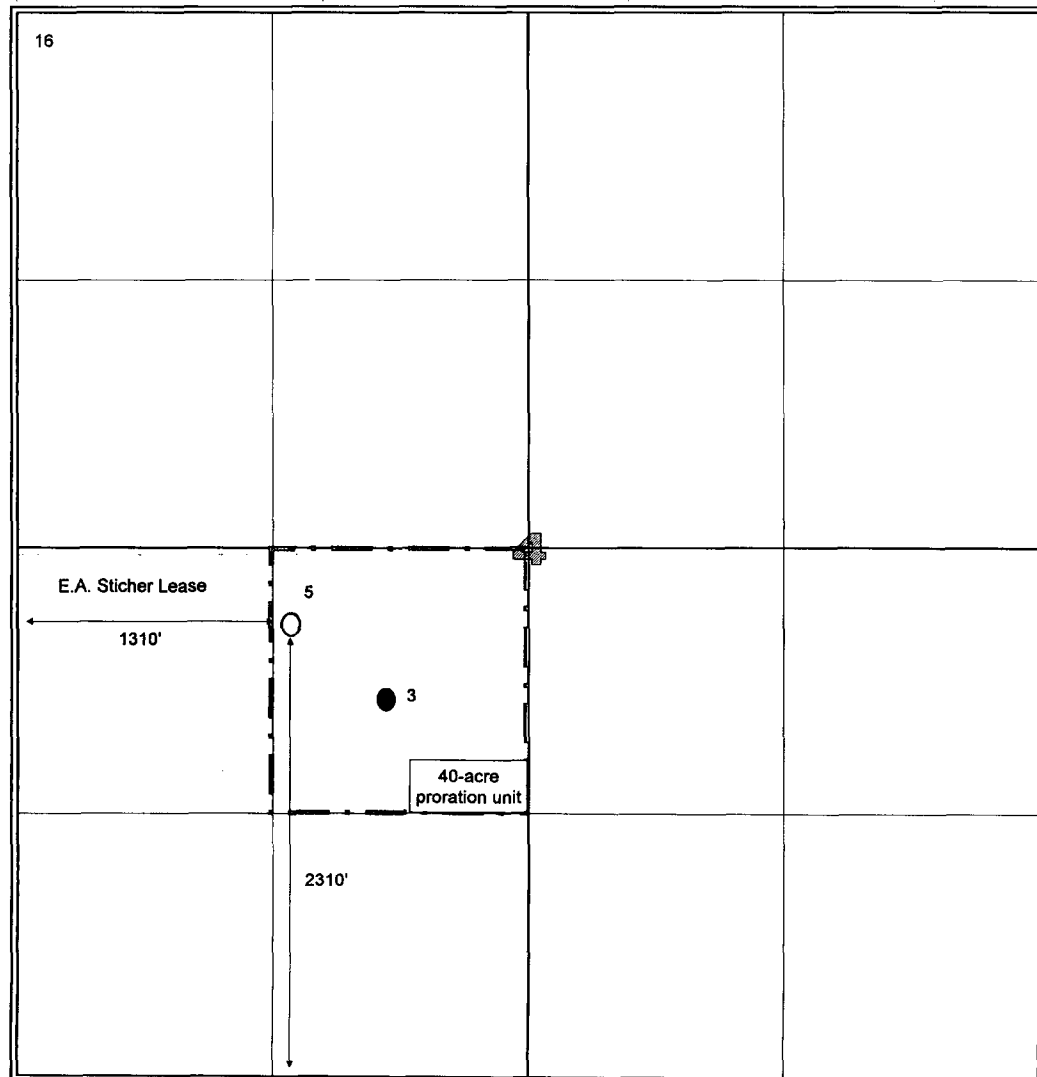
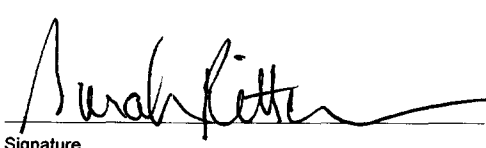
¹⁰ Surface Location

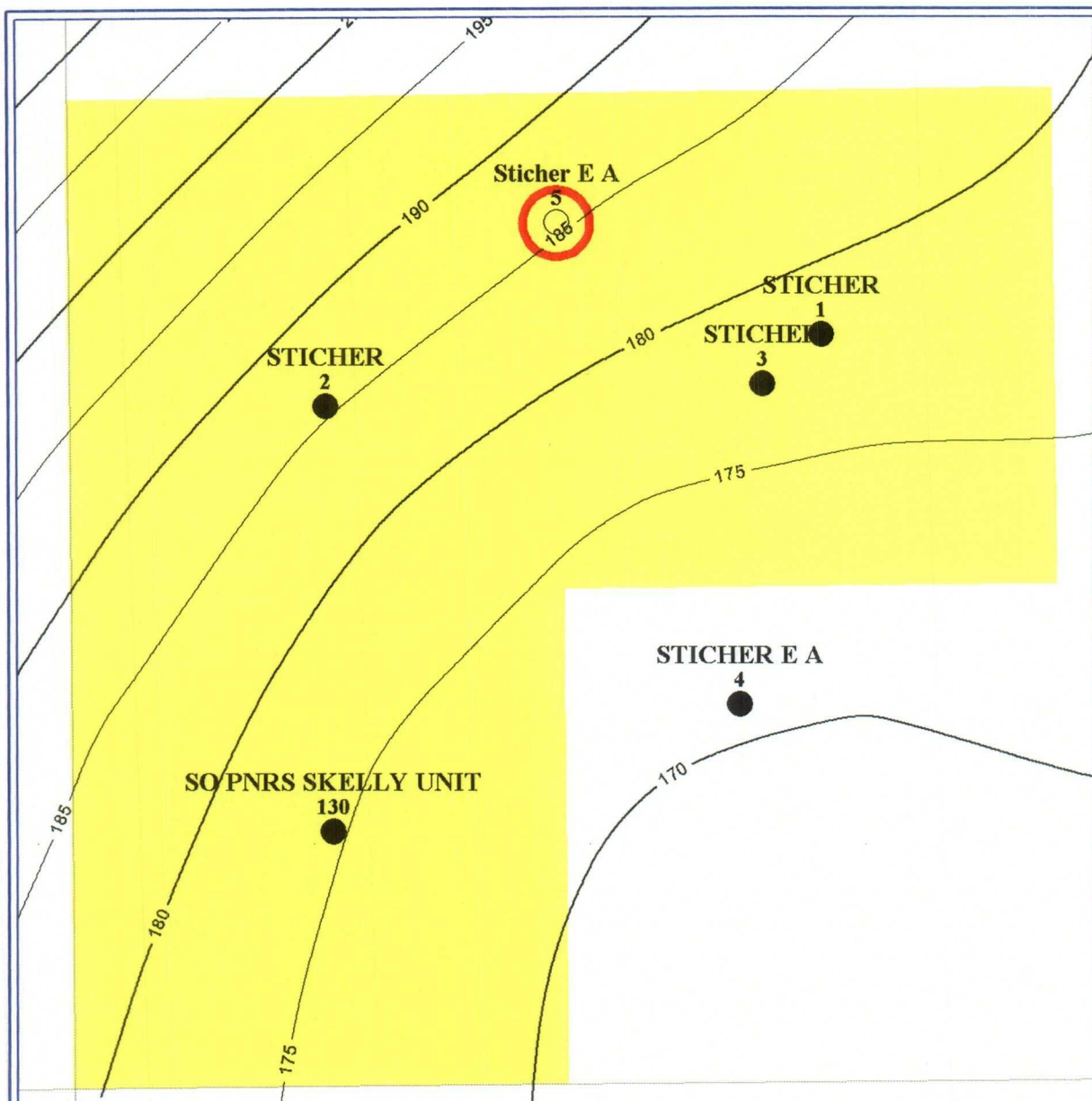
UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	4	22S	37E		2310	South	1310	West	Lea

¹¹ 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
¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.						

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NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION**

<div><p>¹⁶</p></div>	<div><p>¹⁷</p><p>OPERATOR CERTIFICATION</p><p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p><p></p><p>Signature Sarah C. Rittenhouse</p><p>Printed Name Geologist</p><p>Title November 2, 2006</p></div> <div><p>¹⁸</p><p>SURVEYOR CERTIFICATION</p><p><i>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.</i></p><p>Signature and Seal of Professional Surveyor:</p><p>Certificate Number</p></div>
---	---



PETRA 11/6/2006 1:14:34 PM

Chevron U.S.A. Inc.

EXHIBIT 4

PENROSE-SKELLY FIELD E.A. STICHER #5

Sec. 4, T22S-37E, Lea CO. New Mexico

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

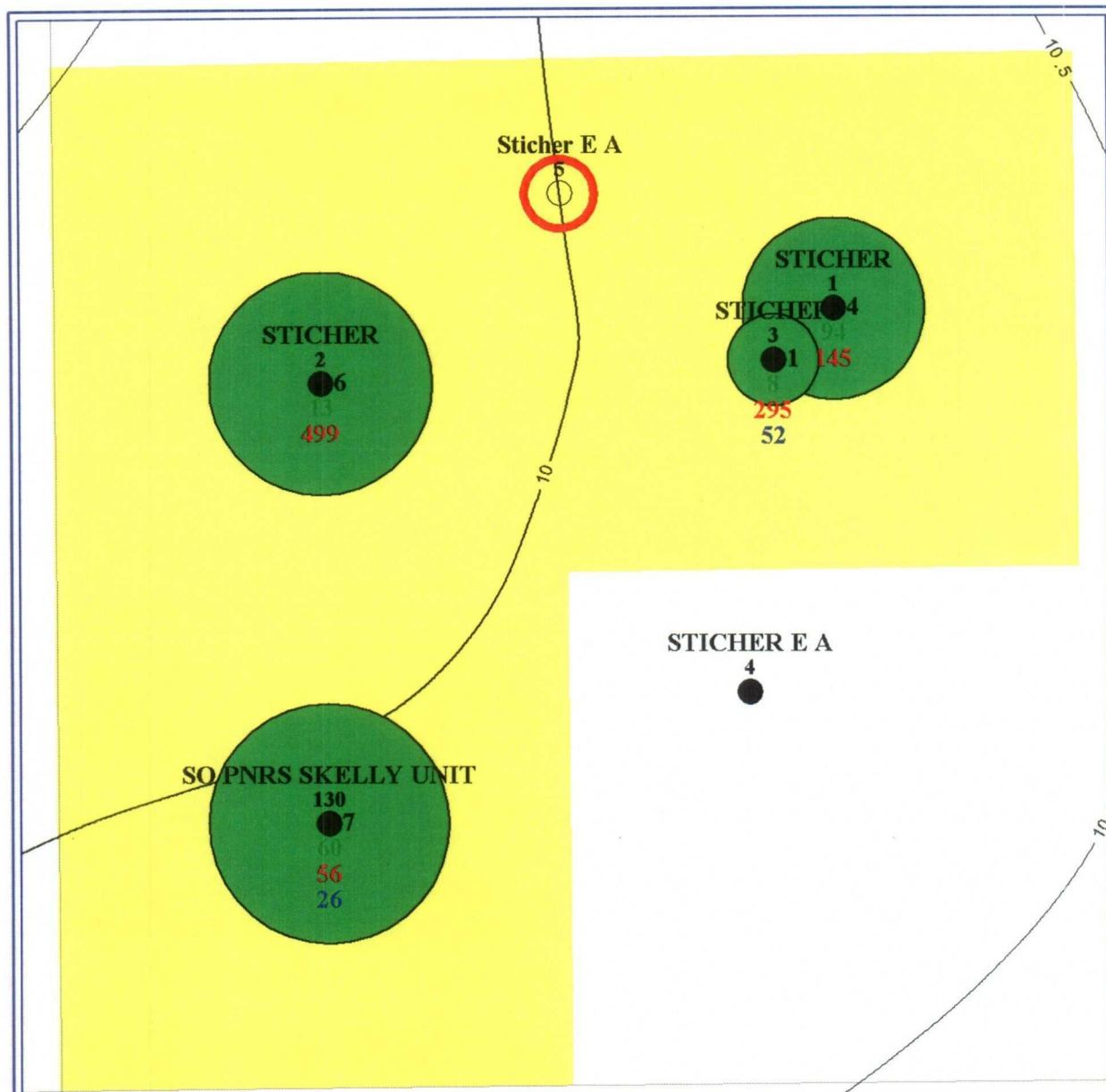


POSTED WELL DATA

Well Name
Well Number



November 6, 2006



PETRA 11/6/2006 3:20:57 PM

Chevron U.S.A. Inc.

EXHIBIT 5

PENROSE-SKELLY FIELD E.A. STICHER #5

Sec. 4, T22S-37E, Lea CO. New Mexico

Grayburg HCPV CI=0.5 & EUR - Drainage

POSTED WELL DATA

Well Name
Well Number

● SRLF_PENROSE_SKELLY - DRAINAGE_ZONE[SRLF]

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