

DHC-3892

DATE IN 14. May. 07	SUSPENSE	ENGINEER W. Jones	LOGGED 14. May. 07	PLP 0713 439726
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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]

2007 MAY 14 AM 10 22

[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] and [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 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.

Richard Jenkins		Petro. Engineer	5/7/2007
Print or Type Name	Signature	Title	Date



Richard A. Jenkins
Petroleum Engineer
New Mexico Team

Permian Business Unit
Chevron U.S.A. Inc.
15 Smith Road
Midland, TX 79705
Tel 432-631-3281
Fax 432-687-7871
rjdg@chevron.com

May 5, 2007

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

Request to DHC the Alice Paddock #2 (30-025-09939)

Attention: Oil and Gas Regulatory Department

Chevron U.S.A. Inc. respectfully requests administrative approval for an amendment to Downhole Commingle the Penrose Skelly Grayburg (50350), and the Eunice; San Andres, South (24170) in the Alice Paddock #2, API number 30-025-09939. The #2 is located in the Eunice; San Andres, South Pool, 1980' FSL & 1980' FEL, Unit J, Section 1, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

The Alice Paddock #2 was producing from the Grayburg formation, making 2 BOPD, 2 BWPD, and 23 MCFGPD, prior to completing the Eunice; San Andres, South. The San Andres formation is currently producing below a production packer at a rate of 2 BOPD, 51 BWPD, and 5 MCFGPD. Chevron proposes to downhole commingle and produce both zones in the Alice Paddock #2 by removing the production packer, and returning the well to production

The proposed allocation percentages were calculated using production information from the Alice Paddock #2. Attached in support of this request are well tests, a proposed well schematic diagram for the #2, C107, a C102 form for each pool, and a lease plat.

Chevron is the operator, with 95.833% working interest in the lease, and the royalty interest owners are the same on each well.

If you require additional information or have any questions, please contact me by telephone at 432-687-7120, or by email at rjdg@chevron.com.

Sincerely,

A handwritten signature in black ink that reads "Richard A. Jenkins". The signature is stylized and written in a cursive-like font.

Richard A Jenkins
Petroleum Engineer

Enclosure

cc: Denise Pinkerton

Jones, William V., EMNRD

From: JENKINS, RICHARD A [RJDG@chevron.com]
Sent: Wednesday, May 23, 2007 8:09 AM
To: Jones, William V., EMNRD
Subject: RE: DHC application: Alice Paddock #2

Our ownership/land group has confirmed that the ownership is identical in the Alice Paddock #2 for the Grayburg and San Andres formations.

Thanks,

Richard Jenkins

Production Engineer

Chevron

North America Exploration and Production
MidContinent Business Unit
New Mexico Operations Team

Office: MID/2239 (432) 687-7120
Cell: (432)-631-3281
Fax: (432) 687-7871

From: Jones, William V., EMNRD [mailto:William.V.Jones@state.nm.us]
Sent: Wednesday, May 16, 2007 3:47 PM
To: JENKINS, RICHARD A
Cc: Ezeanyim, Richard, EMNRD
Subject: DHC application: Alice Paddock #2

Hello Richard:

Your application shows a prospective commingle between a fee owned 80 acre San Andres tract and a fee owned 40 acre Grayburg tract.

It is a bit unusual for these to be identically owned but possible.

Did you check with your landman to ensure these have identical ownership?

Thank You,

William V. Jones PE
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, NM 87505
505-476-3448

Confidentiality Notice: This e-mail, including all attachments is for the sole use of the intended recipient

5/23/2007

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

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

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE
 Single Well
 Establish Pre-Approved Pools
EXISTING WELLBORE
 Yes No

District III
1000 Rio Brazos Road, Aztec, NM 87410

APPLICATION FOR DOWNHOLE COMMINGLING

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

Chevron Corporation 15 Smith Road, Midland TX 79705 **DHC-3892**
Operator Address

Alice Paddock #2 J-1-22S-37E Lea
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 4323 Property Code 2703 API No. 30-025-09939 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE <i>UPPER</i>	INTERMEDIATE ZONE	LOWER ZONE <i>LOWER</i>
Pool Name	Penrose Skelly; Grayburg	-	Eunice; San Andres, South
Pool Code	50350	-	24170 ✓
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3742'-3913'	-	4013'-4336'
Method of Production (Flowing or Artificial Lift)	Isolated, will be Artificial Lift, pending OCD approval.	-	Artificial Lift
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	NA	-	NA
Oil Gravity or Gas BTU (Degree API or Gas BTU)	NA	-	NA
Producing, Shut-In or New Zone	Shut-In	-	Producing
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: 4/24/2007 Oil Gas 2 BOPD 5 MCFPD	-	Date: 2/14/2007 Oil Gas 2 BOPD 23 MCFPD
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas 50% 82%	-	Oil Gas 50% 18%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes No
 If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes No
 Are all produced fluids from all commingled zones compatible with each other? Yes No
 Will commingling decrease the value of production? Yes No
 If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes No

NMOCD Reference Case No. applicable to this well: _____

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

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

SIGNATURE Richard A Jenkins TITLE Petroleum Engineer DATE 5/7/07

TYPE OR PRINT NAME Richard A Jenkins TELEPHONE NO. (432) 687-7120

E-MAIL ADDRESS rjdg@chevron.com

REQUEST FOR EXCEMPTION TO RULE 303-A
FOR WELLS LOCATED IN PRE-APPROVED POOLS OR AREAS

Operator

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

Lease Name and Well Number

Alice Paddock #2
1980' FSL & 1980' FEL, Unit Letter J
Section 1, T22S, R37E
Lea County, New Mexico

Division Order

Pre-approved pools or areas established by Division Order No. R-11363.

Pools To Be Commingled In Alice Paddock #2

(50350) Penrose Skelly; Grayburg
(24170) Eunice; San Andres, South

Perforated Intervals

Grayburg (3742'-3913')
San Andres, South (4013'-4336')

Location Plat

Attached

Well Test Report & Production Plots

Attached.

Product Characteristics And Value

Previous commingling of these zones by Chevron and other operators in the area have shown that the produced fluids are compatible and commingling will not cause formation damage or producing problems. Also, the price received by Chevron for products from these zones is very similar, so value will not be adversely affected.

Production Allocation

<u>Pool</u>	<u>BOPD</u>	<u>BWPD</u>	<u>MCFPD</u>	<u>Remarks</u>
Grayburg	2	2	23	Alice Paddock #2 - Well Test Report 4/24/2007
San Andres	2	51	5	Alice Paddock #2 - Well Test Report 2/14/2007
Totals	4	53	28	

<u>Allocated %</u>	<u>Oil %</u>	<u>Water %</u>	<u>Gas %</u>	<u>Remarks</u>
Grayburg	50.00	3.77	82.14	Calculated using above production volumes
San Andres	50.00	96.23	17.86	Calculated using above production volumes
Totals	100.00	100.00	100.00	

Ownership

Ownership of all zones is identical so correlative rights will not be compromised.

State / Federal Land Notification

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 May 27, 2004

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

WELL API NO. 30-025-09939
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name Alice Paddock
8. Well Number 2
9. OGRID Number 4323
10. Pool name or Wildcat San Andres
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3345'

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well Gas Well Other

2. Name of Operator
Chevron U.S.A. Inc.

3. Address of Operator
15 Smith Road Midland, TX 79705

4. Well Location
 Unit Letter **J** : **1980'** feet from the **South** line and **1980'** feet from the **East** line
 Section **1** Township **22S** Range **37E** NMPM County **LEA**

Pit or Below-grade Tank Application or Closure

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
OTHER: DHC Grayburg and San Andres <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

IT IS PROPOSED TO DOWNHOLE COMMINGLE POOLS, PENROSE SKELLY GRAYBURG (PERFS 3742'-3913'), AND SAN ANDRES (4013'-4336') IN THE CAPTIONED WELL. PRODUCTION WILL BE ALLOCATED BACK TO THE TWO POOLS BASED ON THE PERCENTAGES SHOWN IN THE ATTACHED SUPPORT DATA.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit or an (attached) alternative OCD-approved plan .

SIGNATURE *Richard Jenkins* TITLE PETR. ENGINEER DATE 05/7/2007

Type or print name _____ E-mail address: _____ Telephone No. _____
For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____
 Conditions of Approval (if any): _____

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

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised March 17, 1999

District II
811 South First, Artesia, NM 88210

OIL CONSERVATION DIVISION

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

2040 South Pacheco
Santa Fe, NM 87505

District IV
2040 South Pacheco, Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-09939		² Pool Code 24170		³ Pool Name Eunice; San Andres, South	
⁴ Property Code 2703		⁵ Property Name Alice Paddock		⁶ Well Number 2	
⁷ OGRID No. 4323		⁸ Operator Name Chevron U.S.A., Inc.		⁹ Elevation 3345'	

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
J	1	22S	37E		1980'	South	1980'	East	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 80	¹³ Joint or Infill	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

<p>16</p>	<p>17</p> <h3>OPERATOR CERTIFICATION</h3> <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 style="text-align: center;"><i>Richard A. Jenkins</i></p> <p>Signature _____ Richard A. Jenkins</p> <p>Printed Name _____ Petr. Engineer</p> <p>Title _____ 5/7/2007</p>
	<p>18</p> <h3>SURVEYOR CERTIFICATION</h3> <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 style="text-align: right;">Certificate Number _____</p>

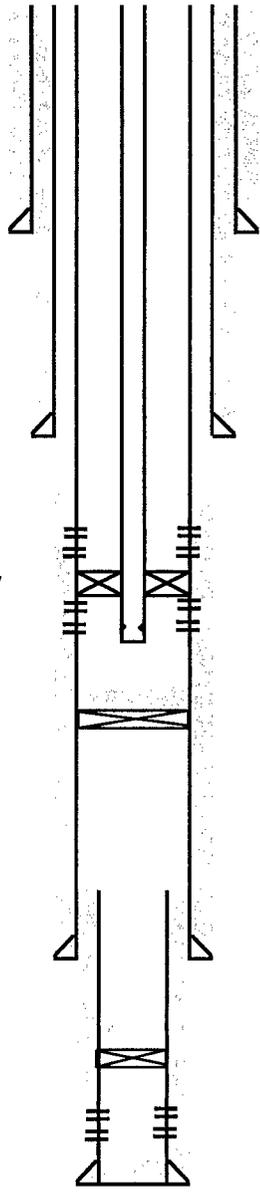
Well: **Alice Paddock #2**

Reservoir: **San Andres**

Location:
 1980 FSL & 1980' FEL
 Section: 1
 Township: 22S
 Range: 37E
 County: LEA, NM.

Elevations:
 GL: 3345'
 DF:
 KB:

Current Wellbore Diagram



Well ID Info:
 Refno: FB4760
 API No: 30-025-09939
 L5/L6: UCU495600
 Spud Date:
 Compl. Date:

Surf Csg: 13-3/8" 54.5#, K-55
Set @: 312' w/ 300 sks
Hole Size: 17"
Circ: Yes
TOC By: Circulation

TOC: Surface

Interm Csg: 9-5/8" 36#
Set @: 2966 w/ 1300 sks
Hole Size: 12-1/4"
Circ: Yes
TOC By: Circulated

TOC: Surface

Grayburg **Status**
 3742'-3913' Open - Isolated By Packer

San Andres **Status**
 4013'-4336' Open

CIBP @ 5025' w/ 25' cmt

Prod Csg: 7" 23#, J-55
Set @: 5157' w/ 400 sks
Hole Size: 8-3/4"
Circ: No
TOC By: Temperature Survey

TOC: 3415'

Liner: 4-1/2" O.D. 11.6#, J-55
Set @: 5700' w/ 75 sks
Hole Size:
Circ: Yes
TOC By: Circulated

TOC: 5040' (top of liner)

CIBP @ 5425' w/ 20' cmt on top

Blinebry **Status**
 5474'-5554' Open - Below CIBP
 5619'-5653' Open - Below CIBP

TOC @ 3415'

Tension Set Packer @ 3955'

TOC @ Top of Liner

COTD: 4846'
PBTD: 5000'
TD: 5700'

Updated: 1/25/2007

By: rjdg

This wellbore diagram is based on the most recent information regarding wellbore configuration and equipment that could be found in the Midland Office well files and computer databases as of the update date below. Verify what is in the hole with the well file in the Eunice Field Office. Discuss w/ WEO Engineer, WO Rep OS, ALS, & FS prior to rigging up on well regarding any hazards or unknown issues pertaining to the well.

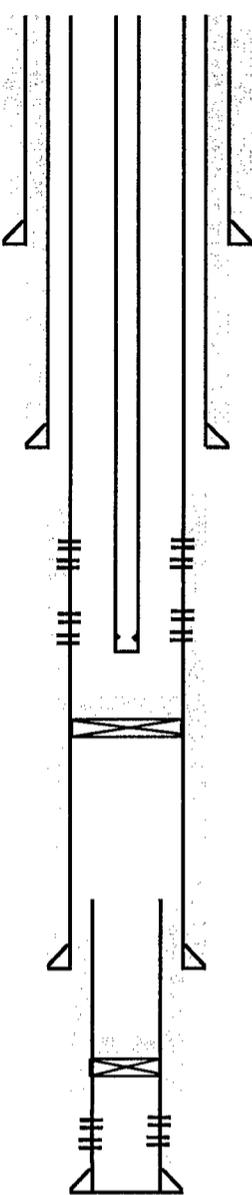
Well: **Alice Paddock #2**

Reservoir: **Grayburg/San Andres**

Location:
 1980 FSL & 1980' FEL
 Section: 1
 Township: 22S
 Range: 37E
 County: LEA, NM.

Elevations:
 GL: 3345'
 DF:
 KB:

Proposed Wellbore Diagram



Well ID Info:
 Refno: FB4760
 API No: 30-025-09939
 L5/L6: UCU495600
 Spud Date:
 Compl. Date:

Surf Csg: 13-3/8" 54.5#, K-55
 Set @ 312' w/ 300 sks
Hole Size: 17"
 Circ: Yes
TOC By: Circulation

TOC: Surface

Interm Csg: 9-5/8" 36#
 Set @ 2966 w/ 1300 sks
Hole Size: 12-1/4"
 Circ: Yes
TOC By: Circulated

TOC: Surface

Grayburg Status
 3742'-3913' Open

San Andres Status
 4013'-4336' Open

CIBP @ 5025' w/ 25' cmt

Prod Csg: 7" 23#, J-55
 Set @ 5157' w/ 400 sks
Hole Size: 8-3/4"
 Circ: No
TOC By: Temperature Survey

TOC: 3415'

Liner: 4-1/2" O.D. 11.6#, J-55
 Set @ 5700' w/ 75 sks
Hole Size:
 Circ: Yes
TOC By: Circulated

TOC: 5040' (top of liner)

CIBP @ 5425' w/ 20' cmt on top

Blinbry Status
 5474'-5554' Open - Below CIBP
 5619'-5653' Open - Below CIBP

TOC @ 3415'

TOC @ Top of Liner

COTD: 4846'
PBTD: 5000'
TD: 5700'

Updated: 1/25/2007

By: rjdg

This wellbore diagram is based on the most recent information and equipment that could be found in the Midland Office well files and computer databases as of the update date below. Verify what is in the hole with the well file in the Eunice Field Office. Discuss w/ WED Engineer, WO Rep, OS, ALS & FS prior to rigging up on well regarding any hazards or unknown issues pertaining to the well.

WELL TEST REPORT

Lease: **PADDOCK ALICE**
Well: **2**

Field: **BLINEBRY OIL & GAS**
Field Code: **U46**
Unique Code: **UCU463400**
Wellbore: **044598**

Reservoir: **BLINEBRY**
Resv Code: **0000004532**
Battery: **ALICE PADDOCK**
API No: **300250993900**

Test Date	BOPD	BWPD	MCFPD	Tbg PSI	GOR	% Oil	Comp No.	Status	Remarks	Fluid Level	Fid Lvl Date	BTFPD
4/24/07	2	51	5		2500	3.8	03	PR				53
4/21/07	0	52	0		#DIV/0!	0.0	03	PR				52
4/11/07	0	37	6		#DIV/0!	0.0	03	PR	San Andres			37
4/10/07	0	25	0		#DIV/0!	0.0	03	PR				25
4/9/07	0	43	0		#DIV/0!	0.0	03	PR				43
2/14/07	2	2	23		11700	50.0	02	PR		4007	2/23/06	4
12/2/06	2	3	24		12190	40.0	02	PR		4007	2/23/06	5
11/18/06	5	0	23		4680	100.0	02	PR		4007	2/23/06	5
10/3/06	3	0	30		10077	100.0	02	PR		4007	2/23/06	3
9/15/06	2	3	24		12190	40.0	02	PR		4007	2/23/06	5
8/6/06	2	2	25		12675	50.0	02	PR	Grayburg	4007	2/23/06	4
6/21/06	1	2	19		18530	33.3	02	PR		4007	2/23/06	3
6/5/06	2	1	23		11700	66.7	02	PR		4007	2/23/06	3
5/5/06	2	1	25		12675	66.7	02	PR		4007	2/23/06	3
4/1/06	2	1	23		11700	66.7	02	PR		4007	2/23/06	3
2/23/06	1	1	24		24380	50.0	02	PR		4007	2/23/06	2
11/30/05	1	1	23		23400	50.0	02	PR		4007	11/30/05	2

