



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

April 19, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Chevron U.S.A., Inc.
North America Upstream/Midcontinent Business Unit
11,111 S. Wilcrest – Room S-1052
Houston, Texas 77099

Attention: George F. Pritchard
Project Manager/Geologist
gpritchard@chevron.com

Administrative Order NSL-5366 (SD)

Dear Mr. Pritchard:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-608852526*) submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on March 29, 2006; and (ii) the Division's records: all concerning Chevron U.S.A., Inc.'s ("Chevron") 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 16, Township 21 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 Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

This 40-acre Grayburg unit is currently dedicated to Chevron's Harry Leonard (NCT-E) Well No. 1 (*API No. 30-025-06620*) located at a standard oil well location 1980 feet from the North and East lines of Section 16.

It is the Division's understanding that the NE/4 of Section 16 is a single state lease issued by the New Mexico State Land Office (*State Lease No. B-01732-0001*) 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.

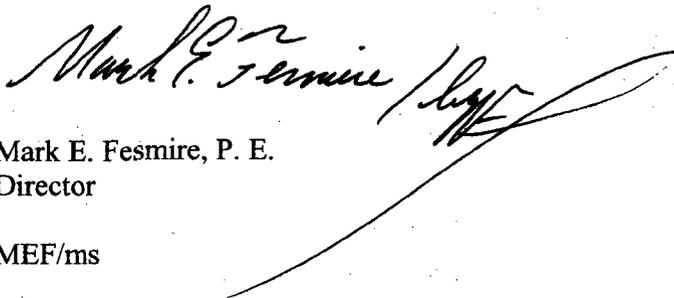
It is further understood that such unorthodox location is necessitated for geologic and engineering reasons in that this location is approximately equidistance to other offsetting Penrose Skelly (Grayburg) oil producers within Chevron's Harry Leonard (NCT-E) state lease. The proposed infill oil well 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 16 is hereby approved:

Harry Leonard (NCT-E) Well No. 8
2310' FNL & 1430' FEL.

Further, both the existing Harry Leonard (NCT-E) Well No. 1 and the proposed Harry Leonard (NCT-E) Well No. 8 are to be simultaneously dedicated to the subject 40-acre unit.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe
