



TEXACO

FAX TRANSMITTAL COVER SHEET

915
688
4831

NOTE: DO NOT USE BLUE OR RED INK OR PENCIL ON THIS FORM. THEY WILL NOT REPRODUCE

DATE: 5-9-2000 URGENT ROUTINE NO. OF PAGES C+10

MESSAGE TO: Michael E. Stogner

TELEPHONE NO. (505) 827-8185 FAX MACHINE NO. (505) 827-1389

DEPT./DIV./SUBS. _____

LOCATION Santa Fe, New Mexico ROOM NO. _____

MESSAGE FROM: M. S. WAKEFIELD

TELEPHONE NO. (915) 688-4692 FAX MACHINE NO. (915) 688-4831

DEPT./DIV./SUBS. HOBBS ASSET TEAM

LOCATION MIDLAND, TX ROOM NO. _____

SENDING DEPT. APPROVAL _____ TIME TRANSMITTED _____

RETURN ORIGINAL VIA INTER-OFFICE MAIL

RETURN ORIGINAL CALL SENDER TO PICK UP

ADDITIONAL COMMENTS:

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [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 - Directional Drilling

- NSL NSP DD 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

[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] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

A. Phil Ryan

Print or Type Name


Signature

Commission Coordinator

Title

5/9/00
Date



Texaco North America Production
Denver Region - Permian Business Unit

500 North Loraine
Midland TX 79701

P O Box 3109
Midland TX 79702

May 9, 2000

GOV – STATE AND LOCAL GOVERNMENTS

Unorthodox Location

New Mexico 'DF' State Com. No. 3

Indian Basin, Upper Penn Field

SHL: 2000' FNL & 1650' FEL, Sec 32, T-21-S, R-23-E

Eddy County, New Mexico

**State of New Mexico
Energy and Minerals Department
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505**

Attention: Mr. Michael E. Stogner

Gentlemen:

An exception to Rule 104 F. (2) by administrative approval is requested for the captioned well. The well is located 2000' FNL and 1650' FEL, Unit Letter "G" of Section 32, T-21-S, R-23-E.

Texaco has recently directionally drilled a horizontal lateral in the captioned well for the purpose of producing gas from the Upper Penn formation. The well was originally drilled as a vertical well at a standard surface location of 2000' FNL & 1650' FEL in January of 1997. On April 29, 2000 prior to kicking off the lateral, a directional survey was run which indicated that the bottom hole location, at a measured 6791', was at 1920' FNL & 1630' FEL. Field rules in the Indian Basin-Upper Penn Gas Pool states that a standard location shall be no closer than 1650' from the section line. Therefore, the subject well is non-standard to the East by 20'.

The lateral was eventually drilled to a bottom hole location of 1674' FNL and 1881' FEL, which is a standard location, and is only a few feet away from the permitted bottom hole location of 1672' FNL & 1879' FEL. During the drilling, the orientation of the lateral was away from the East Line; therefore, the lateral was not any nearer to the offset lease.

The current bottom hole location is encroaching on Chevron USA to the east; therefore, we are attaching the waiver letter from Chevron USA.

Yours very truly,



**A. Phil Ryan
Commission Coordinator**

**Attachments: Form C-101, Form C-102, and Waiver Letter
cc: OCD, Hobbs NM**

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980
DISTRICT II
P.O. Box Drawer DD, Artesia, NM 88211-0719
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
DISTRICT IV
P.O. Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

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

Form C-10
Revised February 10, 1999
Instructions on back
Submit to Appropriate District Office
State Lease - 6 Copie
Fee Lease - 5 Copie

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address TEXACO EXPLORATION & PRODUCTION INC. 205 E. Bander, HOBBS, NM 88240		² OGRID Number 022351
		³ API Number 30-015-29284
⁴ Property Code 11032	⁵ Property Name NEW MEXICO DF STATE COM	⁶ Well No. 3

⁷ Surface Location

Ul or lot no	Section	Township	Range	Lot.Idn	Feet From The	North/South Line	Feet From The	East/West Line	County
G	32	21-S	23-E		2000	NORTH	1650	EAST	EDDY

⁸ Proposed Bottom Hole Location If Different From Surface

Ul or lot no	Section	Township	Range	Lot.Idn	Feet From The	North/South Line	Feet From The	East/West Line	County
G	32	21-S	23-E		1672	NORTH	1879	EAST	EDDY

⁹ Proposed Pool 1

¹⁰ Proposed Pool 2

Indian Basin, Upper Penn.

¹¹ Work Type Code E	¹² Well Type Code G	¹³ Rotary or C.T. ROTARY	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 4059' GR
¹⁶ Multiple No	¹⁷ Proposed Depth 8924 TVD	¹⁸ Formation CISCO	¹⁹ Contractor	²⁰ Spud Date 5/10/00

²¹ Proposed Casing and Cement Program

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4"	8 5/8"	24#	1500'	650 SX, CIRC 15	SURFACE
7 7/8"	7"	26#	8920'	1050 SX, CIRC 201	SURFACE
				DV TOOL @ 3500'	

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

TEXACO INTENDS TO DRILL A HORIZONTAL RE-ENTRY USING A CONVENTIONAL RIG. THE OVERVIEW AND INTENDED PROCEDURE IS ATTACHED.



²³ I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signature: *J. Denise Leske*
Printed Name: J. Denise Leske
Title: Engineering Assistant
Date: 3/20/00
Telephone: 397-0405

OIL CONSERVATION DIVISION
Approved By: *Jim W. Brown BSA*
Title: SUPERVISOR, DISTRICT II
Approval Date: 4-6-00
Expiration Date: 4-6-01
Conditions of Approval:
Attached

DISTRICT I

P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II

P.O. Box Drawer 00, Artesia, NM 88211-0718

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

P.O. Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals and Natural Resources Department
OIL CONSERVATION DIVISION
 P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

Form C-10.2
 Revised February 10, 199
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copie
 Fee Lease - 3 Copie
 AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-015-29284	² Pool Code 79040	³ Pool Name INDIAN BASIN UPPER PENN
⁴ Property Code 11032	⁵ Property Name NEW MEXICO OF STATE COM	
⁷ OGRID Number 022351	⁸ Operator Name TEXACO EXPLORATION & PRODUCTION INC.	⁶ Well No. 3 ⁹ Elevation 4059' GR

¹⁰ Surface Location

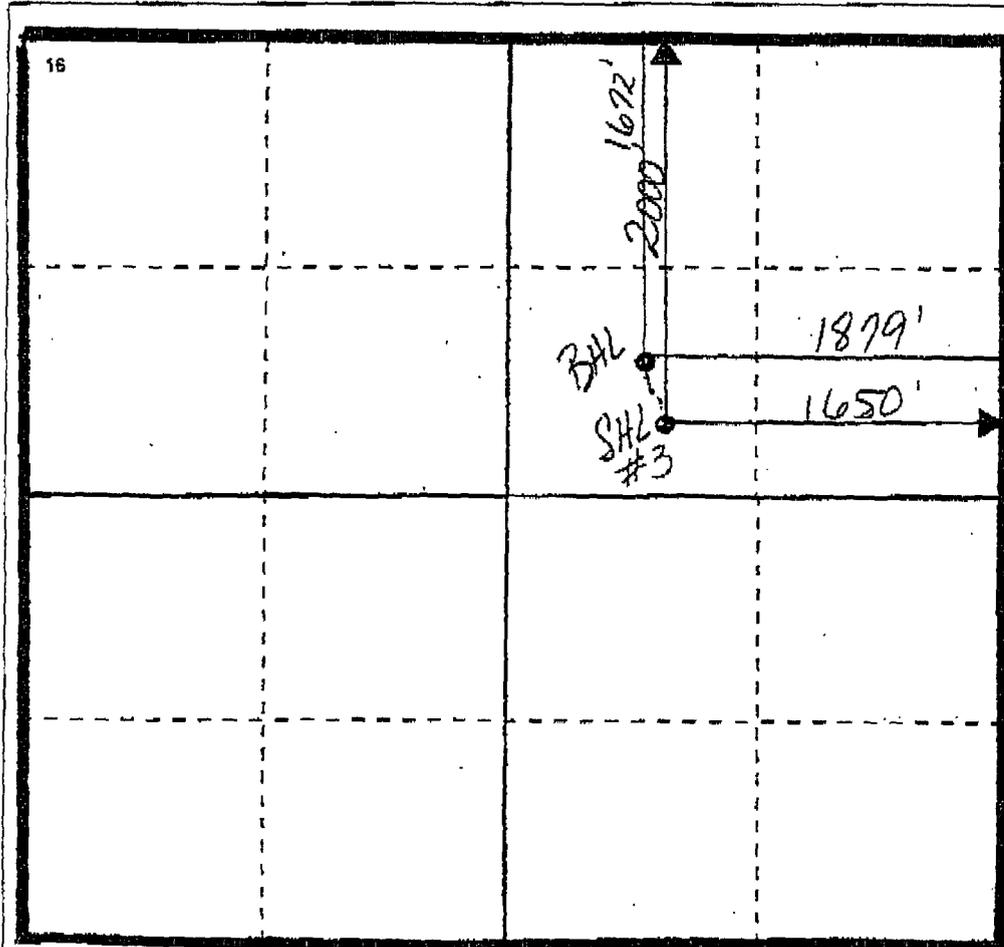
Ul or lot no	Section	Township	Range	Lot. Idn	Feet From The	North/South Line	Feet From The	East/West Line	County
G	32	21-S	23-E		2000	NORTH	1650	EAST	EDDY

¹¹ Bottom Hole Location if Different From Surface

Ul or lot no	Section	Township	Range	Lot. Idn	Feet From The	North/South Line	Feet From The	East/West Line	County
G	32	21-S	23-E		1672	NORTH	1879	EAST	EDDY

¹² Dedicated Acre 640	¹³ Joint or Infill No	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



¹⁷ OPERATOR CERTIFICATION

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

Signature *J. Denise Leake*

Printed Name
J. Denise Leake

Position
Engineering Assistant

Date
3/20/00

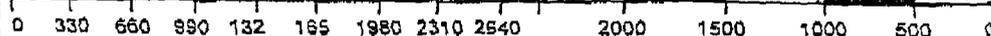
¹⁸ SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

Signature & Seal of
Professional Surveyor

Certificate No.





Texaco North America Production
Permian Business Unit

500 North Loring
Midland TX 79701

P O Box 3109
Midland TX 79702

May 9, 2000

Non-Standard Location
New Mexico DF State Com. No. 3
S.L.: 2000' FNL & 1650' FEL
Sec. 32, T-21-S, R-23-E
Indian Basin, Upper Penn
Eddy County, New Mexico

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

Gentlemen:

Texaco has recently directionally drilled a horizontal lateral in the captioned well for the purpose of producing gas from the Upper Penn. formation. The well was originally drilled as a vertical well at a standard surface location of 2,000' FNL and 1,650' FEL in January of 1997. On April 29, 2000, prior to kicking off the lateral, a directional survey was run which indicated that the bottom hole location, at a measured depth of 6,791', was at 1,920' FNL and 1,630' FEL. Field rules in the Indian Basin - Upper Penn Gas Pool, state, that a standard location shall be no closer than 1,650' from the section line. Therefore, the subject well is non-standard to the East by 20'.

The lateral was eventually drilled to a bottom hole location of 1,674' FNL and 1,881' FEL, which is a standard location, and is only a few feet away from the permitted bottom hole location of 1,672' FNL and 1,879' FEL. During the drilling, the orientation of the lateral was away from the East Line and therefore did not encroach any nearer to the offset lease.

As an offset operator of the captioned well, please sign this waiver which states that you don't object to the non-standard BHL as it pertains to your lease.

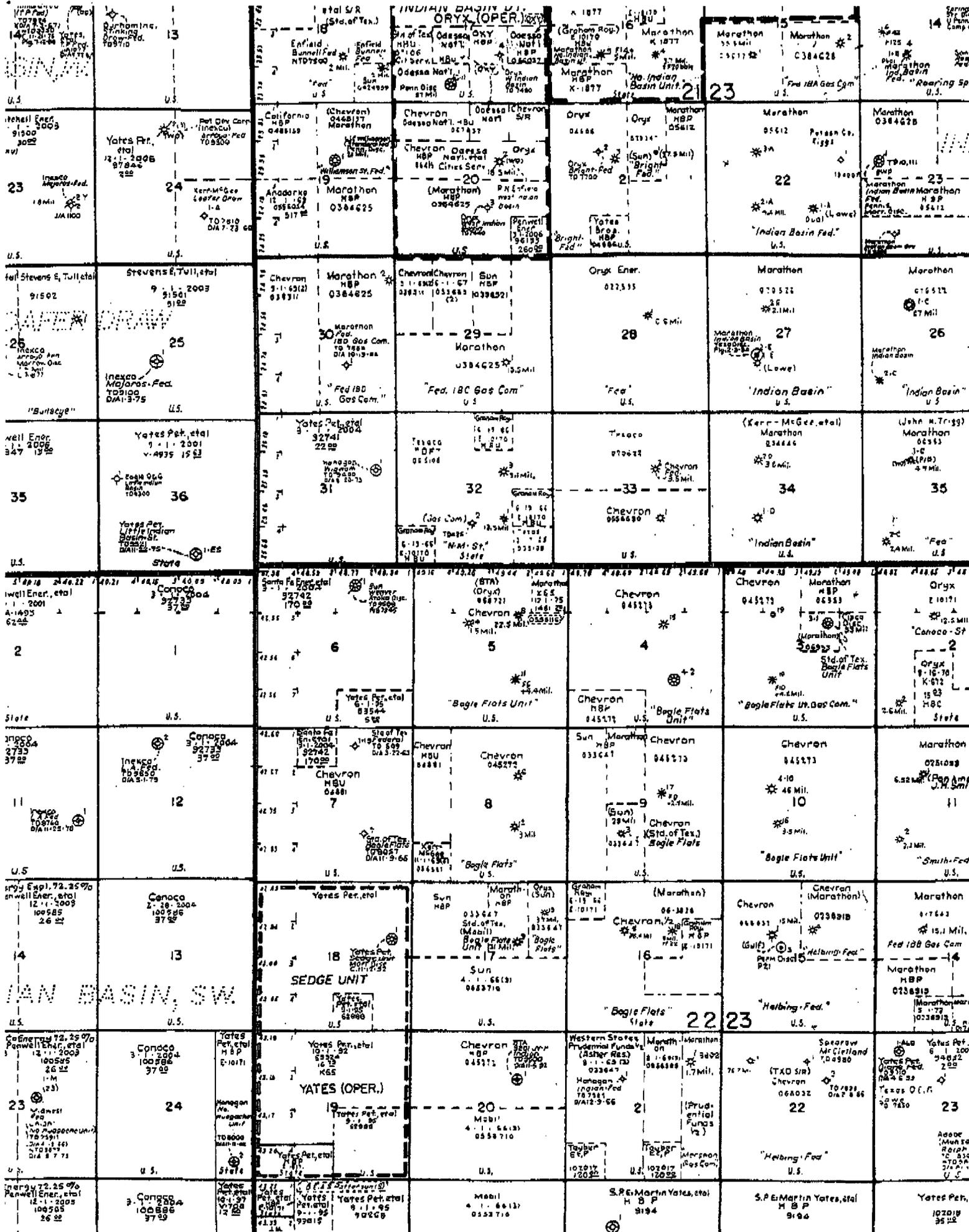
If you have no objection, please sign and fax a copy to me at (915) 688-4831 at your earliest convenience.

Very truly yours,

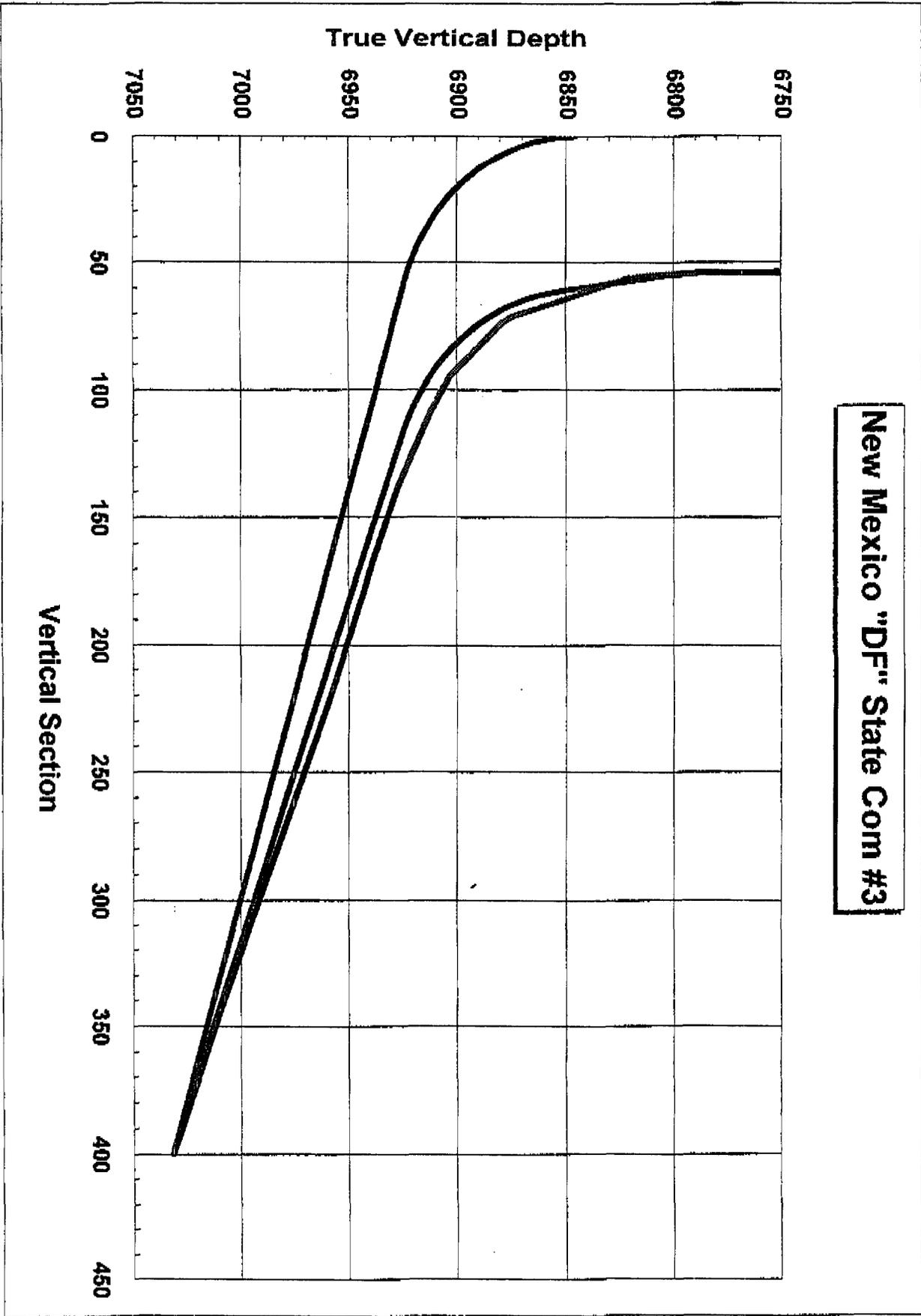
Mark S. Wakefield
Project Engineer

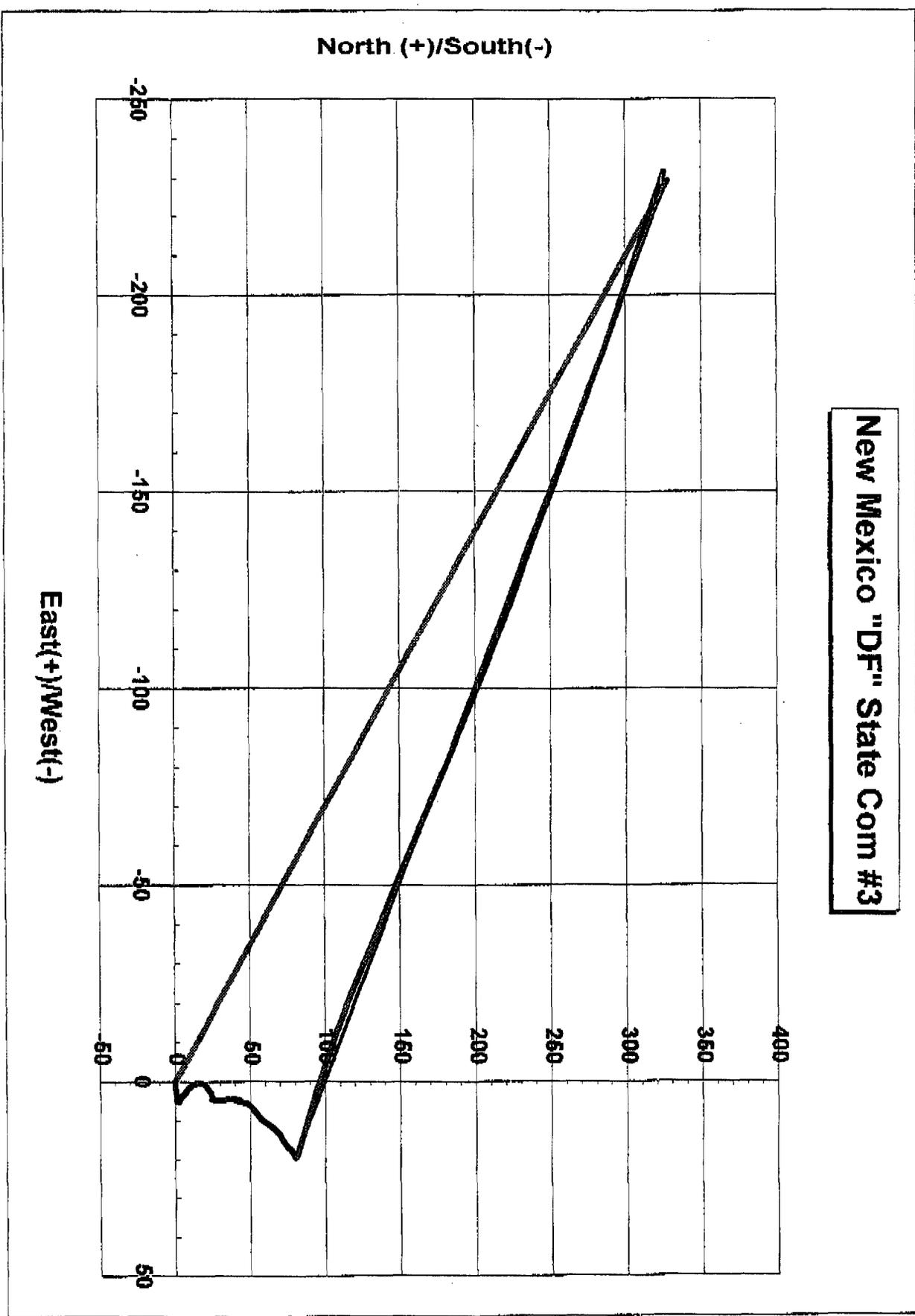
WAIVER APPROVED:

COMPANY: CHEVRON
BY: Scott McAngeau
DATE: 5/9/00



New Mexico "DF" State Com #3





SCIENTIFIC DRILLING

HORIZONTAL SURVEY PROGRAM
MINIMUM CURVATURE CALCULATIONS(SPE-3362)

OPERATOR: TEXACO E. & P., INC
WELL: NEW MEXICO "DF" STATE COM #3
LOCATION: EDDY COUNTY, NEW MEXICO
JOB NO: 32D0400144
START: 4/30/00 FILE: TEXACO
FINISH: INFORMATION PROVIDED BY: SDI
HORIZONTAL COORDINATOR: BILL LAMB, BILL HOFFMAN

DIP1 = -20.39 deg = 69.61 deg
TARGET1 = 7.032 ft TVD
VS1 = 400 ft
DIP2 = -20.39 deg = 69.61
TARGET2 = 7.032 ft TVD
VS2 = 400 ft
DECLINATION = 9.21 DIRECTION 325.00

TRUE

CENTER

SVY #	MEASURED DEPTH	INCL (DRIFT)	AZMUTH (DIR)	VERTICAL DEPTH	VERTICAL SECTION	DLS/ 100	ACTUAL BUR	BUR REQD	ABOVE(+) BELOW(-)	RIGHT(+) LEFT(-)	NORTH(+) SOUTH(-)	EAST(+) WEST(-)
1	6794	1.93	43.22	6790.0	54.2	0.2	0.0	33.4	113.5	62.0	80.0	19.7
2	6823	6.94	313.20	6821.9	56.2	22.5	15.7	40.2	82.3	62.2	81.7	18.7
3	6878	25.87	306.14	6874.4	71.0	34.5	34.4	48.1	35.3	57.6	91.2	6.4
4	6883	28.72	306.18	6878.9	73.2	77.0	77.0	44.9	31.7	56.8	92.5	4.6
5	6916	54.57	314.03	6903.2	84.5	76.9	75.3	13.7	15.3	51.5	106.9	-12.0
6	6933	60.26	316.87	6912.3	108.6	36.3	33.5	7.1	11.4	49.2	117.2	-22.0
7	6965	66.61	317.75	6926.8	136.9	20.0	19.8	1.1	7.6	45.3	138.2	-41.4
8	6986	69.92	317.17	6938.1	165.5	10.8	10.7	0.0	6.7	41.6	159.4	-60.9
9	7028	70.43	316.96	6948.9	195.3	1.7	1.6	0.1	7.0	37.4	181.4	-81.4
10	7060	69.14	316.60	6960.3	224.9	7.2	-7.2	0.3	6.7	33.1	203.2	-101.9
11	7091	67.76	313.79	6971.9	253.2	8.5	-1.2	0.6	5.5	28.2	223.6	-122.1
12	7123	67.24	314.04	6984.1	282.2	1.8	-1.6	1.3	4.1	22.5	244.1	-143.4
13	7155	67.66	314.87	6996.4	311.3	2.7	1.3	1.4	2.6	17.1	264.8	-164.5
14	7186	69.05	313.45	7007.9	339.6	6.2	4.5	0.2	1.7	11.7	284.9	-185.2
15	7217	69.04	310.67	7018.9	367.8	8.4	0.0	0.3	1.1	5.2	304.3	-206.7
16	7252	69.04	310.67	7031.5	399.5	0.0	0.0	0.9	0.3	-2.9	325.6	-231.5