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June 3, 2008

Mr. Jami Bailey, Director  
Commissioner of Public Lands  
State of New Mexico Land Office  
P. O. Box 1148  
Santa Fe, New Mexico 87504-1148

Attention: Mr. Pete Martinez

**RE: APPLICATION FOR FINAL APPROVAL FOR SECOND EXPANSION  
VACUUM GRAYBURG SAN ANDRES UNIT  
VERTICAL EXPANSION OF UNITIZED FORMATION  
LEA COUNTY, NEW MEXICO (CHEVRON FILE NO. QLS-044246)**

Dear Mr. Martinez,

In accordance with your letter of February 21, 2008, Chevron U.S.A. Inc. (Chevron) as sole Operator and Working Interest Owner of the Vacuum Grayburg San Andres Unit, hereby respectfully requests Final Approval for the Second Expansion for the Vertical Expansion of the unitized formation of the Unit Agreement for the Development and Operation of the Vacuum Grayburg San Andres Unit.

In accordance with said letter granting preliminary approval of our application, we further submit the following information:

1. Two copies of the Application for Vertical Expansion of the Vacuum Grayburg San Andres Unit dated January 23, 2008, effective January 1, 2008 which has been signed by the proper authority at Chevron;
2. **Not Required** – Chevron is the sole working interest owner & Operator of the Vacuum Grayburg San Andres Unit; and the State of New Mexico is the sole mineral interest owner;
3. **Attachment I** – NMOCD authorization for a Vertical Expansion of the Vacuum Grayburg San Andres Unit and addition of new wells for injection of CO<sub>2</sub> was authorized for this Unit by Division Order No. R-4442-C, issued in Case 14114 dated May 30, 2008 (**attached**);
4. **Attachment II** – 2008 Plan of Operation;
5. **Not Required** – A re-designation of well names and numbers or a listing of all wells (and API's) in the Unit are not required since all are existing Unit wells and new wells to be drilled in 2008;

6. **Not Required** – No Revision of Exhibit "B" is required since no changes were applicable & will remain the same as attached to Item 1 above.

Chevron respectfully looks forward to the Final Approval of the Second Expansion of the Unit. We are ready to move forward with our operations as soon as we receive your approval. If you have any questions regarding this matter, you may call me at (432) 687-7461.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Daniel Pequeno', with a long horizontal line extending to the right.

Enclosures

Cc: Mr. William V. Jones PE  
New Mexico Oil Conservation Division  
1220 South St. Francis  
Santa Fe, New Mexico 87505