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William F. Carr

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June 24, 2003

**VIA FACSIMILE AND U. S. MAIL**  
**FAX NO. (505) 393-0720**

Mr. Chris Williams, Supervisor  
and Oil & Gas Inspector  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1625 North French  
Hobbs, New Mexico 88240

Re: Chevron U.S.A. Inc.'s Lusk Federal "29" Well No. 1  
Request for 90-day testing allowable

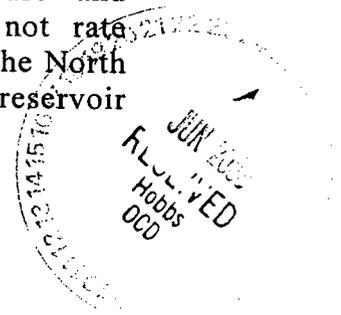
Dear Mr. Williams:

Chevron U.S.A. Inc. ("Chevron") requests a 90-day testing allowable for its Lusk Federal "29" Well No. 1 located 330 feet from the South line and 2005 feet from the West line of Section 29, Township 189 South, Range 32 East, NMPM, Lea County, New Mexico. Chevron drilled this well in 1999 and throughout its producing life has regulated the oil production from the well by controlling the gas production. The well is shut in approximately 50% of the time.

As shown on the attached daily production plot and table of production data, when the well is produced at a gas-oil-ratio of 2000 to 1, the rate is too low to produce oil. When Chevron increases the rate, by the time the rate is stabilized, it is time to shut the well in. In addition to the operational problems created by this situation, Chevron has been unable to acquire the information it needs to file an application to increase the GOR in this pool and prepare for a hearing.

A testing allowable will enable Chevron to gather pressure and production information needed to establish that the reservoir is not rate sensitive and that adoption of Special Pool Rules and Regulations for the North Lusk-Strawn Pool to increase the pool's GOR will not dissipate reservoir energy and will not cause the waste of oil.

BEFORE THE COMMISSION  
Santa Fe, New Mexico  
Case No. 13174 Exhibit No. 3  
Submitted by:  
CHEVRON U.S.A.  
Hearing Date: October 23, 2003

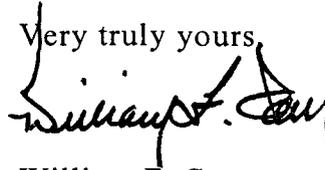


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Enclosed is a copy of the Division Form C-104 (Request for Allowable and Authorization to Transport) for this well. If you have any questions concerning this request please contact me at (505) 988-4421 or David Crawford at (432) 687-7331 or Scott Ingram at (432) 687-7212. Your attention to this request is appreciated.

Very truly yours,



William F. Carr

Enclosures

cc: J. David Crawford  
Sr. Petroleum Engineer  
Carlsbad Team  
Chevron U.S.A. Inc.  
15 Smith Road  
Midland, Texas 79705

*OR Chris Williams*