



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

June 30, 2005

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Chevron U.S.A., Inc.
c/o **MidContinent SBU**
Chevron North America Exploration and Production Company
P. O. Box 36366
Houston, Texas 77326

Attention: George F. Prichard
Geologist
gpritchard@chevrontexaco.com

Administrative Order NSL-5227 (SD)

Dear Mr. Prichard:

Reference is made to the following: (i) your application (*administrative application reference No. pSEM0-517329469*) submitted on behalf of the operator, Chevron U.S.A., Inc. ("Chevron"), to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on June 21, 2005; and (ii) the Division's records: all concerning Chevron's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the SW/4 NE/4 (Unit G) of Section 3, Township 22 South, Range 37 East, NMPM, Penrose Skelly (Grayburg) Pool (**50350**), Lea County, New Mexico.

Your application has been duly filed under the provisions of Division Rule 104.F.

This 40-acre Grayburg unit is currently dedicated to Chevron's Mark Well No. 9 (**API No. 30-025-24584**) located at a standard oil well location 2172 feet from the North line and 1972 feet from the East line of Section 3.

It is the Division's understanding that the NE/4 equivalent of Section 3 comprises a single fee lease (Mark lease) with common mineral interest in which Chevron is the leasehold operator; therefore, there are no adversely effected offsets to the subject 40-acre tract within the Grayburg interval.

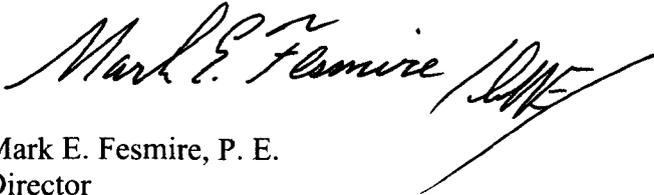
It is further understood that such unorthodox location is necessitated for geologic and engineering reasons in that this location is approximately equidistance to other offsetting Penrose Skelly (Grayburg) oil wells within the Mark fee lease. The proposed infill oil well location will enable Chevron to further develop and deplete the Grayburg reserves within this lease that might not otherwise be recovered.

By the authority granted me under the provisions of Division Rule 104.F (2), the following described well to be drilled at an unorthodox "infill" oil well location within the SW/4 NE/4 (Unit G) of Section 3 is hereby approved:

Mark Well No. 13
1678' FNL & 1425' FEL.

Further, both the existing Mark Well No. 9 and the proposed Mark Well No. 13 are to be simultaneously dedicated to the subject 40-acre unit.

Sincerely,

A handwritten signature in black ink that reads "Mark E. Fesmire" followed by a stylized flourish or set of initials.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs