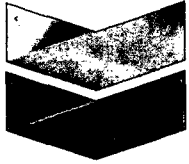


Chevron



Tiffany L. Kalmus
Land Representative
Permian Basin

Mid-Continent SBU
Chevron North America
Exploration and Production
Company
15 Smith Rd.
Midland, Texas 79705
Tel 432-687-7302
Fax 432-687-7448
tifik@chevron.com

September 18, 2006

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

Attention: Oil & Gas Regulatory Department
Lea County, New Mexico

Through a search of our division order records, we have found that the wells under the following Brunson-Argo leases, covering the NW/4 of Section 10, T-22-S, R-37-E, N.M.P.M., Lea County, New Mexico, show to have identical ownership in the Paddock, Blinebry, Drinkard and Abo formations and therefore qualify for commingling. Attached in support of this is a spreadsheet defining mineral ownership.

Oil and Gas Lease dated May 30, 1934, by and between Rollon L. Brunson and Guy H. Hooper recorded in Lea County, Book 25, Page 242 on September 28, 1934.

Oil and Gas Lease dated May 30, 1934, by and between Argo Royalty Company and Guy H. Hooper recorded in Lea County, Book 25, Page 106 on July 14, 1934.

If you require additional information or have any questions, please contact me at the letterhead address.

Sincerely yours,

Tiffany Kalmus
Land Representative

BRUNSON ARGO OWNERSHIP_9-19-06.xls

CoCode	Venture	DOI	Name	Owner	Name	Interest Type	NRI
9201	17876	1	BRUNSON ARGO SEC 9 WELLS	8007831	DELTEX ROYALTY CO INC	RI	0.01757820
9201	17876	1	BRUNSON ARGO SEC 9 WELLS	8030727	PRISCILLA S WEST	RI	0.02734380
9201	17876	1	BRUNSON ARGO SEC 9 WELLS	8034105	FRANCES CORRINE FRISTOE	RI	0.00390620
9201	17876	1	BRUNSON ARGO SEC 9 WELLS	8040776	ARCO OIL & GAS CO	RI	0.03125000
9201	17876	1	BRUNSON ARGO SEC 9 WELLS	8052607	PH INC	RI	0.00585937
9201	17876	1	BRUNSON ARGO SEC 9 WELLS	8052608	GY GROUP INC	RI	0.00585936
9201	17876	1	BRUNSON ARGO SEC 9 WELLS	8052609	CAPRICORN ASSET MANAGEMENT CORP	RI	0.00585937
9201	17876	1	BRUNSON ARGO SEC 9 WELLS	8055719	CHEVRON MIDCONTINENT, L.P.	WI	0.87500000
9201	17876	1	BRUNSON ARGO SEC 9 WELLS	8078055	POGO PRODUCING CO	RI	0.02734370
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8004953	KATHERINE CONE KECK	RI	0.00260420
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8006016	RONALD W MCINNIS	RI	0.00781250
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8013002	PROVIDENCE MINERALS LLC	RI	0.03125000
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8015849	WILLIAMS TRUST FBO MMP	RI	0.00781250
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8016762	JOHN H HENDRIX CORPORATION	RI	0.00227860
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8030727	PRISCILLA S WEST	RI	0.02734380
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8034105	FRANCES CORRINE FRISTOE	RI	0.00390620
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8036659	TRITEX PRODUCTION COMPANY	RI	0.00093750
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8036660	PURNELL MORROW COMPANY	RI	0.00031250
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8036740	BLACK STONE MINERALS COMPANY LP	RI	0.00625000
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8038979	S E CONE JR	RI	0.00260410
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8038980	MARJORIE CONE KASTMAN	RI	0.00260420
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8040471	MOMENTUM OPERATING CO INC	RI	0.00312500
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8044730	OSCAR L NISLAR III REV TRST	RI	0.00195310
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8049737	JAMES R NISLAR FOUNDATION	RI	0.00195320
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8052780	EF5 ROYALTY PARTNERS LP	RI	0.01250000
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8055719	CHEVRON MIDCONTINENT, L.P.	WI	0.87500000
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8064616	MONTGOMERY PETROLEUM INC	RI	0.00781250
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8064786	CAROLYN K. GARVIE	RI	0.00065100
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8065557	EVERETT COON JR	RI	0.00031250
9201	17877	1	BRUNSON ARGO SEC 10 WELLS	8065908	T ALAN LAYNE REV TR	RI	0.00097660

DATE IN 8/31/06	SUSPENSE	W. JONES ENGINEER	LOGGED IN 8/31/06	TYPE PC	APP NO. PTD50624351214
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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



Oil Conservation Division

1220 S. 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.

Pamela A. Smith

Print or Type Name

Pamela A. Smith

Signature

Office Assistant

Title
smithpa@chevron.com

e-mail Address

8-28-06

Date

Called Pam Smith
 9/1/06
 reporter
 C-103 +
 attorney/Landman
 Certification



Pamela A. Smith
Office Assistant-Facilities
Permian Basin

Mid-Continent Business Unit
Chevron U.S.A. Inc.
15 Smith Rd
Midland, Texas 79705
Tel 432-687-7305
Fax 432-687-7871
smithpa@chevron.com

August 25, 2006

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

RE: Application To Pool (Surface) Commingle Oil And Gas Production

Attn: Oil & Gas Regulatory Department

Chevron U.S.A., Inc. respectfully requests administrative approval to surface commingle oil and gas production from the San Andres, Paddock, Blinbry, Tubb, Drinkard, and Abo Pools, respectively, into the Brunson Argo Commingled # 1 Battery, located in Section 10, T22S, R37E, Lea County, New Mexico. The production from each pool will be allocated based on periodic well tests of each of the respective pool producers. All wells are on Chevron's wholly owned Brunson Argo lease and royalty ownership is identical in all pools.

Attached in support of this request is a table showing oil production volumes, gravities, and monetary values for each of the wells/pools proposed for commingling, a proposed schematic diagram for the subject facility, and a lease plat. As can be seen on the table, the value of the production will not be significantly impacted by the proposed action. However, environmental exposure and operating costs will be reduced by having fewer tank storage facilities to operate and maintain.

For your convenience, I have enclosed an envelope with my return address, so that the decision for this application can be sent directly to me. If you require additional information or have any questions, please contact me by telephone at (432) 687-7305 or by e-mail at smithpa@chevron.com.

Sincerely,

Pamela A. Smith

Pamela A. Smith
Office Assistant-Facilities

CC: NMOCD – Hobbs District 1
Lease File
Reggie Holzer
Nathan Mouser
Danny Lovell
Denise Pinkerton
Jesse Williams

Proposed Surface Commingling Order
Brunson Argo Commingled # 1 Battery
Section 10, T22S, R37E
Lea County, New Mexico

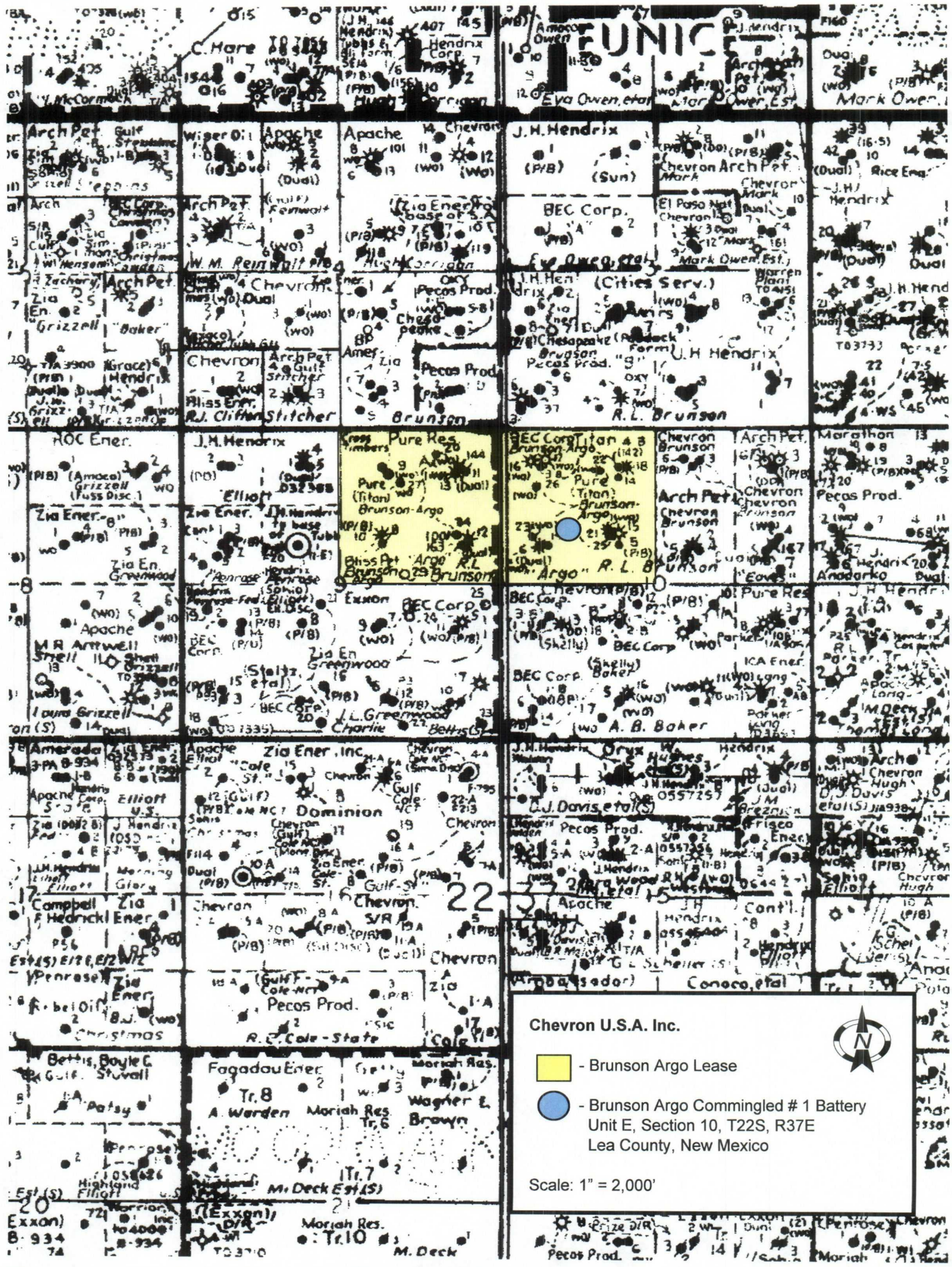
Section 10 Brunson Argo Production Into 3 Separate Batteries (Current State)

Pool	Well	BOPD	API Gravity	\$/BBL	\$/Day	Remarks	Battery
Paddock	Brunson Argo # 5	5.2	25.5	64.67	334.99		# 5
Blinebry	Brunson Argo # 6	0.0	32.7	68.42	0.00		# 1
Drinkard	Brunson Argo # 6	0.0	36.3	68.29	0.00		# 1
Paddock	Brunson Argo # 14	7.3	34.0	64.67	469.50		# 5
Tubb	Brunson Argo # 15	0.0	35.5	68.29	0.00		# 1
Drinkard	Brunson Argo # 15	3.0	35.5	68.29	207.60		# 1
Paddock	Brunson Argo # 16	9.3	35.0	64.67	602.08		# 5
Blinebry	Brunson Argo # 17	0.6	29.0	68.42	41.74		# 1
Blinebry	Brunson Argo # 18	1.2	33.0	68.42	83.47		# 1
Paddock	Brunson Argo # 19	6.2	34.0	64.67	400.95		# 5
Blinebry	Brunson Argo # 21	0.6	36.0	68.42	41.74		# 1
Drinkard	Brunson Argo # 22	2.7	35.0	68.29	187.11		# 1
Abo	Brunson Argo # 22	0.9	35.0	62.87	57.84		# 1
Drinkard	Brunson Argo # 23	1.5	36.5	68.29	103.12		# 1
Abo	Brunson Argo # 23	0.9	36.5	62.87	57.84		# 1
San Andres	Brunson Argo # 25	0.3	27.1	62.02	18.61		# 6
Drinkard	Brunson Argo # 26	1.5	38.0	68.29	103.80		# 1
Abo	Brunson Argo # 26	0.3	38.0	62.87	19.49		# 1
Totals		41.7			\$2,729.88		

Production From All Section 10 Brunson Argo Wells Commingled Into Brunson Argo Commingled Battery - Sec. 10

Pool	Well	BOPD	API Gravity	\$/BBL	\$/Day	Remarks	Battery
Paddock	Brunson Argo # 5	5.2	33.6	64.67	334.99	Calculated API gravity of commingled oil	Sec. 10
Blinebry	Brunson Argo # 6	0.0	33.6	64.67	0.00	Calculated API gravity of commingled oil	Sec. 10
Drinkard	Brunson Argo # 6	0.0	33.6	64.67	0.00	Calculated API gravity of commingled oil	Sec. 10
Paddock	Brunson Argo # 14	7.3	33.6	64.67	469.50	Calculated API gravity of commingled oil	Sec. 10
Tubb	Brunson Argo # 15	0.0	33.6	64.67	0.00	Calculated API gravity of commingled oil	Sec. 10
Drinkard	Brunson Argo # 15	3.0	33.6	64.67	196.60	Calculated API gravity of commingled oil	Sec. 10
Paddock	Brunson Argo # 16	9.3	33.6	64.67	602.08	Calculated API gravity of commingled oil	Sec. 10
Blinebry	Brunson Argo # 17	0.6	33.6	64.67	39.45	Calculated API gravity of commingled oil	Sec. 10
Blinebry	Brunson Argo # 18	1.2	33.6	64.67	78.90	Calculated API gravity of commingled oil	Sec. 10
Paddock	Brunson Argo # 19	6.2	33.6	64.67	400.95	Calculated API gravity of commingled oil	Sec. 10
Blinebry	Brunson Argo # 21	0.6	33.6	64.67	39.45	Calculated API gravity of commingled oil	Sec. 10
Drinkard	Brunson Argo # 22	2.7	33.6	64.67	177.20	Calculated API gravity of commingled oil	Sec. 10
Abo	Brunson Argo # 22	0.9	33.6	64.67	59.50	Calculated API gravity of commingled oil	Sec. 10
Drinkard	Brunson Argo # 23	1.5	33.6	64.67	97.65	Calculated API gravity of commingled oil	Sec. 10
Abo	Brunson Argo # 23	0.9	33.6	64.67	59.50	Calculated API gravity of commingled oil	Sec. 10
San Andres	Brunson Argo # 25	0.3	33.6	64.67	19.40	Calculated API gravity of commingled oil	Sec. 10
Drinkard	Brunson Argo # 26	1.5	33.6	64.67	98.30	Calculated API gravity of commingled oil	Sec. 10
Abo	Brunson Argo # 26	0.3	33.6	64.67	20.05	Calculated API gravity of commingled oil	Sec. 10
Totals		41.7			\$2,693.51		

	Lease Name	Well Num	Primary API	Status Code	Prod Zone Name	Twp	Rtg	Sec	Sec Surf	Oil YTD	Wtr YTD	Gas YTD	Last Prod Date
1	BRUNSON ARGO	26	30025339940001	ACT	ABO /SH/	22	37	10 D		28		9489	2006/03
2	BRUNSON ARGO	23	30025338260001	ACT	DRINKARD	22	37	10 E		136	51	18416	2006/03
3	BRUNSON ARGO	5	30025101730001	ACT	PADDOCK	22	37	10 F		466		13024	2006/03
4	BRUNSON ARGO	14	30025101750000	ACT	PADDOCK	22	37	10 C		653		7577	2006/03
5	BRUNSON ARGO	16	30025101770000	ACT	PADDOCK	22	37	10 D		838			2006/03
6	BRUNSON ARGO	18	30025101790000	ACT	BLINEBRY	22	37	10 C		110		4361	2006/03
7	BRUNSON ARGO	19	30025101800000	ACT	PADDOCK	22	37	10 E		558		7687	2006/03
8	BRUNSON ARGO	22	30025338250000	ACT	ABO /SH/	22	37	10 C		83		10003	2006/03
9	BRUNSON ARGO	25	30025339640000	ACT	SAN ANDRES	22	37	10 F		27	5402	6008	2006/03
10	BRUNSON ARGO	22	30025338250002	ACT	DRINKARD	22	37	10 C		247		6131	2006/03
11	BRUNSON ARGO	26	30025339940002	ACT	DRINKARD	22	37	10 D		137		3164	2006/03
12	BRUNSON ARGO	6	30025101740002	INA	DRINKARD	22	37	10 E					1998/08
13	BRUNSON ARGO	6	30025101740003	ACT	BLINEBRY	22	37	10 E				2172	2006/03
14	BRUNSON ARGO	15	30025101760002	ACT	DRINKARD	22	37	10 F		274		9258	2006/03
15	BRUNSON ARGO	15	30025101760001	ACT	TUBB	22	37	10 F				6433	2006/03
16	BRUNSON ARGO	21	30025338240001	ACT	BLINEBRY	22	37	10 F		55		8375	2006/03
17	BRUNSON ARGO	17	30025101780002	ACT	BLINEBRY	22	37	10 D		55	222	5573	2006/03
18	BRUNSON ARGO	23	30025338260001	ACT	ABO /SH/	22	37	10 E		83	170	6471	2006/03
19										3750	5845	124142	

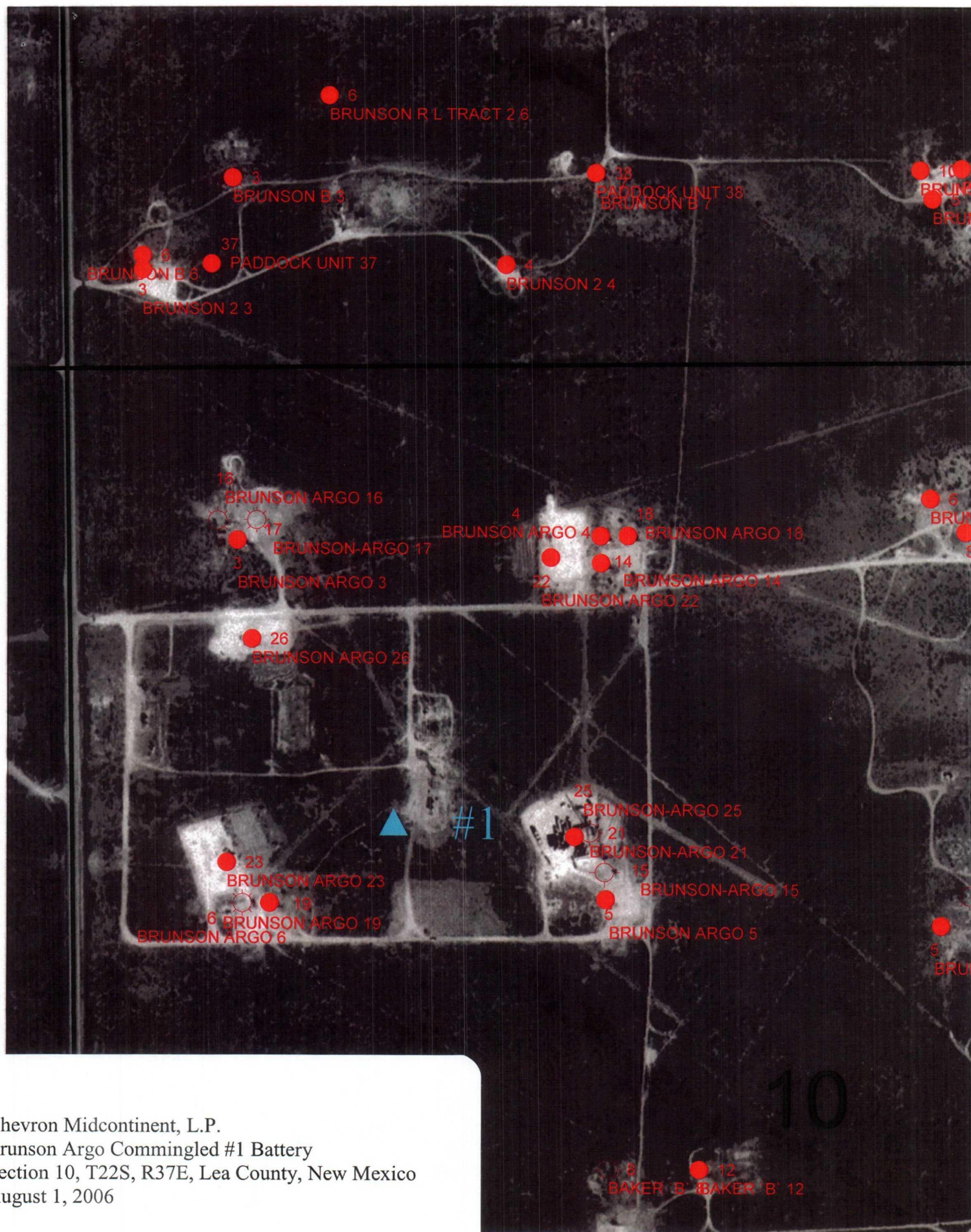


Chevron U.S.A. Inc.

 - Brunson Argo Lease

 - Brunson Argo Commingled #1 Battery
Unit E, Section 10, T22S, R37E
Lea County, New Mexico

Scale: 1" = 2,000'



Chevron Midcontinent, L.P.
 Brunson Argo Commingled #1 Battery
 Section 10, T22S, R37E, Lea County, New Mexico
 August 1, 2006



PHONE (325) 673-7001 • 2111 BEECHWOOD • ABILENE, TX 79603

PHONE (505) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR
CHEVRON
ATTN: BOBBY McCURRY
P.O. BOX 1949
EUNICE, NM 88231
FAX TO:

Receiving Date: 05/31/06
Reporting Date: 06/02/06
Project Number: NOT GIVEN
Project Name: BRUNSON ARGO
Project Location: NOT GIVEN

Sampling Date: 05/17/06
Sample Type: CRUDE OIL
Sample Condition: INTACT
Sample Received By: AB

Laboratory No.	Sample ID	API grav. @ 60°F	Weight % Sulfur
H11173-1	TB#1-WELL #15	35.5	0.4230
H11173-2	TB#1-WELL #17	29.0	0.6801
H11173-3	TB#1-WELL #18	33.0	0.5824
H11173-4	TB#1-WELL #21	36.0	0.5300
H11173-5	TB#1-WELL #22	35.0	0.4406
H11173-6	TB#1-WELL #23	36.5	0.3204
H11173-7	TB#1-WELL #26	38.0	0.3241
H11173-8	TB#5-WELL #5	25.5	0.906
H11173-9	TB#5-WELL #14	34.0	0.9684
H11173-10	TB#5-WELL #16	35.0	1.0170
H11173-11	TB#5-WELL #19	34.0	0.8505
H11173-12	BRUNSON ARGO #9	32.0	1.1043
H11173-13	BRUNSON ARGO #10	34.5	0.7192
H11173-14	BRUNSON ARGO #12	34.0	1.0290
H11173-15	BRUNSON ARGO #13	35.5	1.0344
H11173-16	BRUNSON ARGO #20	35.0	1.0394
H11173-17	BRUNSON ARGO #24	32.0	1.1070
H11173-18	BRUNSON ARGO #27	36.5	0.3417
H11173-19	BRUNSON ARGO #29	34.0	1.0429

METHODS: ASTM

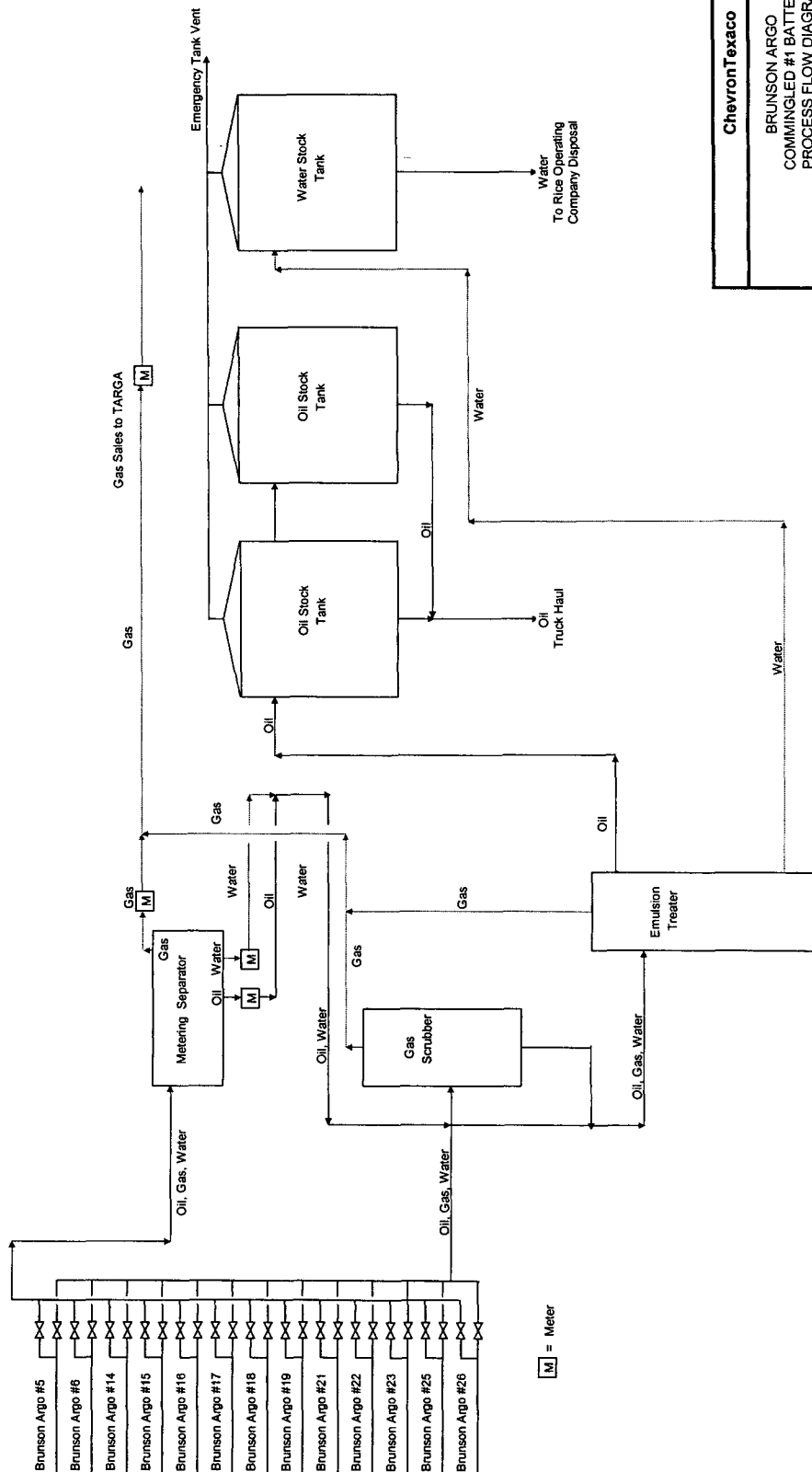
D287

D4294

Chemist

6/2/06
Date

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. Cardinal shall not be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.



ChevronTexaco

BRUNSON ARGO
COMMINGLED #1 BATTERY
PROCESS FLOW DIAGRAM
Section 10, T22S-R37E, Lea County, New Mexico
April 26, 2006

[illegible]