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JASON KELLAHIN (RETIRED 1991)

July 3, 2000

HAND DELIVERED

12461

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OIL CONSERVATION DIV.

Ms. Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

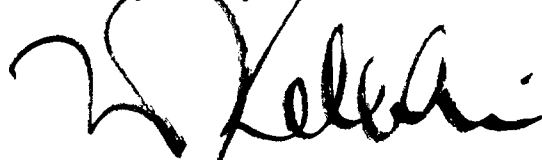
Re: Application of Chevron USA Inc. for approval of
the Arkansas Junction South State Unit,
Lea County, New Mexico

Dear Ms. Wrotenbery:

On behalf of Chevron USA Inc., please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for July 27, 2000.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Chevron USA Inc.
Attn: Ray Vaden

PROPOSED ADVERTISEMENT

12461

CASE _____ Application of Chevron USA Inc. for approval of a unit agreement, Lea County, New Mexico. Applicant seeks approval of its proposed Arkansas Junction South State Unit as an exploratory unit for an area comprising 1957.76 acres, more or less, of state lands consisting of the NW/4SW/4 of Section 1 and all of Sections 2, 3 and 10, T19S, R36E, NMPM. Said unit is located approximately 1 mile southeast from Arkansas Junction, New Mexico.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF CHEVRON USA INC. FOR APPROVAL
OF THE ARKANSAS JUNCTION SOUTH STATE
UNIT, LEA COUNTY, NEW MEXICO**

CASE NO. 12461

APPLICATION

Comes now CHEVRON USA INC., by its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division for an order approving its proposed Arkansas Junction South State Unit, a voluntary exploratory for an area comprising 1957.76 acres, more or less, of state oil and gas leases underlying the NW/4SW/4 of Section 1 and all of Sections 2, 3, and 10, Township 19 South, Range 36 East, NMPM, Lea County, New Mexico, and in support states:

(1) Chevron USA Inc. ("Chevron"), is an oil and gas owner doing business in the State of New Mexico and is the lessee of the state oil and gas leases to be included in the proposed unit.

(2) Chevron is the proposed operator of a voluntary exploratory unit to be called the "Arkansas Junction South State Unit."

(3) The proposed area for which application is made for unitized operations is known as the "Arkansas Junction South State Unit Area" and consists of state oil & gas leases located in Lea County, New Mexico and comprises 1957.76 acres, more or less, identified as being the following described area:

TOWNSHIP 19 SOUTH, RANGE 36 EAST, NMPM

Section 1: NW/4SW/4

Sections 2, 3 and 10: all

(4) Chevron proposes to drill the initial unit well at a standard well location to a depth sufficient to test the Devonian Formation.

(5) There is a reasonable geologic basis for the proposed unit boundary.

(6) Approval of this unit will provide for the unified development and operation of an entire potential geologic prospect and will afford the most efficient and economical means for the exploration, drilling and production.

(7) The proposed operator with approval of this voluntary unit will have effective and efficient control of this potential reservoir which should afford the opportunity to maximize recovery, prevent waste and protect correlative rights.


(8) The proposed unitization and adoption of the methods of operation embodied in the Unit Operating Agreement will benefit the working interest owners and royalty owners of the oil and gas rights within the Unit Area.

(9) Applicant will file to obtain preliminary approval from the Commissioner of Public Lands of New Mexico and anticipates having that agency approval prior to hearing.

(10) Chevron is the only working interest owner in the unit and has a sufficient percentage so that the unit operations will be orderly and efficient and therefore will avoid waste and protect correlative rights.

WHEREFORE, Chevron USA Inc. requests that this application be set for hearing on July 27, 2000 before the Division's Examiner and that the Division enter its order approving the Unit Agreement and Unit Operating Agreement and providing for the unitized management, operations and further development of all the formations within the Unit Area.

Respectfully submitted,

By 

W. Thomas Kellahin

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ATTORNEYS FOR APPLICANT