

ABOVE THIS LINE FOR DIVISION USE ONLY

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



ADMINISTRATIVE APPLICATION CHECKLIST

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.

Print or Type Name	Signature	Title	Date
<i>Chervin Traco</i>			
e-mail Address			

North America Upstream
Midcontinent Business Unit
11111 S. Wilcrest, Rm S1052
Houston, Texas 77099
Tel (281) 561-3659
Fax (281) 561-3576
mrvillalva@chevrontexaco.com

Michael R. Villalva
Petroleum Engineer

RECEIVED

MAR 07 2005

OIL CONSERVATION
DIVISION

ChevronTexaco

March 2, 2005

Request for Administrative Approval of
Unorthodox Oil Well Location and
Simultaneous Dedication

Mr. Michael E. Stogner
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

ChevronTexaco respectfully requests administrative approval of an unorthodox oil well location for the following well:

Eunice King #29
1340' FNL & 2620' FWL, SE/4 NW/4 of
Section 28, T21S, R37E, Unit Letter F
Lea County, New Mexico

The proposed well will be as an infill producer in the Penrose Skelly, Grayburg Pool, which is an oil pool spaced on 40 acres. This well is a follow-up to our recent infill drilling in the same Pool which recently concluded. ChevronTexaco's technical analysis of the reservoir still supports the contention that typical Grayburg wells cannot drain 40 acres.

The SE/4 NW/4 of Section 28 will be simultaneously dedicated in the Penrose Skelly, Grayburg Pool to the proposed well and to the Eunice King #3. The Eunice King #3 was drilled in 1937 and is currently completed as a Penrose Skelly, Grayburg producer. ChevronTexaco also requests approval of the simultaneous dedication.

This application is based on geological and engineering analysis. The analysis and justification for this request is attached as Exhibit 1, along with other supporting documentation. There are four wells that have produced the Grayburg formation in the E/2 NW/4 and the W/2 NE/4 of Section 28. The proposed well will be located in the approximate center of those wells. Based on drainage calculations, ChevronTexaco believes that drilling the infill well will recover reserves that would not be recovered by existing Grayburg producers.

A land plat highlighting the proposed well's location is attached as Exhibit 2. The N/2 of Section 28 is covered by a single fee lease and has common royalty and working interest ownerships. For that reason and the proposed location of the infill well, there are no adversely affected interest owners and no one has been notified of this application.

March 2, 2005

Page 2

If you have any questions concerning this application or need additional information, please contact me by phone at (281) 561-3659 or by email at mrvallalva@chevrontexaco.com. If I am not available, you can also reach George Pritchard by phone at (281) 561-4918 or by email at GPritchard@chevrontexaco.com. Thank you for consideration of this matter.

Sincerely,



Michael R. Villalva
Petroleum Engineer

Attachments

cc: NMOCD District 1 – Hobbs, NM
Michael R. Villalva
George Pritchard
Well File

NOTIFICATION LIST

Application of Chevron U.S.A. Inc. for Administrative Approval of an Unorthodox Oil Well Location and Simultaneous Dedication:

Eunice King #29

1340' FNL & 2620' FWL

Section 28, T21S, R37E, Unit Letter F

Lea County, New Mexico

Offset Operators, Working Interest Owners, N/2 Section 28:

1. Chevron U.S.A. Inc. Operator/100% WI
11111 S. Wilcrest
Houston, TX 77099

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
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 WFX PMX SWD IPI EOR PPR
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[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.

Michael R. Villalva _____ Mar 2, 2005
 Print or Type Name Signature Title Date

_____ mrvillalva@chevrontexaco.com
 e-mail Address

EXHIBIT 1

ENGINEERING AND GEOLOGICAL JUSTIFICATION

Application of Chevron U.S.A. Inc. for Administrative Approval of an Unorthodox Oil Well Location and Simultaneous Dedication:

Eunice King #29

1340' FNL & 2620' FWL

Section 28, T21S, R37E, Unit Letter F

Lea County, New Mexico

PRIMARY OBJECTIVE: GRAYBURG

SUPPORTING DATA:

1. Chevron U.S.A. Inc. (Chevron) is the operator of the proposed Eunice King #29 well (Exhibit 3). The proposed total depth is 4300' in the top of the San Andres formation.
2. The completion will be in the Penrose Skelly, Grayburg Oil Pool and the proposed location encroaches toward the following wells (Exhibit 4).

Operator	Well	Location	Formation	Cum Prod		Current Prod		Status
				MBO	MMCF	BOPD	MCFPD	
Chevron	Eunice King #3	28-F	Grayburg	119	887	4	90	Producing
Chevron	Eunice King #7	28-G	Grayburg	38	257			P&A
Chevron	Eunice King #11	28-B	Grayburg	60	441			P&A - will reenter
Chevron	Eunice King #19	28-C	Grayburg	7	130	8	266	Producing

3. The proposed Eunice King #29 unorthodox Grayburg location is based primarily on drainage considerations:

- a. Grayburg Reservoir

The Grayburg is a series of alternating subtidal and supratidal dolomites with the subtidal rock having porosity and hydrocarbons while the supratidal rock is tight. The Grayburg depositional environments varied rapidly so that many porous and tight intervals are not continuous from well to well on 40-acre spacing. Tight dolomite and/or anhydrite intervals within the Grayburg create vertical and horizontal flow barriers between different zones of porosity. Additionally, average porosity of the Grayburg is less than 10%, and the average permeability is less than 1 millidarcy. For all of these reasons, Grayburg wells are not usually capable of draining a 40-acre proration unit.

The reservoir was also analyzed by mapping the Hydrocarbon Pore Volume (HCPV) (Exhibit 5). HCPV is the product of feet of net pay (h) times average porosity (phi) times oil saturation (S_o). The attached map is the arithmetic product of grids interpreted from those values. The values were obtained as follows:

1. Net pay was read from either modern neutron-density logs or estimated from a map developed from gross pay times net-to-gross ratio (Exhibit 4).
2. Average porosity was calculated from modern well logs using a minimum of 6% crossplot porosity and a maximum of 20%.
3. Oil saturation was calculated from a fractional flow curve using representative water cut values.

The following table provides drainage areas calculated from the HCPV map and reserves of the offsetting wells.

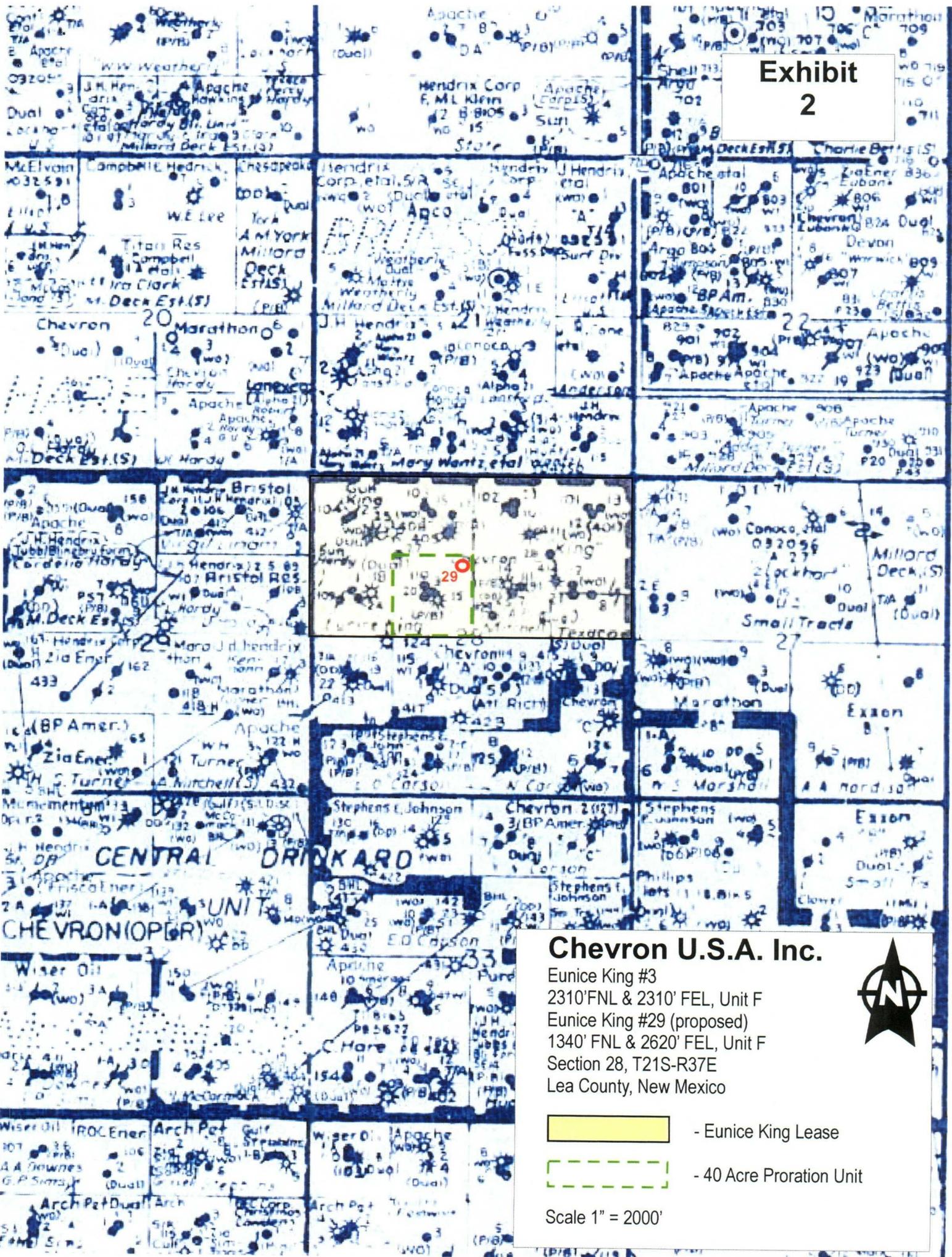
Operator	Well	Location	Formation	Drainage Acres	EUR	
					MBO	MMCF
Chevron	Eunice King #3	28-F	Grayburg	31	126	996
Chevron	Eunice King #7	28-G	Grayburg	8	38	257
Chevron	Eunice King #11	28-B	Grayburg	12	60	441
Chevron	Eunice King #19	28-C	Grayburg	6	28	429

As seen above, the average drainage area of the offsetting locations is only 14 acres, and additional reserves can be recovered by drilling the proposed infill well at an approximate equidistant location from the existing offsetting producers. Reserves for the proposed location were calculated using the HCPV map, a 14 acre drainage area, and a 15% recovery factor. The results are as follows:

Operator	Well	Location	HCPV	Drainage Acres	EUR	
					MBO	MMCF
Chevron	Eunice King #29	28-F	5.7	14	67	495

4. The N/2 of Section 28 is covered by a single fee lease which has common royalty and working interest ownerships. Chevron is the operator and 100% working interest owner of the Grayburg wells toward which the proposed well will encroach. Therefore, there are no offset interest owners or adversely affected parties to notify of this application.
5. The proposed Eunice King #29 will share a 40-acre proration unit and will be simultaneously dedicated with the Eunice King #3 (recent Lower Grayburg deepening) as a Penrose Skelly, Grayburg producer in Section 28, Unit Letter F.
6. Approval of this application will allow for the recovery of oil and gas reserves which would not otherwise be recovered.

Exhibit 2



Chevron U.S.A. Inc.

Eunice King #3
 2310' FNL & 2310' FEL, Unit F
 Eunice King #29 (proposed)
 1340' FNL & 2620' FEL, Unit F
 Section 28, T21S-R37E
 Lea County, New Mexico



- Eunice King Lease
- 40 Acre Proration Unit

Scale 1" = 2000'

Exhibit 3

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised JUNE 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT I

1825 N. FRENCH DR., HOBBBS, NM 88240

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name EUNICE KING	
OGRID No.	Operator Name CHEVRON U.S.A., INC.	
		Well Number 29
		Elevation 3448'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	28	21-S	37-E		1340	NORTH	2620	WEST	LEA

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
Dedicated Acres		Joint or Infill		Consolidation Code		Order No.			

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

<p style="text-align: center; margin-top: 20px;"> GEODETIC COORDINATES NAD 27 NME Y=530596.7 N X=859600.0 E LAT.=32°27'11.97" N LONG.=103°10'03.27" W </p>	<p style="text-align: center;">OPERATOR CERTIFICATION</p> <p style="font-size: small; text-align: center;">I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature _____</p> <p>Printed Name _____</p> <p>Title _____</p> <p>Date _____</p> <hr/> <p style="text-align: center;">SURVEYOR CERTIFICATION</p> <p style="font-size: small; text-align: center;">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 belief.</p> <p style="text-align: center; margin-top: 10px;">JANUARY 12, 2005</p> <p>Date Surveyed _____ JR</p> <p>Signature & Seal of Professional Surveyor</p> <div style="text-align: center;"> </div> <p>Certificate No. GARY EDSON 12841</p>
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Standard 640-acre Section

District I
1625 N. French Dr., Hobbs, NM 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised June 10, 2003

District II
1301 W. Grand Avenue, Artesia, NM
88210

OIL CONSERVATION DIVISION Submit to Appropriate District Office

1220 South St. Francis Dr.
Santa Fe, NM 87505

Exhibit 3.1
 AMENDED REPORT

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
1220 South St. Francis Dr., Santa Fe, NM
87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-06839	² Pool Code 50350	³ Pool Name Penrose Skelly; Grayburg
⁴ Property Code 2615	⁵ Property Name Eunice King	⁶ Well Number 3
⁷ OGRID No. 4323	⁸ Operator Name Chevron U.S.A., Inc.	⁹ Elevation 3458' GL

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
F	28	21S	37E		1980	North	1980	West	Lea

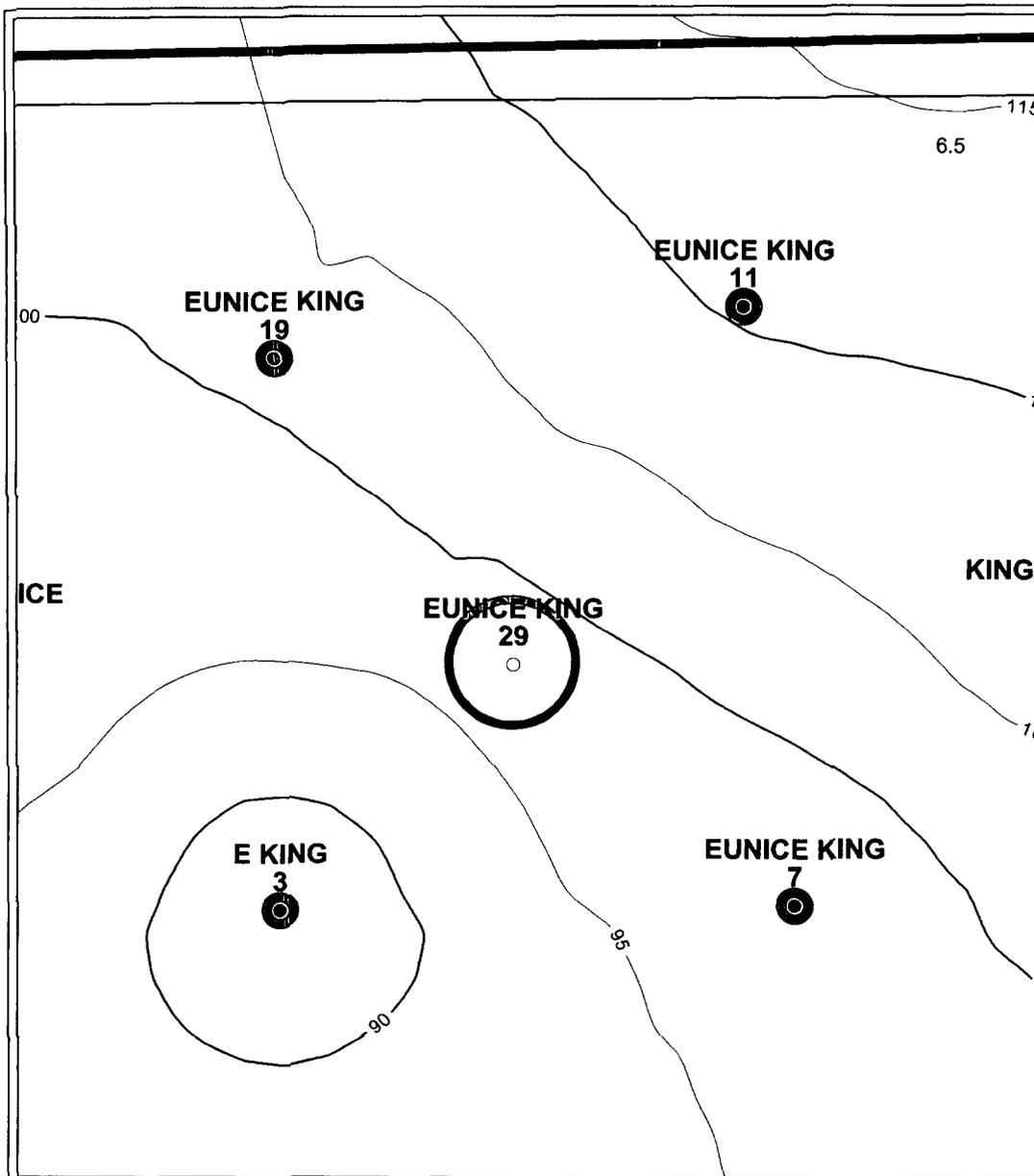
¹¹ Bottom Hole Location If Different From Surface

UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres: 40
¹³ Joint or Infill:
¹⁴ Consolidation Code:
¹⁵ Order No.:

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

<p>16</p>	<p>1 OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p><i>Michael R. Villaiva</i> Signature Michael R. Villaiva Printed Name Petroleum Engineer Title February 21, 2005</p>
	<p>1 SURVEYOR CERTIFICATION</p> <p><i>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 belief.</i></p> <p>Signature and Seal of Professional Surveyor:</p> <p>Certificate Number</p>



PETRA 3/2/2005 7:02:12 AM

ChevronTexaco

EXHIBIT 4

PENROSE-SKELLY FIELD EUNICE KING #29

Sec. 28, T21S-R37E, Lea Co, New Mexico

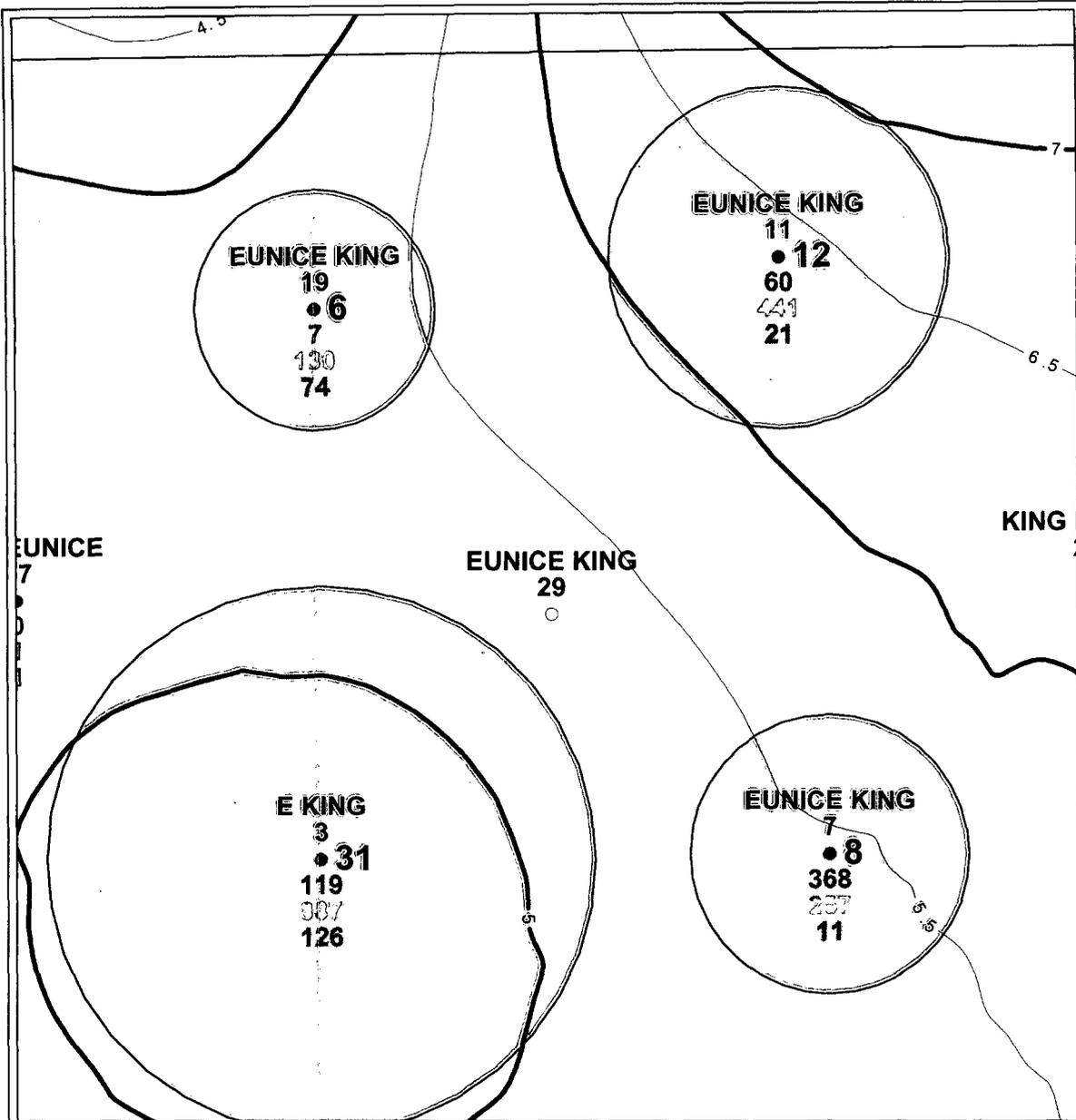
Grayburg Net Pay CI=5.0' [Gr<40, Por>6%]

POSTED WELL DATA

Well Name
Well Number



March 2, 2005



PETRA 2/28/2005 11:01:17 AM

ChevronTexaco

EXHIBIT 5

PENROSE-SKELLY FIELD EUNICE KING #29

Sec. 28, T21S-R37E, Lea Co, New Mexico

Grayburg HCPV CI=0.5, & EUR - Drainage

POSTED WELL DATA

Well Name
Well Number

● GFP_GRAYBURG - EUR-GRAYBURG-ACRES[GFP]

GFP_GRAYBURG - GRAYBURG-CUM_OIL_MBO[P]
GFP_GRAYBURG - GRAYBURG-CUM_GAS_MMCF[P]
GFP_GRAYBURG - GRAYBURG-CUM_WATER_MBO[P]



February 28, 2005