

DATE IN 3/19/04	SUSPENSE	ENGINEER DPC	LOGGED IN LR	TYPE PE	APP NO. PLR0408227405
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



RECEIVED
 MAR 19 2004

ADMINISTRATIVE APPLICATION CHECKLIST

Oil Conservation Division
 1220 S. Saint Francis Drive
 Santa Fe, NM 87505

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☒ PLC ☐ PC ☐ OLS ☒ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

- [A] ☒ Working, Royalty or Overriding Royalty Interest Owners**
- [B] ☐ Offset Operators, Leaseholders or Surface Owner**
- [C] ☐ Application is One Which Requires Published Legal Notice**
- [D] ☐ Notification and/or Concurrent Approval by BLM or SLO**
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,**
- [F] ☐ Waivers are Attached**

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

CAROLYN HAYNIE
 Print or Type Name

Carolyn Haynie
 Signature

PE Technical Assistant 3-16-04
 Title Date

CHAYNIE@CHEVRONTXACO.COM
 e-mail Address

Chevron USA Production Company Inc.
Carolyn J. Haynie
Waterflood Technical Assistant
15 Smith Road
Midland, TX 79705
Tel 432-687-7384
Fax 432-687-7557

ChevronTexaco

March 15, 2004

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87504

RE: Application to Pool (Surface) Commingle Oil, Gas, and Water Production

Attn: Oil & Gas Regulatory Department

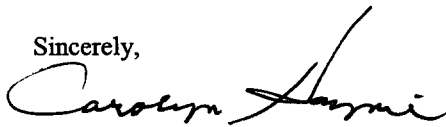
ChevronTexaco Exploration & Production Company, respectfully request administrative approval to Surface Commingle the Paddock production in the Skelly Unit 940 Battery, located in the Fren Paddock Field, at the Skelly Unit # 940 well location, Sec. 22, T17S, R31E, Eddy County, NM.

ChevronTexaco is the operator of the Skelly Unit, of which the # 940, # 941, # 944, # 945, have recently been drilled. ChevronTexaco and Mack Energy both have a 50% Working Interest in these well. The Royalty & Overriding Royalty information for these four wells is included in the attachments. A production separator and a metering separator will be dedicated to meter the fluids for the Skelly wells # 940 & # 944 and the # 941 & # 945, before commingling the production.

In support of this request the attachments include the oil and gas production initial well test, well location information, a lease plat, working interest and royalty information and a proposed schematic diagram for the Skelly Unit facility.

For your convenience, I have enclosed an envelope with my return address, so the decision for this Surface Commingles can be sent directly to me. If you require additional information or have any questions, please contact me at 432-687-7384, at the ChevronTexaco, Claydesta Building; Midland, Texas.

Sincerely,



Carolyn Haynie
New Mexico Technical Assistant

Cc: NMOCD – Artesia District 2

Lease File
Reggie Holzer
Chad Stallard
Danny Lovell
Kim Moore
Denise Mohar
Denise Pinkerton

SKELLY UNIT 940 BATTERY

LEASE	Well No.	Status	Pool	Pool Number	API #	Unit Letter	Location	Section	Township	Range	Evelation	County	% of Ownership
SKELLY UNIT	940	PR	PADDOCK	49210	30-015-32599	A	990' FNL & 330' FWL	22	17S	31E	3833'	Eddy	50
SKELLY UNIT	941	PR	PADDOCK	49210	30-015-32600	C	990' FNL & 1650' FWL	22	17S	31E	3836'	Eddy	50
SKELLY UNIT	944	PR	PADDOCK	49210	30-015-32963	A	330' FNL & 990' FWL	22	17S	31E	3845'	Eddy	50
SKELLY UNIT	945	PR	PADDOCK	49210	30-015-32964	C	330' FNL & 2310' FWL	22	17S	31E	3853'	Eddy	50

WELL TEST REPORT									
Lease: SKELLY UNIT 940			Field: FLD - FREN		Reservoir: PADDOCK				
Well: 940			Field Code: PH6		Resv Code: 0000008451				
			Unique Code: PPH61200		Battery: SKELLY 940-941				
			Wellbore: 601240		API No: 300153259900				

Reservoir: Paddock

Resv Code: 0000008451

Battery:	SKELLY 940-941
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API No: 300153259900

[illegible]

WELL TEST REPORT									
Lease: SKELLY UNIT 941				Field: FLD - FREN		Reservoir: PADDOCK			
Well: 941				Field Code: PH6		Resv Code: 0000008451			
				Unique Code: PPH61200		Battery: SKELLY 940-941			
				Wellbore: 601132		API No: 300153260000			

Reservoir: Paddock

Resv Code: 0000008451

Battery:	SKELLY 940-941
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API No: 300153260000

[illegible]

WELL TEST REPORT									
Lease: SKELLY UNIT 944			Field: FLD - FREN			Reservoir: PADDOCK			
Well: 944			Field Code: PH6			Resv Code: 0000008451			
			Unique Code: PPH61200			Battery: SKELLY 940-941			
			Wellbore: 601530			API No: 300153296300			

Reservoir: Paddock

Resv Code: 0000008451

Battery:	SKELLY 940-941
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API No: 300153296300

[illegible]

WELL TEST REPORT									
Lease: SKELLY UNIT 945				Field: FLD - FREN		Reservoir: PADDOCK			
Well: 945				Field Code: PH6		Resv Code: 0000008451			
				Unique Code: PPH61200		Battery: SKELLY 940-941			
				Wellbore: 601531		API No: 300153296400			

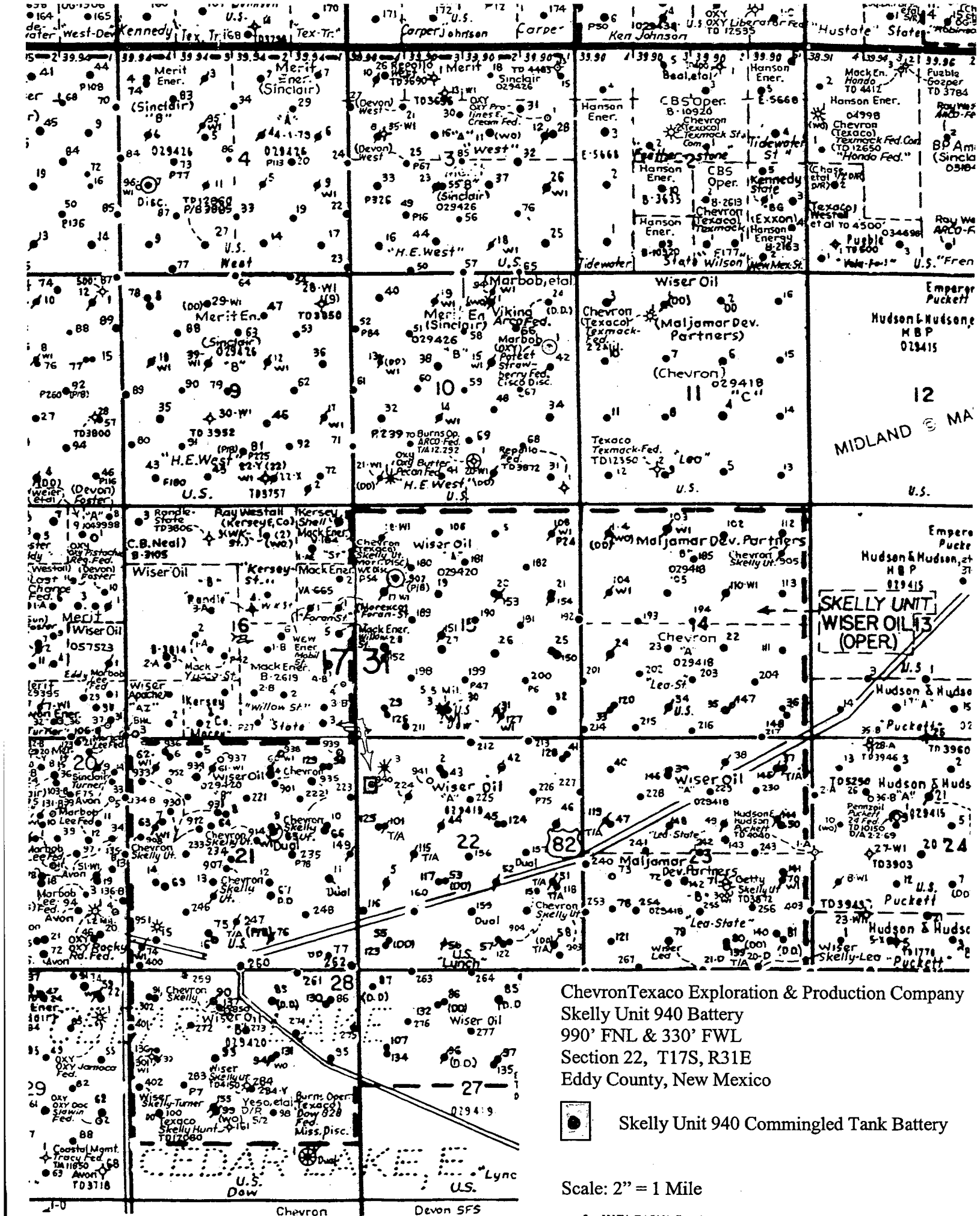
Reservoir: Paddock

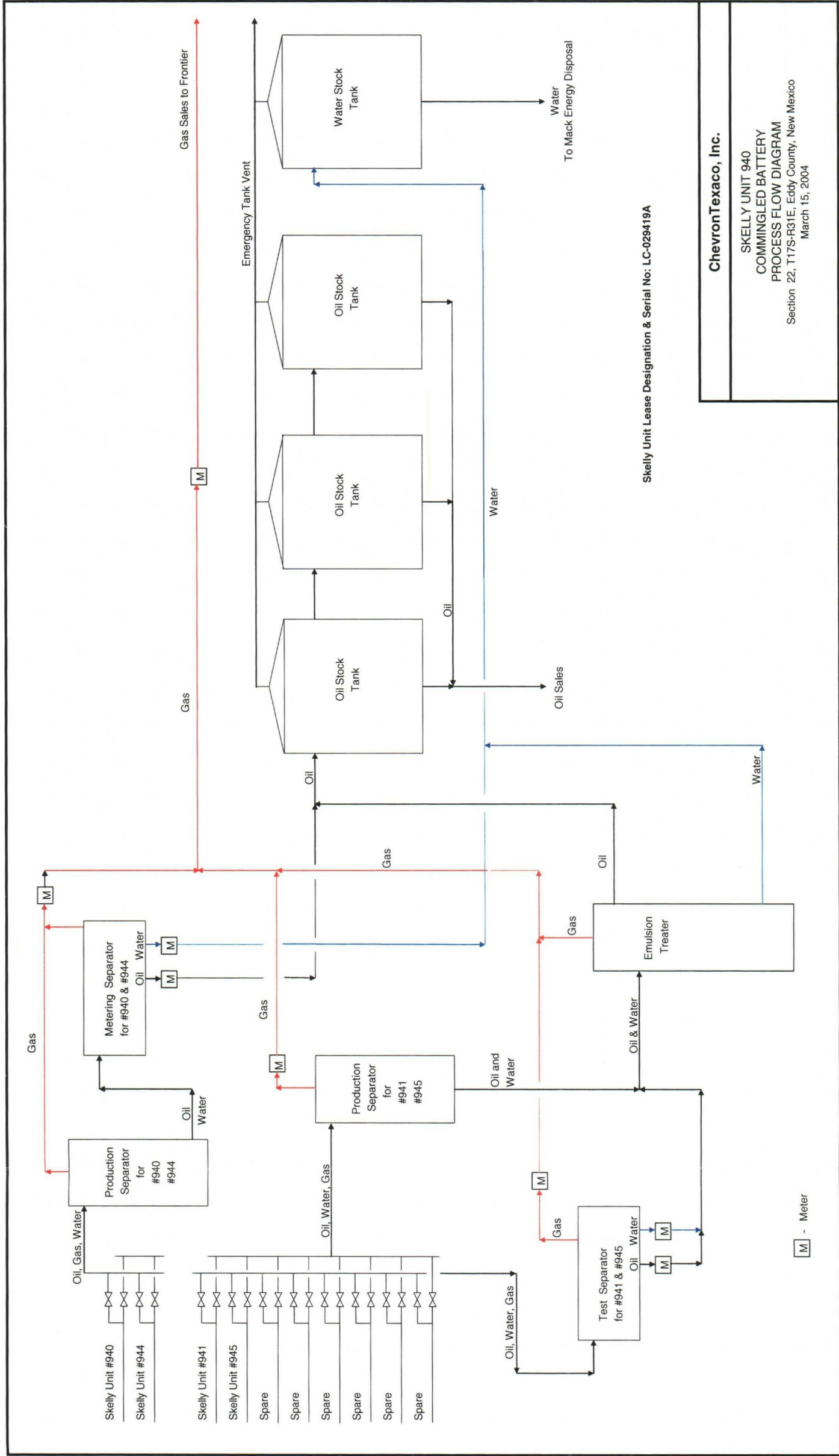
Resv Code: 0000008451

Battery:	SKELLY 940-941
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API No: 300153296400

[illegible]





Skelly Unit Lease Designation & Serial No: LC-029419A

ChevronTexaco, Inc.

SKELLY UNIT 940
 COMMINGLED BATTERY
 PROCESS FLOW DIAGRAM
 Section 22, T17S-R31E, Eddy County, New Mexico
 March 15, 2004

Chevron U.S.A. Production Company
Carolyn J. Haynie
Technical Assistant
Eunice Waterflood
15 Smith Road
Midland, TX 79705
432-687-7384

March 15, 2004

ChevronTexaco

Pool Surface Commingling
Fren Paddock Field
Skelly Unit Lease
Section 22, T17S, R31E
Eddy County, New Mexico

Re: Notice of Intent to Pool Surface Commingle Production

Working Interest, Royalty & Overriding Royalty Interest Owners:

ChevronTexaco Exploration & Production Company, formerly Texaco Exploration & Production Company, respectfully gives notice of intent, pending regulatory approval, to Surface Commingle the Paddock production in the Skelly Unit 940 Battery, located in the Fren Paddock Field, at the Skelly Unit # 940 well location, Sec. 22, T17S, R31E, Eddy County, NM.

ChevronTexaco is the operator of the Skelly Unit, of which the # 940, # 941, # 944, # 945, have recently been drilled. ChevronTexaco and Mack Energy both have a 50% Working Interest in these well. A production separator and a metering separator will be dedicated to meter the fluids for the Skelly wells # 940 & # 944 and the # 941 & # 945 before commingling the production.

Any objection to this Pool Surface Commingle must be submitted to the New Mexico Oil Conservation Division; 1220 South St. Francis Drive; Santa Fe, NM 87504, within 20 days of receipt of this notification.

If you have any questions or require additional information, please contact me at 432-687-7384, at the ChevronTexaco, Claydesta Building; Midland, Texas.

Sincerely,



Carolyn Haynie
New Mexico Waterflood
Petroleum Eng. Technical Assistant

Cc: NMOCD
Working Interest Owners
Royalty/Overriding Royalty Interest Owners

Venture: 007639 00021
Venture Name: SKELLY UNIT
County/State: EDDY, NEW MEXICO
Operator: CHEVRON USA INC.
Product: OIL, CONDENSATES - GBSA & ABOVE

Interest Type	Owner Number	Name & Address	Tax ID	Decimal Interest	Interest Sequence	Pay Status	Suspense Reason	Act Ent
OR	8025858	JAMES D BROWN JR 16105 RED CEDAR TRL DALLAS, TEXAS 75248	452-52-2554	0.005	1	PAY		E
			Subtotal	0.005	Number of Owners = 1			
		MINERALS MANAGEMENT SERVICE ROYALTY MANAGEMENT PROGRAM PO BOX 5810						
RI	8040594	DENVER, COLORADO 80217-0000		0.125	1	PAY		E
			Subtotal	0.125	Number of Owners = 1			
		CHEVRON USA INC PO Box 4791						
WI	8014078	HOUSTON, TEXAS 77210-4791	25-0527925	0.4375	1	PAY		A
		G DIANNE CHASE CROUCH PO BOX 693						
WI	8029779	ARTESIA, NEW MEXICO 88211	525-11-9265	0.0173	1	PAY		A
		CHASE OIL CORPORATION PO BOX 1767						
WI	8040811	ARTESIA, NEW MEXICO 88211-1767	85-0403681	0.21625	1	PAY		A
		MACK C AND MARILYN Y CHASE TST MACK C CHASE TRSTE PO BOX 693						
WI	8041278	ARTESIA, NEW MEXICO 88211-0693	52-5620520	0.12975	1	PAY		A
		RICHARD L & KARLA CHASE PO Box 359						
WI	8041279	ARTESIA, NEW MEXICO 88211-0359	585-96-6040	0.02595	1	PAY		A
		ROBERT C AND DEB E CHASE 2306 SIERRA VISTA DR						
WI	8041280	ARTESIA, NEW MEXICO 88210	58-5807468	0.04325	1	PAY		A
			Subtotal	0.87	Number of Owners = 6			
			Grand Total	1	Number of Owners = 8			

Venture: 005451 00001

Venture Name: SKELLY UNIT

County/State: EDDY, NEW MEXICO

Operator: CHEVRON USA INC.

Product: OIL, CONDENSATES - BELOW GRAYBURG SAN ANDRES

Interest Type	Owner Number	Name & Address	Tax ID	Decimal Interest	Interest Sequence	Pay Status	Suspense Reason	Act Ent
		JACK W MCCAW PO BOX 127						
OR	8016298	ARTESIA, NEW MEXICO 88211-0127	525-24-9048	0.0087121	1	PAY		E
		JACK W MCCAW PO BOX 127						
OR	8016298	ARTESIA, NEW MEXICO 88211-0127	525-24-9048	0.0003788	2	PAY		E
		JACK W MCCAW PO BOX 127						
OR	8016298	ARTESIA, NEW MEXICO 88211-0127	525-24-9048	0.0003788	3	PAY		E
		THOMAS M MCCAW PO BOX 7383						
OR	8016299	PUEBLO WEST, COLORADO 81007-0383	525-74-2036	0.0003788	1	PAY		E
		JACK HAGIN MCCAW 8236 PARK RD						
OR	8016300	RYE, COLORADO 81069	525-90-0020	0.0003788	1	PAY		E
		PEGGY RUTH MCCAW MANN 801 W QUAY						
OR	8016301	ARTESIA, NEW MEXICO 88210-1947	525-48-2419	0.0003788	1	PAY		E
		JACQUELINE MCCAW THOMAS 11438 LOVINGTON HIGHWAY						
OR	8016302	ARTESIA, NEW MEXICO 88210-9634	525-11-7485	0.0003788	1	PAY		E
		WILLIAM REED MCCAW JR 4131 DAY DR						
OR	8016303	SAN MARCOS, TEXAS 78666-9540	585-34-0417	0.0003788	1	PAY		E
		HIGGINS TRUST INC PO BOX 2421						
OR	8016897	WILLIAM P EDWARDS GAINESVILLE, GEORGIA 30503-2421	85-6009063	0.005	1	PAY		E
		SABINE ROYALTY TRST BANK OF AMERICA NA SUC ESCROW AGT LBX # 840887						
OR	8019351	C/O NATIONSBANK OF TEXAS NA DALLAS, TEXAS 75284-0887	75-6297143	0.0033333	1	PAY		E
		MCCAW FAMILY TRST 210 CROSSBOW ROAD						
OR	8022357	ARTESIA, NEW MEXICO 88210	258-38-5957	0.0003787	1	PAY		E

OR	8022945	CHRIS D RATH PO BOX 105 MCINTOSH, FLORIDA 32664-0105	406-20-9781	0.0000694	1	PAY		E
OR	8025858	JAMES D BROWN JR 16105 RED CEDAR TRL DALLAS, TEXAS 75248	452-52-2554	0.005	1	PAY		E
OR	8029599	LINDA B HAACK 1652 W SILVER SPRINGS RD PARK CITY, UTAH 84098	520-46-0081	0.0002083	1	SUSPEND	UNKNOWN	E
OR	8029716	DONALD M TAYLOR AND ALICE L TAYLOR 2425 RALEIGH ST DENVER, COLORADO 80212-1227	523-58-5021	0.0025	1	SUSPEND	SFERRED	E
OR	8029737	ROGER RATH 3705 W 68TH 311C WESTMINSTER, COLORADO 80030-6206	524-09-7742	0.0000694	1	SUSPEND	WITHOUT	E
OR	8029803	BILL COLLINS 6960 BUCKSKIN DR LITTLETON, COLORADO 80125-9236	525-36-3425	0.0010417	1	PAY		E
OR	8029823	ROBERT L COLLINS JR 2004 BRENTWOOD DR AUBURNDALE, FLORIDA 33823-2034	525-54-0393	0.0020833	1	PAY		E
OR	8029837	WANDA COLLINS 606 JOSHUA COURT WALNUT CREEK, CALIFORNIA 94598-1726	525-62-6662	0.0010417	1	PAY		E
OR	8030052	RAYMOND COBB JOHNSON 1111 S HOLLAND COURT LAKEWOOD, COLORADO 80226	537-16-5521	0.0000695	1	SUSPEND	UNKNOWN	E
OR	8032490	LARRY B MCCAW PO BOX 25637 SCOTTSDALE, ARIZONA 85255	525-80-9725	0.0001421	1	PAY		E
OR	8033564	EDWINA K BRADY 100 NORTON AVE #2 S EASTON, MASSACHUSETTS 02375	525-92-9523	0.0001421	1	PAY		E
OR	8033607	ANALOU MCCUNE 3003A ILLINOIS ST BEDFORD, INDIANA 47421-5452	306-30-9802	0.0004167	1	PAY		E
OR	8033981	SELMA ANDREWS PERPETUAL CHARITABLE TRUST NATIONSBANK NA TRUSTEE PO BOX 840738 DALLAS, TEXAS 75284-0738	75-6327536	0.0035803	1	PAY		E
OR	8038727	SELMA ANDREWS TRUST F/O PEGGY BARRETT 5188-01 NATIONSBANK NA TRUSTEE PO BOX 840738 DALLAS, TEXAS 75284-0738	75-6327535	0.0017902	1	PAY		E

OR	8039297	BRAILLE INSTITUTE OF AMER AGENCY 631 00 PO BOX 840738 C/O NATIONS BANK DALLAS, TEXAS 75284-0738	95-1641426	0.0046295	1	PAY	E
OR	8040927	MARSHALL & WINSTON INC PO BOX 50880 MIDLAND, TEXAS 79710-0880	95-0976450	0.01	1	PAY	E
OR	8042973	NOLA I WILSON 3627 E DOVER MESA, ARIZONA 85205	447-28-2308	0.0003788	1	PAY	E
OR	8043723	BARBARA ZEDNICK 2608 W GRAND ARTESIA, NEW MEXICO 88210	585-09-7312	0.0000946	1	PAY	E
OR	8050042	WILLIAM D SCHAUER LIVING TRUST WELLS FARGO OGM C7300-07D TRSTE P O BOX 5383 DENVER, COLORADO 80217	85-6124095	0.01333335	1	PAY	E
OR	8050043	DIANA WINGFIELD LIVING TRUST WELLS FARGO OGM C7300-07D TRSTE P O BOX 5383 DENVER, COLORADO 80217	85-6124094	0.01333335	1	PAY	E
			Subtotal	0.08	Number of Owners = 31		
RI	8040594	MINERALS MANAGEMENT SERVICE ROYALTY MANAGEMENT PROGRAM PO BOX 5810 DENVER, COLORADO 80217-0000		0.021	1	PAY	E
			Subtotal	0.021	Number of Owners = 1		
WI	8014078	CHEVRON USA INC PO Box 4791 HOUSTON, TEXAS 77210-4791	25-0527925	0.452	1	PAY	A
WI	8029779	G DIANNE CHASE CROUCH PO BOX 693 ARTESIA, NEW MEXICO 88211	525-11-9265	0.01788	1	PAY	A
WI	8040811	CHASE OIL CORPORATION PO BOX 1767 ARTESIA, NEW MEXICO 88211-1767	85-0403681	0.2235	1	PAY	A
WI	8041278	MACK C AND MARILYN Y CHASE TST MACK C CHASE TRSTE PO BOX 693 ARTESIA, NEW MEXICO 88211-0693	52-5620520	0.1341	1	PAY	A
WI	8041279	RICHARD L & KARLA CHASE PO Box 359 ARTESIA, NEW MEXICO 88211-0359	585-96-6040	0.02682	1	PAY	A

WI	8041280	ROBERT C AND DEB E CHASE 2306 SIERRA VISTA DR ARTESIA, NEW MEXICO 88210	58-5807468	0.0447	1	PAY		A
			Subtotal	0.899	Number of Owners = 6			
			Grand Total	1	Number of Owners = 38			

District I
1625 N. French Drive, Hobbs, NM 88240
District II
1301 W. Grand Ave, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St Francis Dr, Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources Department
RECEIVED
OIL CONSERVATION DIVISION
MAR 26 2004
1220 S. Saint Francis Drive
Santa Fe, New Mexico 87505

Form C-107-B
Revised June 10, 2003

Submit the original
application to the Santa Fe
office with one copy to the
appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: ChevronTexaco Exploration & Production Company

OPERATOR ADDRESS: 15 Smith Road; Midland, TX 79705

APPLICATION TYPE:

☐ Pool Commingling ☒ Lease Commingling ☐ Pool and Lease Commingling ☐ Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE: ☐ Fee ☐ State ☒ Federal

Is this an Amendment to existing Order? ☐ Yes ☒ No If "Yes", please include the appropriate Order No. _____

Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling

☒ Yes ☐ No

(A) POOL COMMINGLING

Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes

(2) Are any wells producing at top allowables? ☐ Yes ☐ No

(3) Has all interest owners been notified by certified mail of the proposed commingling? ☐ Yes ☐ No.

(4) Measurement type: ☐ Metering ☐ Other (Specify)

(5) Will commingling decrease the value of production? ☐ Yes ☐ No If "yes", describe why commingling should be approved

(B) LEASE COMMINGLING

Please attach sheets with the following information

(1) Pool Name and Code. PADDOCK - POOL # 49210

(2) Is all production from same source of supply? ☒ Yes ☐ No

(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No

(4) Measurement type: ☒ Metering ☐ Other (Specify)

(C) POOL and LEASE COMMINGLING

Please attach sheets with the following information

(1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT

Please attached sheets with the following information

(1) Is all production from same source of supply? ☐ Yes ☐ No

(2) Include proof of notice to all interest owners.

(E) ADDITIONAL INFORMATION (for all application types)

Please attach sheets with the following information

(1) A schematic diagram of facility, including legal location.

(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.

(3) Lease Names, Lease and Well Numbers, and API Numbers.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: Carolyn Haynie TITLE: Petro. Eng. Technical Assistant DATE: 03-22-04

TYPE OR PRINT NAME CAROLYN HAYNIE TELEPHONE NO.: 432-687-7384

E-MAIL ADDRESS: CHAYNIE@CHEVRONTEXACO.COM

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or deepen or reentry to a different reservoir.

Use "APPLICATION FOR PERMIT-" for such proposals

SUBMIT IN TRIPLICATE

1. Type of well
☒ Oil ☐ Gas ☐ Other

2. Name of Operator
ChevronTexaco Exploration & Production Co.

3. Address and Telephone No.
15 Smith Road; Midland, TX 79705

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
Section 22
T17S - R31E

5. Lease Designation and Serial No.

6. If Indian, Allottee or Tribe Name
N/A

7. If Unit or CA, Agreement Designation

8. Well Name and No.
Skelly Unit # 940, # 941, 944, & 945

9. API Well No.
30-015-32599; 30-015-32600; 30-015-32963; 30-015-32964

10. Field and Pool, or Exploratory Area
Skelly Unit, Paddock Field

11. County or Parish, State
Eddy County, NM

CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

12 TYPE OF SUBMISSION	TYPE OF ACTION	
☒ Notice of Intent	☐ Abandonment	☐ Change of Plans
☐ Subsequent Report	☐ Recompletion	☐ New Construction
☐ Final Abandonment Notice	☐ Plugging Back	☐ Non-Routine Fracturing
	☐ Casing Repair	☐ Water Shut-Off
	☐ Altering Casing	☐ Conversion to Injection
	☒ Commingling, On Lease Storage & Measurement	☐ Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimate date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

ChevronTexaco Exploration & Production Company, has submitted a request to the OCD for approval to Surface Commingle the Paddock production from wells # 940, 941, 944, & 945, in the Skelly Unit # 940 Battery, located in the Fren Paddock Field, at the Skelly Unit # 940 well location, 990' FNL & 330' FWL, Sec. 22, T, 17S, R31E, Eddy County, NM.

Wells to be commingled.

Skelly Unit # 940, Paddock pool # 49210, API 30-015-32599, 990' FNL & 330' FWL, SEC 22, T17S, R31E, Eddy Co., NM
Skelly Unit # 941, Paddock pool # 49210, API 30-015-32600, 990' FNL & 1650' FWL, SEC 22, T17S, R31E, Eddy Co., NM
Skelly Unit # 944, Paddock pool # 49210, API 30-015-32963, 330' FNL & 990' FWL, SEC 22, T17S, R31E, Eddy Co., NM
Skelly Unit # 945, Paddock pool # 49210, API 30-015-32964, 330' FNL & 2310' FWL, SEC 22, T17S, R31E, Eddy Co., NM

ChevronTexaco is the operator of these wells and ChevronTexaco and Mack Energy both have 50% working interest. The reason for this Lease Commingle is that the royalty and overriding royalty owners are different. All of the production will be from the same Paddock Pool # 49210.

A production separator and a metering separator will be dedicated to meter the fluid for the Skelly wells # 940 & # 944, and a Test separator and a production separator for the # 941 & #945, as is illustrated on the attached flow diagram.

For your clarification, the OCD Lease commingle package is included with the Sundry notice of Intent.

14. I hereby certify that the foregoing is true and correct

Signed Carolyn Langme Title Petroleum Engineering Technical Assistant Date March 23, 2004

(This space for Federal or State office use)

Approved by _____ Title _____ Date _____
Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*See Instructions on Reverse Side

Catanach, David

From: Haynie, Carolyn (CHaynie) [CHaynie@chevrontexaco.com]
Sent: Tuesday, April 13, 2004 2:50 PM
To: Catanach, David
Subject: RE: Surface Commingling App.

Hi David,
I have double checked with the Facility Engineer on the Skelly project to verify my thoughts.

The 940 & 944 have the same Interest ownership and the 941 & 945, have the same ownership.

'No', the Skelly Unit is not a Waterflood, and 'No', the Paddock is not a Unitized interval, and the Paddock production is 'not' on a Unit basis. 'Yes', these are the only wells that will be placed within the tank battery.

Thanks,
Carolyn

-----Original Message-----

From: Catanach, David [mailto:DCATANACH@state.nm.us]
Sent: Tuesday, April 13, 2004 9:43 AM
To: Haynie, Carolyn (CHaynie)
Subject: Surface Commingling App.

Hi Carolyn,

I was reviewing your application to surface commingle Paddock production from the Skelly Unit Nos. 940, 941, 944 and 945, and I have a couple of questions.

You've got it set up to where Wells No. 940 and 944 will be commingled prior to being metered, and Wells No. 941 and 945 will be commingled prior to being metered. If this is to be authorized, the interest ownership between the 940 and 944 must be identical, and the interest ownership between the 941 and 945 must be identical. Is this the case? If not, all wells must be metered separately prior to being commingled.

Isn't the Skelly Unit a waterflood project? I would assume that the Paddock is not a unitized interval, and that this Paddock production is not on a unit basis, correct?

Also, are these the only wells that are going to be placed within the tank battery?

Thanks for your help.

David Catanach
Engineer

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