

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

January 15, 2008

Chevron U.S.A., Inc.
Attn: Ms. Sarah C. Rittenhouse
11111 S. Wilcrest, Rm S1037
Houston, TX 77099

Administrative Order NSL-5764

**Re: V.M. Henderson Well No. 25
Unit H, Section 30-21S-37E
Lea County**

Dear Ms Rittenhouse:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR07-33750557**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on December 3, 2007, and

(b) the Division's records pertinent to this request.

Chevron U.S.A., Inc. (Chevron) has requested to drill the above-referenced well at an unorthodox Grayburg oil well location, 2310 feet from the North line and 1310 feet from the East line (Unit H) of Section 30, Township 21 South, Range 37 East, N.M.P.M., in Lea County, New Mexico. The SE/4 NE/4 of Section 30 will be dedicated to this well in order to form a standard 40-acre spacing unit in the Penrose Skelly-Grayburg Pool (50350). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the eastern unit boundary.

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

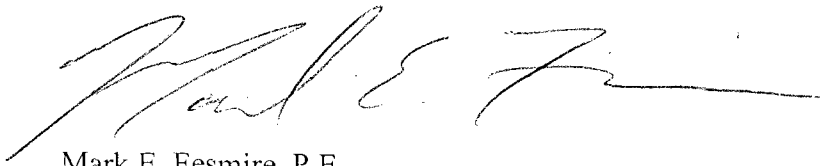
It is our understanding that you are seeking this location because Chevron's geologic interpretation indicates that the well can tap into stranded reserves located on the margins of existing spacing units that cannot be effectively drained by wells located at standard locations.

It is also understood that notice of this application to offsetting operators or owners is unnecessary because working and royalty interest ownership in the offsetting unit towards which this location encroaches is identical to the subject unit.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs