



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



April 15, 2008

Chevron USA, Inc.
Attn: Mr. Casey R. Mobley
11111 S. Wilcrest, Rm S1037
Houston, TX 77099

Administrative Order NSL-5811

**Re: C.P. Falby Federal A Well No. 7
Unit D, Section 8-22S-37E
Lea County**

Dear Mr. Mobley:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-04328459**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on February 11, 2008, and

(b) the Division's records pertinent to this request.

Chevron USA, Inc. (Chevron) has requested to drill the above-referenced well at an unorthodox oil well location, 330 feet from the North line and 1307 feet from the West line (Unit D) of Section 8, Township 22 South, Range 37 East, N.M.P.M., in Lea County, New Mexico. The NW/4 NW/4 of Section 8 will be dedicated to this well in order to form a standard 40-acre spacing unit in the Penrose Skelly-Grayburg Pool (50350). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the eastern unit boundary.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location because your geologic interpretation indicates that the well can tap into stranded reserves located on the margins of existing spacing units that cannot be effectively drained by wells located at standard locations.



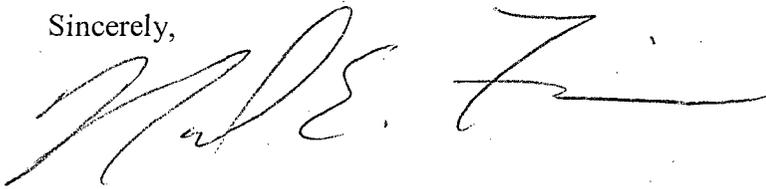
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 1210.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', written in a cursive style.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs
United States Bureau of Land Management - Carlsbad