OIL CONSERVATION DIVISION

July 28, 1995

Chevron U.S.A. Inc. P.O. Box 1150 Midland, Texas 79702

Attention: Dave Rittersbacher

Re:

Administrative Application for directional drilling, an unorthodox bottomhole oil well location, and a non-standard oil proration unit; Lea "YL" State Well No. 2 (API No. 30-025-31005) located 2230'FSL - 2310'FEL (Unit J) of Section 2, Township 17 South, Range 37 East, NMPM, Shipp-Strawn Pool, Lea County, New Mexico.

Dear Mr. Rittersbacher:

It has been determined subsequent to our initial evaluation of your application dated July 5, 1995 (received by the Division on July 12, 1995) that the provisions of the "Special Rules and Regulations for the Shipp-Strawn Pool", as promulgated by Division Order No. R-8062, as amended, does not permit the Division to process the subject application administratively since the proposed acreage dedication crosses over into two quarter sections, see RULES 2 and 3.

This application will be placed on the next available Examiners Hearing docket scheduled for August 24, 1995. Further, you as applicant must provide adequate notice of this matter pursuant to all applicable provisions of Division General Rule 1207.A.

Sincerely,

Michael E. Stogner

Chief Hearing Examiner/Engineer

cc: Oil Conservation Division - Hobbs New Mexico State Land Office - Santa Fe William J. LeMay, Director - OCD, Santa Fe



115.88 17 441.8 52

Administrative Application for Non-Standard Well Location and Non-Standard Proration Unit Shipp Strawn Oil Pool Lea "YL" State #2 Sidetrack 2600' FNL 1700' FEL Section 2, T17S, R37E Lea County, New Mexico

Chevron U.S.A. Production Company P.O. Box 1150 Midland, TX 79702

State of New Mexico
Energy, Minerals, & Natural Resources Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504

Attn: Mr. William J. LeMay - Director

Dear Mr. Lemay:

4.5 miles north by west of Humble City, Non

11367

Chevron U.S.A. proposes to sidetrack the Lea "YL" State #2 to a non-standard location in the Shipp Strawn Oil Pool. The location of the original well bore is 2230' FSL 2310' FEL and the sidetrack bottom-hole location will be within a 50' radius of 2600' FNL 1700' FEL in Section 2, T17S, R37E, Lea County, N.M. The original Lea "YL" State #2 well is currently shut-in. The proposed 80 acre non-standard proration unit for this well would comprise the SW/4 NE/4 and NW/4 SE/4 of Section 2. Administrative approval of this non-standard location and non-standard proration unit is requested.

Field rules for Shipp Strawn require 80 acre spacing and standard well locations to be within 150' of the center of a quarter-quarter section. A non-standard location was based on seismic analysis that showed the target Strawn limestone algal-mound reservoir was located north and east of the existing Lea "YL" State #2. The seismic data show that a commercial well is unlikely at a standard location. The proposed location is non-standard with respect to the east line, and the working interest owners to the east, Conoco and Bechtel, have provided waiver letters that are attached. The proposed location is also non-standard with respect to the north line that impacts only 100% Chevron leasehold. Field rules call for 80 acre proration units to be the N/2, S/2, E/2, or W/2 of a quarter section. The proposed proration unit for the Lea "YL" #2 sidetrack will consist of 100% Chevron leasehold in the SW/4 NE/4 and NW/4 SE/4 of Section 2. This proration unit was chosen because the well location lies very close to the boundary between the SW/NE and NW/SE quarter-quarter sections.

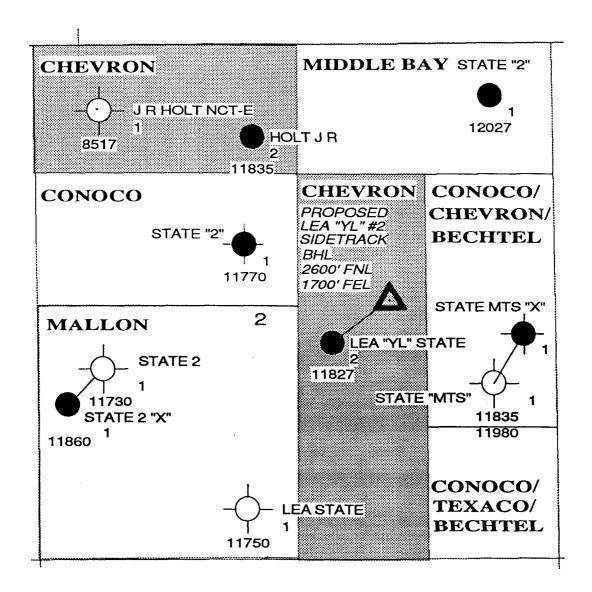
A copy of this administrative application was provided to our offset operators via Certified Mail. Attached is a map and a form C-102 plat illustrating the proration unit acreage and well location. Also included is a copy of the letter sent to our offset operators.

If you have any questions, or if you require further information, please contact Dave Rittersbacher at (915) 687-7114.

Sincerely,

Dave Rittersbacher Dave Rittersbacher Senior Geologist New Mexico Area

cc: NMOCD - Hobbs, New Mexico





Chevron USA

Shipp Strawn Proposed Lea "YL" #2 Sidetrack Sec. 2-T17S-R37E, Lea Co., N.M.

Dave Rittersbacher		06/21/95
	Scale 1:12000.	

State of New Mexico Energy, Minerals and Natural Resources

pertment

Form C-102 Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088 Santa Fe, New Mexico 87504-2088

DISTRICT I P.O. Box 1980, Hobbs, NM 88240 DISTRICT II P.O. Drawer DD, Artesia, NM 88210

DISTRICT III

WELL LOCATION AND ACREAGE DEDICATION PLAT

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District & PO Box 1988, Hobbs, NM \$8241-1988 District [] PO Drawer DD. Artena, NM \$8211-8719 1000 Rio Brazos Rd., Azter, NM 87410

District IV

State of New Mexico

OIL CONSERVATION DIVISION PO Box 2088 Santa Fe, NM 87504-2088

Form C-102 Revised February 10, 1994 instructions on back

Submit to Appropriate District Office

State Lease - 4 Copies Fee Lease - 3 Copies

AMENDED REPORT

PO Box 2088, Se	inia Fe. NM	87504-2088							L	_ AME	ENDED REPORT
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OFFSET OPERATORS PROPOSED LEA "YL" STATE #2 SIDETRACK

Conoco Inc. 10 Desta Drive Suite 100W Midland, Texas 79705

Texaco Inc. P.O. Box 3109 Midland, Texas 79702

Bechtel Energy Resources Corp. 5555 San Felipe Suite 600 Houston, Texas 77056

> Mallon Oil Company 1099 18th Street Suite 2750 Denver, Colorado 80202

Middle Bay Oil Compnay P.O. Box 390 Mobile, Alabama 36601



Chevron U.S.A. Production Company

A Division of **Chevron** U.S.A. Inc. P.D. Box 1150, Midland, TX 79702 • Phone (915) 687-7791 15 Smith Road, Midland, TX 79705 • Fax (915) 687-7448

RECEIVED CONOCO, INC.

JUN 12 1995

LAND DEPT.

Permian Basin Land Division

June 12, 1995

Shipp Prospect Section 2, T-17-S, R-37-E, Lea County, New Mexico

Conoco Inc. 10 Desta Drive, Suite 100W Midland, Texas 79705-4500

Attention: M. J. Johnson

Case 11367

Gentlemen:

Chevron U. S. A. Production Company plans to drill a Strawn well located 1700' from the East Lease Line and 2600' from the North Lease Line of Chevron's lease covering, among other lands, the W/2SE/4 and SW/4NE/4 of Section 2, T-17-S, R-37-E, Lea County, New Mexico, as further described on the plat attached hereto as Exhibit "A".

Conoco has a leasehold interest in the lease offsetting Chevron's lease, covering Lots 1 and 2, SE/4NE/4, and the E/2SE/4 of Section 2, T-17-S, R-37-E, Lea County, New Mexico.

In anticipation of Chevron drilling the above described well, Conoco Inc. hereby agrees that it will not oppose Chevron as to the location of the well in regard to its proximity to the vertical lease line that separates the Chevron and Conoco leases.

Should Conoco wish to drill a well offsetting Chevron's lease, Chevron hereby agrees not to oppose a well being located at a like distance from the vertical lease line that separates the Chevron and Conoco leases.

Agreement and acceptance of the above is indicated by the parties' signature below.

Conoco Inc.

By: A Fifth Landman

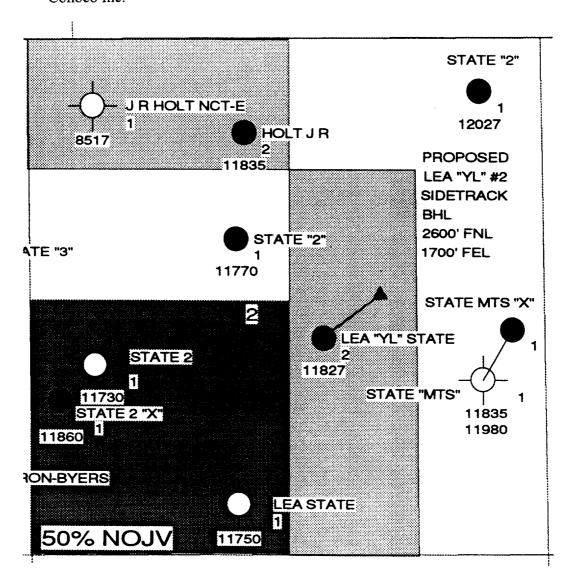
Chevron U.S.A. Production Company, a Division of Chevron U.S.A. Inc.

 \mathcal{W}

Title: Proxit Landman

Exhibit "A"

Attached hereto and made a part of that certain Letter Agreement dated June 12, 1995 by and between Chevron U.S.A. Production Company and Conoco Inc.





	Chevron USA	
	Shipp Strawn d Lea "YL" #2 S 7S-R37E, Lea (
Dave Rittersbacher		06/12/95
	Scale 1:12000.	



Chevron U.S.A. Production Company

A Division of **Chevron** U.S.A. Inc. P.O. Box 1150, Midland, TX 79702 • Phone (915) 687-7791 15 Smith Road, Midland, TX 79705 • Fax (915) 687-7448

Permian Basin Land Division

June 15, 1995

Shipp Prospect Section 2, T-17-S, R-37-E, Lea County, New Mexico

Bechtel Energy Resources Corp. 5555 San Felipe, Suite 600 Houston, Texas 77056

Attention: Don Williamson

Gentlemen:

Chevron U. S. A. Production Company plans to drill a Strawn well located 1700' from the East Lease Line and 2600' from the North Lease Line of Chevron's lease covering, among other lands, the W/2SE/4 and SW/4NE/4 of Section 2, T-17-S, R-37-E, Lea County, New Mexico, as further described on the plat attached hereto as Exhibit "A".

Bechtel Energy Resources Corp. has a leasehold interest in the lease offsetting Chevron's lease, covering Lots 1 and 2, SE/4NE/4, and the E/2SE/4 of Section 2, T-17-S, R-37-E, Lea County, New Mexico.

In anticipation of Chevron drilling the above described well, Bechtel hereby agrees that it will not oppose Chevron as to the location of the well in regard to its proximity to the vertical lease line that separates the Chevron and Bechtel leases.

Should Bechtel wish to drill a well offsetting Chevron's lease, Chevron hereby agrees not to oppose a well being located at a like distance from the vertical lease line that separates the Chevron and Bechtel leases.

Agreement and acceptance of the above is indicated by the parties' signature below.

Bechtel Energy Resources Corp.

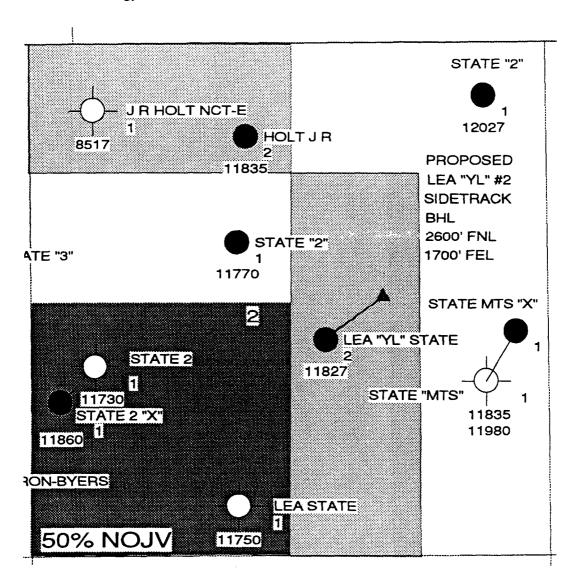
Chevron U.S.A. Production Company, a Division of Chevron U.S.A. Inc.

By: A lu fuel

By: Sure (Bellian
Title: Project Landmen

Exhibit "A"

Attached hereto and made a part of that certain Letter Agreement dated June 15, 1995 by and between Chevron U.S.A. Production Company and Bechtel Energy Resources Corp.





Chevron USA

Shipp Strawn
Proposed Lea "YL" #2 Sidetrack
Sec. 2-T17S-R37E, Lea Co., N.M.

Dave Rittersbacher		06/12/95
	Scale 1:12000.	

Chevron

July 5, 1995 Midland, Texas

> Chevron U.S.A. Production Company P.O. Box 1150 Midland, TX 79702

Administrative Application for Non-Standard Location and Non-Standard Proration Unit Shipp Strawn Oil Pool
Lea "YL" State #2 Sidetrack
2600' FNL 1700' FEL
Section 2, T17S, R37E
Lea County, New Mexico

+ Kittenbark

Conoco Inc. 10 Desta Drive, Suite 100W Midland, Texas 79705

Dear Sir:

Please find attached a copy of Chevron USA's application to the New Mexico Oil Conservation Division for a non-standard location and non-standard proration unit for the proposed Lea "YL" State #2 sidetrack well, 2600' FNL 1700' FWL, Section 2, T17S, R37E, Shipp Strawn Pool, Lea County, New Mexico. Chevron proposes to sidetrack the existing Lea "YL" State #2 well currently located at 2230' FSL and 2310' FEL to the bottom hole location described above. The proposed non-standard proration unit is 80 acres comprising the SW/4 NE/4 and NW/4 SE/4 of Section 2, T17S, R37E.

If you have any questions or require further information, please call Dave Rittersbacher at (915) 687-7114.

Sincerely,

Dave Rittersbacher

Sr. Geologist



> Chevron U.S.A. Production Company P.O. Box 1150 Midland, TX 79702

Administrative Application for Non-Standard Location and Non-Standard Proration Unit Shipp Strawn Oil Pool Lea "YL" State #2 Sidetrack 2600' FNL 1700' FEL Section 2, T17S, R37E Lea County, New Mexico

Ritter Gael

Bechtel Energy Resources Corp. 5555 San Felipe, Suite 600 Houston, Texas 77056

Dear Sir:

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Sincerely,

Dave Rittersbacher Sr. Geologist



> Chevron U.S.A. Production Company P.O. Box 1150 Midland, TX 79702

Administrative Application for Non-Standard Location and Non-Standard Proration Unit Shipp Strawn Oil Pool Lea "YL" State #2 Sidetrack 2600' FNL 1700' FEL Section 2, T17S, R37E Lea County, New Mexico

Texaco Inc.
P. O. Box 3109
Midland, Texas 79702

Dear Sir:

Please find attached a copy of Chevron USA's application to the New Mexico Oil Conservation Division for a non-standard location and non-standard proration unit for the proposed Lea "YL" State #2 sidetrack well, 2600' FNL 1700' FWL, Section 2, T17S, R37E, Shipp Strawn Pool, Lea County, New Mexico. Chevron proposes to sidetrack the existing Lea "YL" State #2 well currently located at 2230' FSL and 2310' FEL to the bottom hole location described above. The proposed non-standard proration unit is 80 acres comprising the SW/4 NE/4 and NW/4 SE/4 of Section 2, T17S, R37E.

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Sincerely,

Dave Rittersbacher Sr. Geologist

Dave Rittersbacher



> Chevron U.S.A. Production Company P.O. Box 1150 Midland, TX 79702

Administrative Application for Non-Standard Location and Non-Standard Proration Unit Shipp Strawn Oil Pool
Lea "YL" State #2 Sidetrack
2600' FNL 1700' FEL
Section 2, T17S, R37E
Lea County, New Mexico

Rettortant

Mallon Oil Company 1099 18th Street, Suite 2750 Denver, Colorado 80202

Dear Sir:

Please find attached a copy of Chevron USA's application to the New Mexico Oil Conservation Division for a non-standard location and non-standard proration unit for the proposed Lea "YL" State #2 sidetrack well, 2600' FNL 1700' FWL, Section 2, T17S, R37E, Shipp Strawn Pool, Lea County, New Mexico. Chevron proposes to sidetrack the existing Lea "YL" State #2 well currently located at 2230' FSL and 2310' FEL to the bottom hole location described above. The proposed non-standard proration unit is 80 acres comprising the SW/4 NE/4 and NW/4 SE/4 of Section 2, T17S, R37E.

If you have any questions or require further information, please call Dave Rittersbacher at (915) 687-7114.

Sincerely,

Dave Rittersbacher

Sr. Geologist



> Chevron U.S.A. Production Company P.O. Box 1150 Midland, TX 79702

Administrative Application for Non-Standard Location and Non-Standard Proration Unit Shipp Strawn Oil Pool Lea "YL" State #2 Sidetrack 2600' FNL 1700' FEL Section 2, T17S, R37E Lea County, New Mexico

Ettersback

Middle Bay Oil Company P. O. Box 390 Mobile, Alabama 36601

Dear Sir:

Please find attached a copy of Chevron USA's application to the New Mexico Oil Conservation Division for a non-standard location and non-standard proration unit for the proposed Lea "YL" State #2 sidetrack well, 2600' FNL 1700' FWL, Section 2, T17S, R37E, Shipp Strawn Pool, Lea County, New Mexico. Chevron proposes to sidetrack the existing Lea "YL" State #2 well currently located at 2230' FSL and 2310' FEL to the bottom hole location described above. The proposed non-standard proration unit is 80 acres comprising the SW/4 NE/4 and NW/4 SE/4 of Section 2, T17S, R37E.

If you have any questions or require further information, please call Dave Rittersbacher at (915) 687-7114.

Sincerely,

Dave Rittersbacher

Sr. Geologist