

ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



Chevron USA Inc  
 C.P. Falby A Federal #7  
 5811

**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

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 2008 FEB 11 PM 3 59

[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.

Casey R. Mobley		Project Manager / Geologist	2/01/2008
Print or Type Name	Signature	Title	Date
		Casey.Mobley@chevron.com	
		e-mail Address	



Casey R. Mobley  
Project Manager / Geologist

North America Upstream  
Midcontinent Business Unit  
11111 S. Wilcrest, Rm S1037  
Houston, Texas 77099  
Tel (281) 561-4830  
Fax (281) 561-3576  
[Casey.Mobley@chevron.com](mailto:Casey.Mobley@chevron.com)

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2008 FEB 11 PM 1 29

February 1, 2008

Request for Administrative Approval of  
Unorthodox Oil Well Location

Mr. Mark E. Fesmire  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Chevron respectfully requests administrative approval of an unorthodox oil well location for the following well:

**C.P. Falby Federal A #7**  
330' FNL & 1307' FWL, NW/4 NW/4 of  
Section 8, T22S, R37E, Unit Letter D  
Lea County, New Mexico

The proposed well will be an infill producer in the Penrose Skelly, Grayburg Pool [Pool Code 50350], which is an oil pool spaced on 40 acres. This well is a continuation of our 6 year infill drilling in the same Pool. Chevron's technical analysis of the reservoir still supports the contention that typical Grayburg wells cannot drain 40 acres.

This application is based on geological and engineering analysis. The analysis and justification for this request is attached as Exhibit 1, along with other supporting documentation. There are five wells that have produced the Grayburg formation in the NW/4 of Section 8. Two wells in the NW/4 NW/4 40 acre lot have produced from the Grayburg Pool, the C.P. Falby Federal A #2 and the C.P. Falby Federal A #6. The C.P. Falby Federal A #2 well (API # 300251010400) has been plugged and abandoned since 1996. The proposed well will be simultaneously dedicated with the C.P. Falby Federal A #6 pursuant to statewide Rule 104.B(1). The proposed well will be located north of this well, 330' off the lease line and 10' off the lot line. Based on drainage calculations, Chevron believes that drilling the infill well will recover reserves that would not be recovered by existing Grayburg producers.

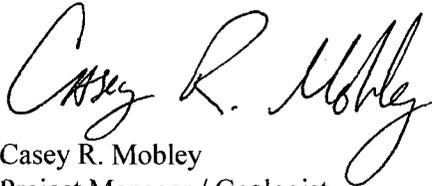
A land plat highlighting the proposed well's location is attached as Exhibit 2. The NW/4 of Section 8 is covered by a single federal lease and has common royalty and working interest ownership. For that reason and the proposed location of the infill well, there are no adversely affected interest owners and no one has been notified of this application.

February 1, 2008

Page 2

If you have any questions concerning this application or need additional information, please contact me by phone at (281) 561-4830 or by email at [Casey.Mobley@chevron.com](mailto:Casey.Mobley@chevron.com). If I am not available, you can also reach Meilin Du by phone at (281) 561-3564 or by email at [meilin.du@chevron.com](mailto:meilin.du@chevron.com). Thank you for consideration of this matter.

Sincerely,

A handwritten signature in black ink that reads "Casey R. Mobley". The signature is written in a cursive style with a large, prominent initial 'C'.

Casey R. Mobley  
Project Manager / Geologist

Attachments

cc: NMOCD District 1 – Hobbs, NM  
Casey Mobley  
Meilin Du  
Ed Van Reet  
Well File

## **NOTIFICATION LIST**

Application of Chevron U.S.A. Inc. for Administrative Approval of an Unorthodox Oil Well Location:

**C.P. Falby Fed A #7**  
330' FNL & 1307' FWL  
Section 8, T22S, R37E, Unit Letter D  
Lea County, New Mexico

### **Offset Operators, Working Interest Owners, NW/4 Section 8:**

1. Chevron U.S.A. Inc. Operator/100% WI  
11111 S. Wilcrest  
Houston, TX 77099

## EXHIBIT 1

### ENGINEERING AND GEOLOGICAL JUSTIFICATION

Application of Chevron U.S.A. Inc. for Administrative Approval of an Unorthodox Oil Well Location and Simultaneous Dedication:

**C.P. Falby Fed A #7**

330' FNL & 1307' FWL

Section 8, T22S, R37E, Unit Letter D

Lea County, New Mexico

**PRIMARY OBJECTIVE: GRAYBURG**

**SUPPORTING DATA:**

1. Chevron U.S.A. Inc. (Chevron) is the operator of the proposed C.P. Falby Fed A #7 well (Exhibit 3). The proposed total depth is 4300' in the top of the San Andres formation.
2. The completion will be in the Penrose Skelly, Grayburg Oil Pool and the proposed location encroaches toward the following wells (Exhibit 4).

Operator	Well	API #	Location	Formation	Cum Prod		Current Prod		Status
					MBO	MMCF	BOPD	MCFPD	
Chevron	C P Falby B #4	30025101060000	8-L	Grayburg	3	85	0.2	20	Active
Chevron	C P Falby A #6	30025383720000	8-D	Grayburg	4	30	34	217	Active
Chevron	C P Falby A #1	30025101170000	8-C	Grayburg	9	257	4	131	Active
Chevron	C P Falby A #3	30025101180000	8-F	Grayburg	40	40	0.3	36	Active
Chevron	C P Falby B #5	30025379380000	8-K	Grayburg	1	25	2	107	Active
Chevron	So. PS Unit 181	30025101190000	8-N	Grayburg	35	63	-	-	Inactive
Chevron	So. PS Unit 180	30025214980000	8-M	Grayburg	20	26	-	-	Inactive
Chevron	So. PS Unit 156	30025101200000	8-E	Grayburg	42	97	-	-	Inactive
Chevron	C P Falby A #2	30025101040000	8-D	Grayburg	102	480	-	-	Inactive
Chevron	C P Falby B #1	30025101030000	8-K	Grayburg	123	-	-	-	Inactive

3. The proposed C.P. Falby Fed A #7 unorthodox Grayburg location is based primarily on drainage considerations:

a. Grayburg Reservoir

The Grayburg is a series of alternating subtidal and supratidal dolomites with the subtidal rock having porosity and hydrocarbons while the supratidal rock is tight. The Grayburg depositional environments varied rapidly so that many porous and tight intervals are not continuous from well to well on 40-acre spacing. Tight dolomite and/or anhydrite intervals within the Grayburg create vertical and horizontal flow barriers between different zones of porosity. Additionally, average porosity of the Grayburg is less than 10%, and the average permeability is less than 1 millidarcy. For all of these reasons, Grayburg wells are not usually capable of draining a 40-acre proration unit.

The reservoir was also analyzed by mapping the Hydrocarbon Pore Volume (HCPV) (Exhibit 5). HCPV is the product of feet of net pay (h) times average porosity (phi) times oil saturation ( $S_o$ ). The attached map is the arithmetic product of grids interpreted from those values. The values were obtained as follows:

1. Net pay was read from either modern neutron-density logs or estimated from a map developed from gross pay times net-to-gross ratio (Exhibit 4).
2. Average porosity was calculated from modern well logs using a minimum of 6% crossplot porosity and a maximum of 20%.
3. Oil saturation was calculated from a fractional flow curve using representative water cut values.

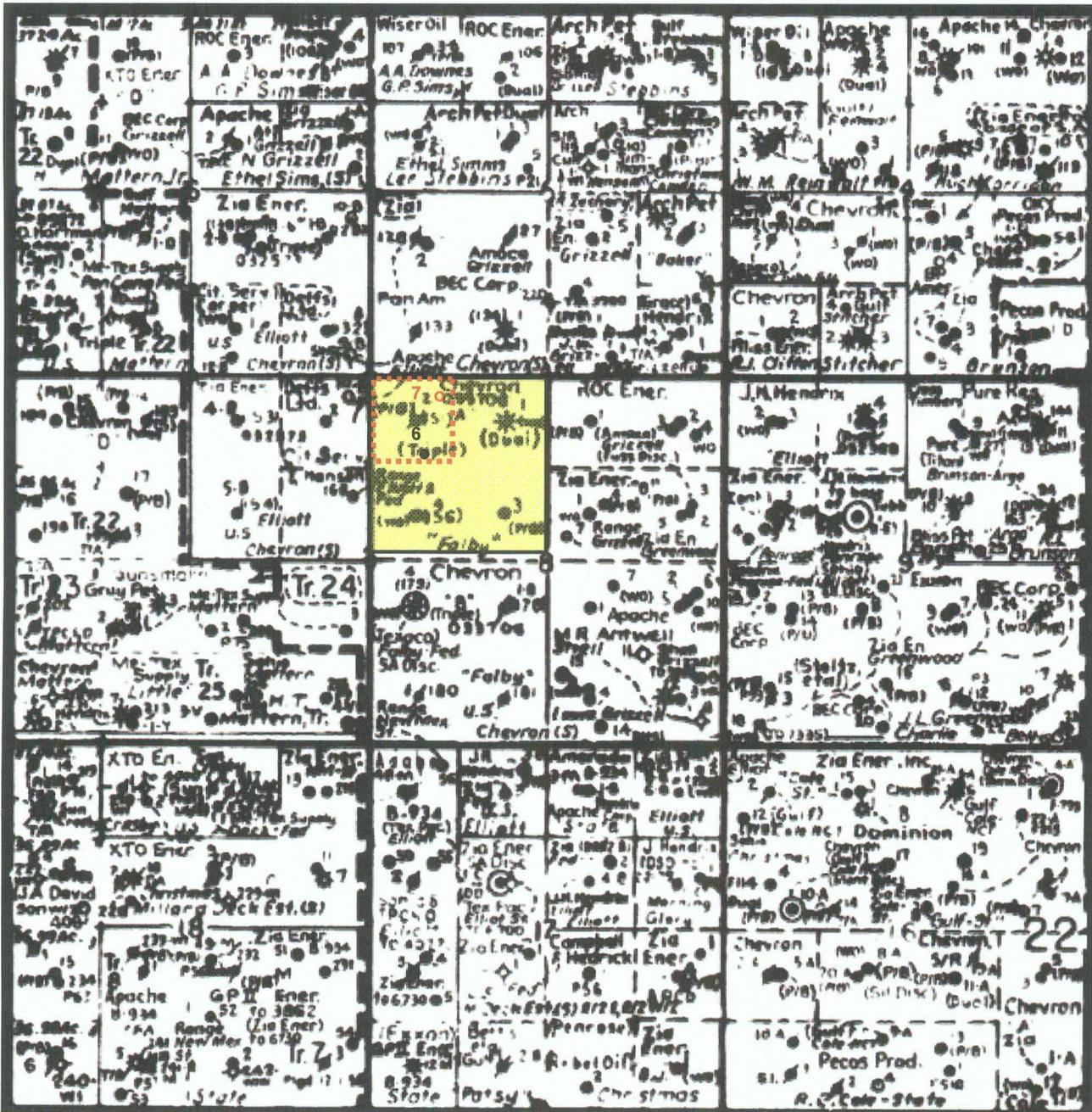
The following table provides drainage areas calculated from the HCPV map and reserves of the offsetting wells.

Operator	Well	API #	Location	Formation	Drainage Acres	EUR	
						MBO	MMCF
Chevron	C P Falby B #1	30025101030000	8-K	Grayburg	15	123	0
Chevron	C P Falby A #2	30025101040000	8-D	Grayburg	11	98	432
Chevron	C P Falby B #4	30025101060000	8-L	Grayburg	4	33	107
Chevron	C P Falby A #1	30025101170000	8-C	Grayburg	1	12	378
Chevron	C P Falby A #3	30025101180000	8-F	Grayburg	5	41	57
Chevron	So. PS Unit 181	30025101190000	8-N	Grayburg	4	35	63
Chevron	So. PS Unit 156	30025101200000	8-E	Grayburg	5	42	97
Chevron	So. PS Unit 180	30025214980000	8-M	Grayburg	3	20	26
Chevron	C P Falby B #5	30025379380000	8-K	Grayburg	10	92	138
Chevron	C P Falby A #6	30025383720000	8-D	Grayburg	3	27	266

As seen above, the average drainage area of the offsetting locations is only 6 acres, and additional reserves can be recovered by drilling the proposed infill well at an approximate equidistant location from the existing offsetting producers. Reserves for the proposed location were calculated using the HCPV map, a 6 acre drainage area, and a 15% recovery factor. The results are as follows:

Operator	Well	Location	HCPV	Drainage Acres	EUR	
					MBO	MMCF
Chevron	Falby Fed A #7	8-D	9.7	6	52	333

4. The W/2 of Section 8 is covered by a single fee lease which has common royalty and working interest ownerships. Chevron is the operator and 100% working interest owner of the Grayburg wells toward which the proposed well will encroach. Therefore, there are no offset interest owners or adversely affected parties to notify of this application.
5. The proposed C.P. Falby Fed A #7 will share a 40-acre proration unit and will be simultaneously dedicated with the C.P. Falby Fed A #2 and C.P. Falby A #6 as a Penrose Skelly, Grayburg producer in Section 8, Unit Letter D.
6. Approval of this application will allow for the recovery of oil and gas reserves which would not otherwise be recovered.



**Chevron USA Inc.**

C.P. Falby Fed A #6  
 1310' FNL & 1100' FWL  
 C.P. Falby Fed A #7 (proposed)  
 330' FNL & 1307' FWL, Unit D  
 Section 8, T22S-R37E  
 Lea County, New Mexico

C.P. Falby A Lease

40 Acre Proration Unit

Scale: 1"=2000' Approx.

DISTRICT I  
1626 N. FRENCH DR., ROBBES, NM 88240

DISTRICT II  
1301 W. GRAND AVENUE, 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 Department

**OIL CONSERVATION DIVISION**  
1220 SOUTH ST. FRANCIS DR.  
Santa Fe, New Mexico 87505

Form C-102  
Revised October 12, 2005  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name <b>C.P. FALBY FEDERAL A</b>	Well Number <b>7</b>
OGRID No.	Operator Name <b>CHEVRON USA INC.</b>	Elevation <b>3429'</b>

**Surface Location**

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	8	22-S	37-E		330	NORTH	1307	WEST	LEA

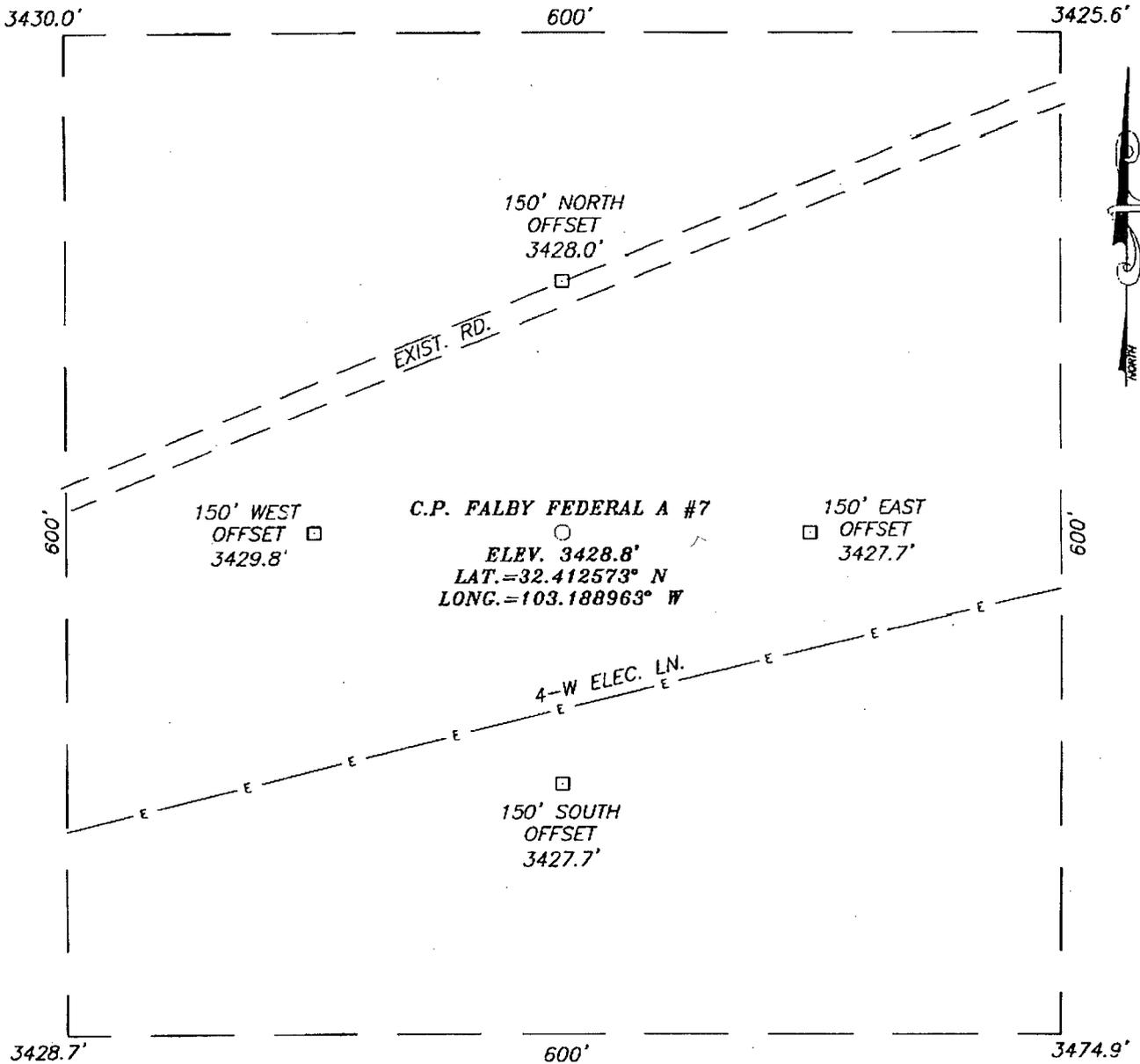
**Bottom Hole Location If Different From Surface**

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
					Dedicated Acres	Joint or Infill	Consolidation Code	Order No.	

**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**

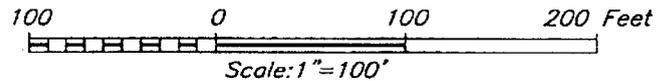
<p><b>GEODETTIC COORDINATES</b> NAD 27 NME Y=515698.9 N X=853161.1 E LAT.=32.412573° N LONG.=103.188963° W</p>	<p><b>OPERATOR CERTIFICATION</b></p> <p><i>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p>
	<p><b>SURVEYOR CERTIFICATION</b></p> <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>NOVEMBER 21 2007</p> <p>Date Surveyed _____ DSS _____</p> <p>Signature &amp; Seal of Professional Surveyor</p> <p><i>Ronald J. Eidson</i> 3239</p> <p>07.11.1613</p> <p>Certificate No. <b>GARY G. EIDSON 12841</b> <b>RONALD J. EIDSON 3239</b></p>

**SECTION 8, TOWNSHIP 22 SOUTH, RANGE 37 EAST, N.M.P.M.,**  
 LEA COUNTY, NEW MEXICO



**DIRECTIONS TO LOCATION**

FROM THE INTERSECTION OF STATE ROAD #8 AND COUNTY ROAD E33 (LEGION ROAD), GO SOUTH ON LEGION ROAD APPROX. 1.8 MILES. TURN RIGHT AND GO WEST-SOUTHWEST APPROX. 0.12 MILES. GO RIGHT AT "Y" AND CONTINUE WEST-SOUTHWEST APPROX. 0.7 MILES. THIS LOCATION IS APPROX. 150 SOUTH.



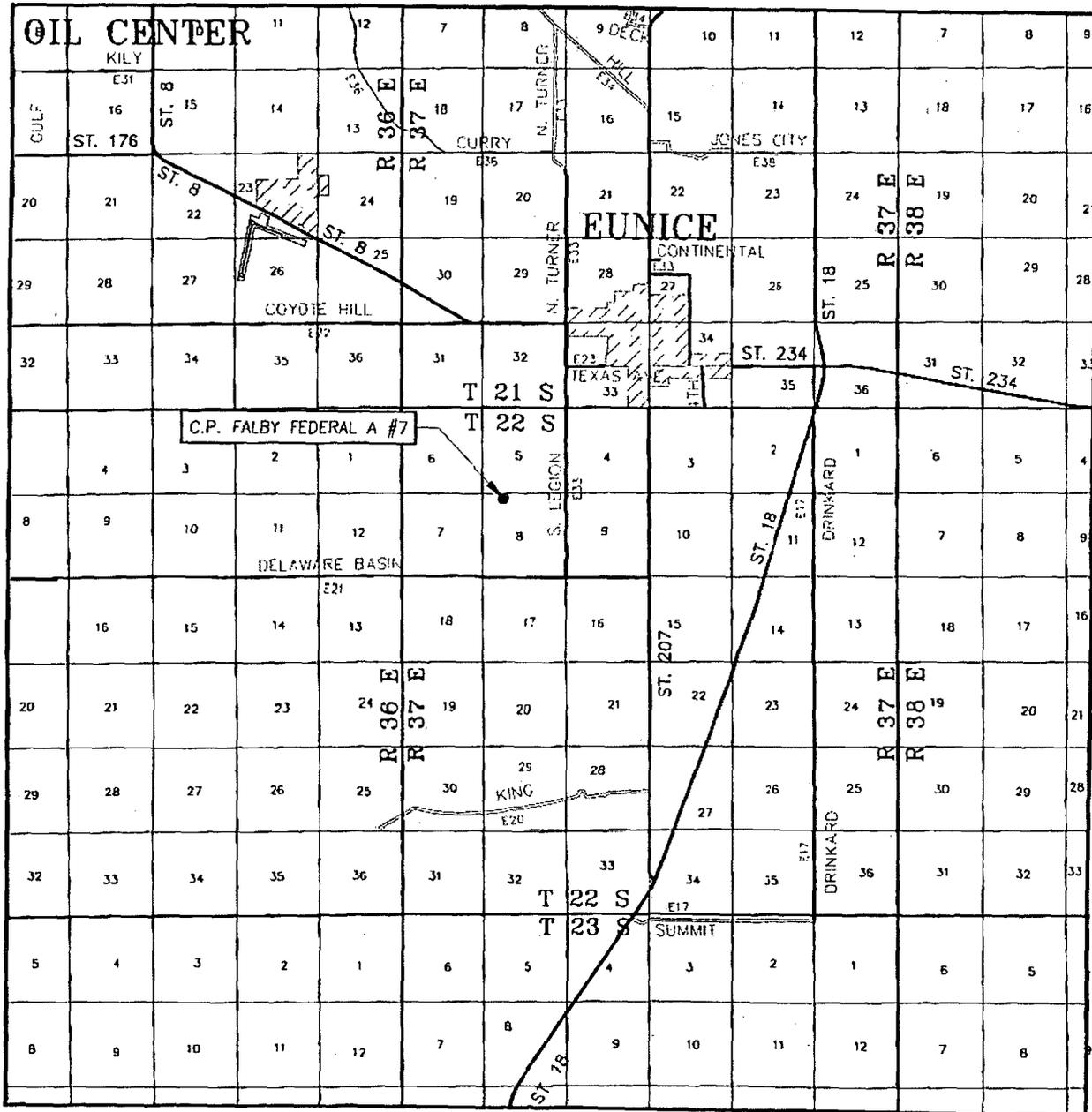
**CHEVRON USA INC.**

C.P. FALBY FEDERAL A #7 WELL  
 LOCATED 330 FEET FROM THE NORTH LINE  
 AND 1307 FEET FROM THE WEST LINE OF SECTION 8,  
 TOWNSHIP 22 SOUTH, RANGE 37 EAST, N.M.P.M.,  
 LEA COUNTY, NEW MEXICO.

PROVIDING SURVEYING SERVICES  
 SINCE 1946  
**JOHN WEST SURVEYING COMPANY**  
 412 N. DAL PASO  
 HOBBS, N.M. 88240  
 (505) 393-3117

Survey Date: 11/21/07	Sheet 1 of 1 Sheets		
W.O. Number: 07.11.1613	Dr By: DSS	Rev 1:N/A	
Date: 12/01/07	Disk: .	07111613	Scale: 1"=100'

# VICINITY MAP



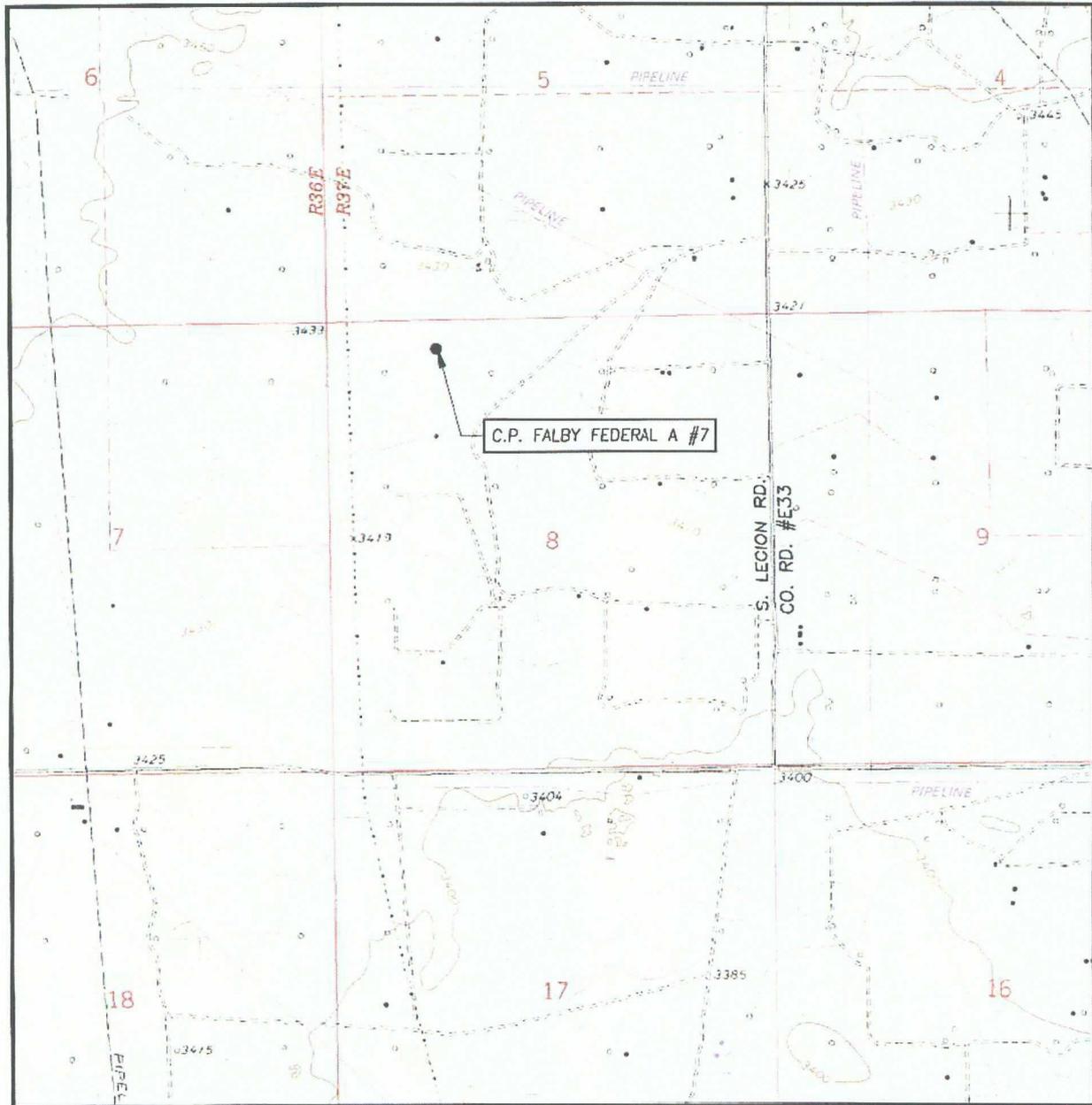
SCALE: 1" = 2 MILES

SEC. 8 TWP. 22-S RGE. 37-E  
 SURVEY N.M.P.M.  
 COUNTY LEA STATE NEW MEXICO  
 DESCRIPTION 330' FNL & 1307' FWL  
 ELEVATION 3429'  
 OPERATOR CHEVRON USA INC.  
 LEASE C.P. FALBY FEDERAL A



**PROVIDING SURVEYING SERVICES**  
 SINCE 1946  
**JOHN WEST SURVEYING COMPANY**  
 412 N. DAL PASO  
 HOBBS, N.M. 88240  
 (505) 393-3117

# LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:  
EUNICE, N.M. - 10'

SEC. 8 TWP. 22-S RGE. 37-E

SURVEY N.M.P.M.

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 330' FNL & 1307' FWL

ELEVATION 3429'

OPERATOR CHEVRON USA INC.

LEASE C.P. FALBY FEDERAL A

U.S.G.S. TOPOGRAPHIC MAP

EUNICE, N.M.



**PROVIDING SURVEYING SERVICES**  
 SINCE 1946  
**JOHN WEST SURVEYING COMPANY**  
 412 N. DAL PASO  
 HOBBS, N.M. 88240  
 (505) 393-3117

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

**State of New Mexico**  
**Energy, Minerals & Natural Resources Department**

Form C-102  
Revised June 10, 2003

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

**OIL CONSERVATION DIVISION**

Submit to Appropriate District Office

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

1220 South St. Francis Dr.  
Santa Fe, NM 87505

**Exhibit 3.1**  
 AMENDED REPORT

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

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

<sup>1</sup> API Number		<sup>2</sup> Pool Code 50350		<sup>3</sup> Pool Name Penrose Skelly; Grayburg	
<sup>4</sup> Property Code		<sup>5</sup> Property Name C.P. Falby A Federal			<sup>6</sup> Well Number 7
<sup>7</sup> OGRID No.		<sup>8</sup> Operator Name Chevron U.S.A., Inc.			<sup>9</sup> Elevation 3429

<sup>10</sup> Surface Location

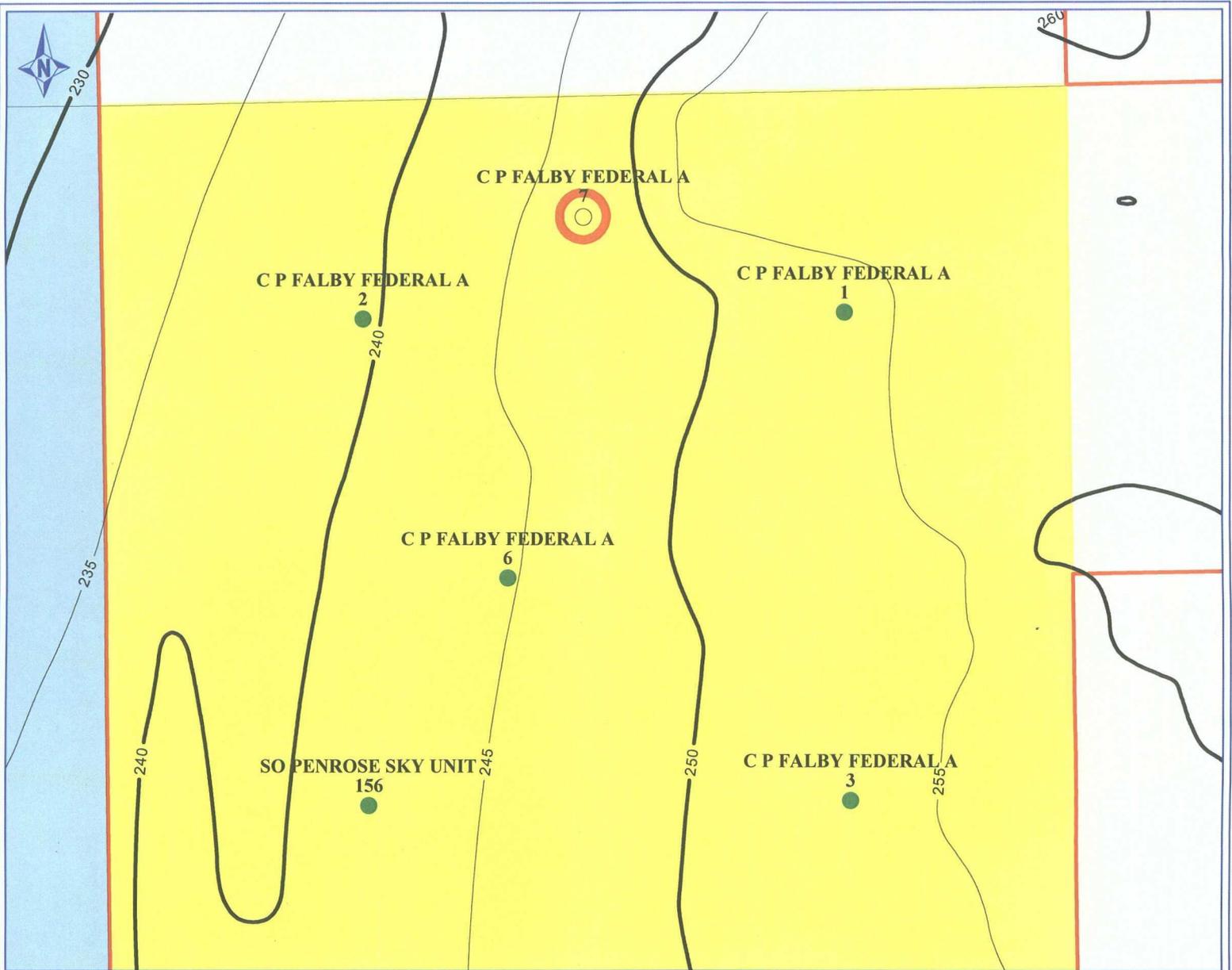
UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	8	22S	37E		330	North	1307	West	Lea

<sup>11</sup> 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
<sup>12</sup> Dedicated Acres 40		<sup>13</sup> Joint or Infill		<sup>14</sup> Consolidation Code		<sup>15</sup> Order No.			

**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 align="center"><sup>17</sup> <b>OPERATOR CERTIFICATION</b></p> <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 align="center">             Signature  <b>Casey R. Mobley</b>            Printed Name  <b>Geologist</b>            Title  <b>February 1, 2008</b>            Title         </p>
	<p align="center"><sup>18</sup> <b>SURVEYOR CERTIFICATION</b></p> <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 align="right">Certificate Number</p>



PETRA 2/5/2008 9:54:24 AM



**Chevron U.S.A. Inc.**

**EXHIBIT 4**

**PENROSE-SKELLY FIELD C.P. FALBY FED A #7**

Sec 8, T22S-37E, Lea Co., New Mexico

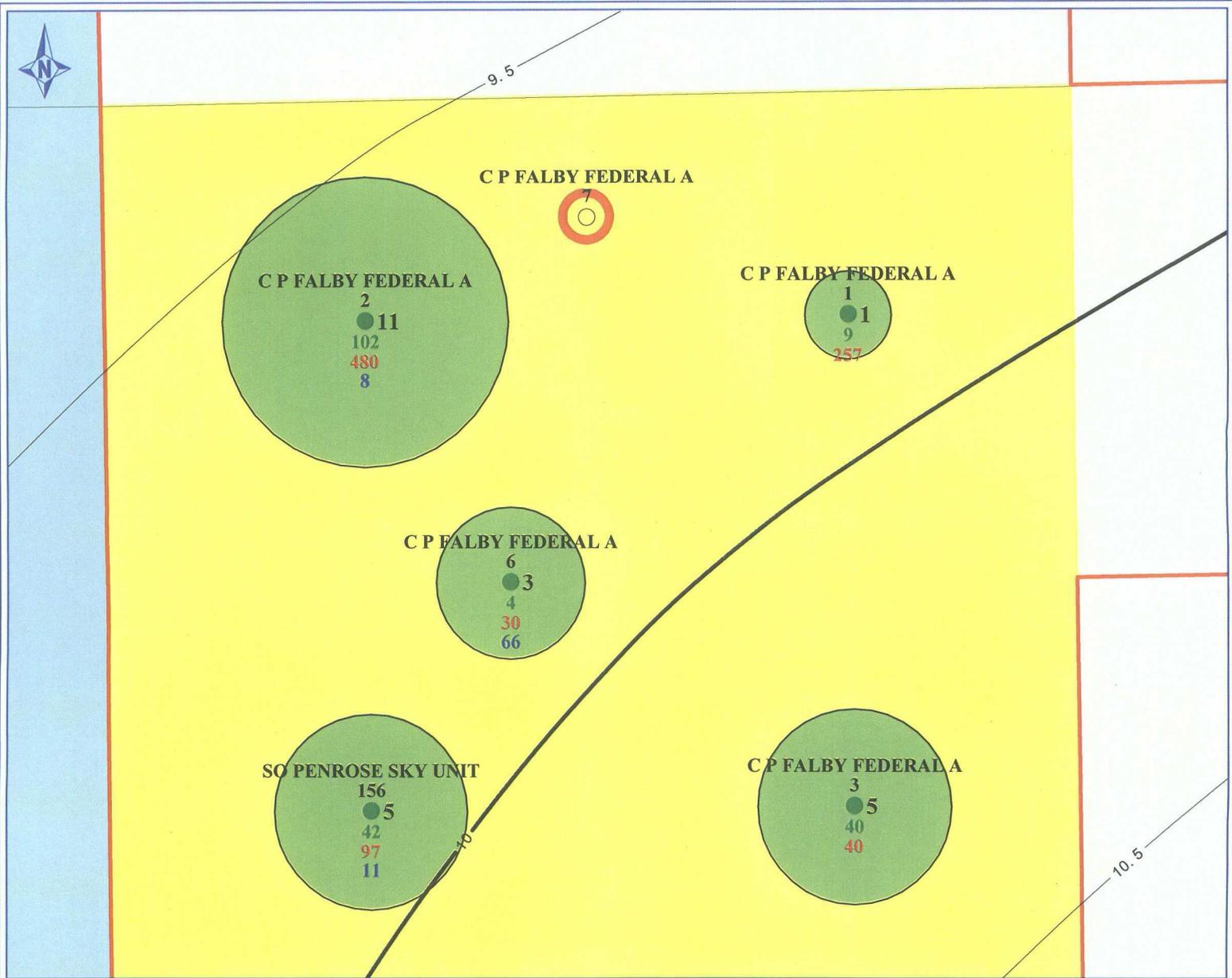
Grayburg Net Pay CI=5' [GR<40, Por>6%]

**POSTED WELL DATA**

Well Name  
Well Number



February 5, 2008



PETRA 2/5/2008 9:51:54 AM



**Chevron U.S.A. Inc.**

**EXHIBIT 5**

**PENROSE-SKELLY FIELD C.P. FALBY FED A #7**

Sec 8, T22S-37E, Lea Co., New Mexico

Grayburg HCPV CI=0.5 & EUR - Drainage

**POSTED WELL DATA**

Well Name  
Well Number

● Drainage Radii acre/ft with So=0.55

Cum Oil (MBO)  
Cum Gas (MMCF)  
Cum water (MBO)



February 5, 2008

**Brooks, David K., EMNRD**

---

**From:** Brooks, David K., EMNRD  
**Sent:** Monday, March 10, 2008 11:17 AM  
**To:** 'Casey.Mobley@chevron.com'  
**Subject:** C.P. Falby Federal A #7

Dear Mr. Mobley

This proposed location (330 FNL and 1307 FWL 8-22S-37E) encroaches toward the SE/SW of Section 5, as well as the NE/NW of Section 8 (See definition of "adjoining" in Rule 7.A(3)). Information indicates that the SE/SW of 5 is fee.

Please advise if SE/SW of 5 has common working interest ownership with NW of 8, and if not, please furnish proof of notice.

Thanks

David K. Brooks  
Legal Examiner  
505-476-3450

3/10/2008

**Brooks, David K., EMNRD**

---

**From:** Mobley, Casey R. [Casey.Mobley@chevron.com]  
**Sent:** Wednesday, March 12, 2008 6:36 AM  
**To:** Brooks, David K., EMNRD  
**Cc:** McNally, Kevin (KMcNally); Du, Meilin  
**Subject:** RE: C.P. Falby Federal A #7

David,

Thank you for bringing this situation to our attention. Kevin McNally briefed me on the phone conversation he had with you and explained the ruling to me. Please know that we are checking with our regulatory agent to confirm the status of the offset operator notice for the SE/SW of Section 5 T22S R37E, and will provide you with proof of notification as soon as possible.

We appreciate your patience during this time, and apologize for the delay.

Sincerely,

Casey

**Casey R. Mobley**  
Geologist

New Mexico Asset Development  
MidContinent SBU  
Chevron North American Exploration and Production  
11111 S. Wilcrest Dr., S1037  
Houston, TX 77099  
(281) 561-4830

---

**From:** Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]  
**Sent:** Monday, March 10, 2008 1:17 PM  
**To:** Mobley, Casey R.  
**Subject:** C.P. Falby Federal A #7

Dear Mr. Mobley

This proposed location (330 FNL and 1307 FWL 8-22S-37E) encroaches toward the SE/SW of Section 5, as well as the NE/NW of Section 8 (See definition of "adjoining" in Rule 7.A(3)). Information indicates that the SE/SW of 5 is fee.

Please advise if SE/SW of 5 has common working interest ownership with NW of 8, and if not, please furnish proof of notice.

Thanks

David K. Brooks  
Legal Examiner  
505-476-3450

3/14/2008

Confidentiality Notice: This e-mail, including all attachments is for the sole use of the intended recipient (s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited unless specifically provided under the New Mexico Inspection of Public Records Act. If you are not the intended recipient, please contact the sender and destroy all copies of this message. -- This email has been scanned by the Sybari - Antigen Email System.

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This inbound email has been scanned by the MessageLabs Email Security System.

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**Brooks, David K., EMNRD**

---

**From:** Mobley, Casey R. [Casey.Mobley@chevron.com]  
**Sent:** Monday, April 14, 2008 12:11 PM  
**To:** Brooks, David K., EMNRD  
**Cc:** McNally, Kevin (KMcNally); Baca, James (JMEB)  
**Subject:** RE: C.P. Falby Federal A #7  
**Attachments:** Offset Operator Notice (3-19-08).doc; Return Receipt for OCD Offset Operator Notice.pdf

David,

I spoke with Kevin McNally, my landman, and he provided me with a copy of the *offset operator notice* letter as well as the certified mail return receipt for the copy mailed to NMOCD (attached). The return receipt indicates that the office of Mark Fesmire received the notice letter on March 31. Apparently there was a mix-up somewhere and this letter did not get to your desk; please accept our apologies if Chevron was in any way responsible for this delay. Also, please advise if you require any further action on our part to resolve this matter.

As always, thanks for your time and attention to this matter. We are eager to work with you to get this NSL approval process moving forward.

Casey

**Casey R. Mobley**

Geologist

New Mexico Asset Development  
MidContinent SBU  
Chevron North American Exploration and Production  
11111 S. Wilcrest Dr., S1037  
Houston, TX 77099  
(281) 561-4830

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**From:** Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]  
**Sent:** Monday, April 14, 2008 11:13 AM  
**To:** Mobley, Casey R.  
**Subject:** RE: C.P. Falby Federal A #7

Dear Mr. Mobley

My records indicate I sent an inquiry March 10 concerning ownership of the SE/SW of section 5, one of the adjoining sections to this application. You responded March 12, indicating that you were checking on this matter. I have nothing further in my file.

My apologies if I have missed a further response, but since I cannot locate, I would appreciate you re-sending if you have sent such a response. If not, I need a response to release this order.

David

4/15/2008

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**From:** Mobley, Casey R. [mailto:Casey.Mobley@chevron.com]  
**Sent:** Wednesday, April 09, 2008 2:03 PM  
**To:** Brooks, David K., EMNRD  
**Cc:** Baca, James (JMEB)  
**Subject:** RE: C.P. Falby Federal A #7

David,

I write to you today requesting an update on the Falby A #7 NSL application. I understand you are away from your desk and that a timely response is not possible; feel free to contact me at a time that is convenient for you upon your return. Hope your time off was well spent.

Casey

**Casey R. Mobley**  
Geologist

New Mexico Asset Development  
MidContinent SBU  
Chevron North American Exploration and Production  
11111 S. Wilcrest Dr., S1037  
Houston, TX 77099  
(281) 561-4830

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**From:** Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]  
**Sent:** Monday, March 10, 2008 1:17 PM  
**To:** Mobley, Casey R.  
**Subject:** C.P. Falby Federal A #7

Dear Mr. Mobley

This proposed location (330 FNL and 1307 FWL 8-22S-37E) encroaches toward the SE/SW of Section 5, as well as the NE/NW of Section 8 (See definition of "adjoining" in Rule 7.A(3)). Information indicates that the SE/SW of 5 is fee.

Please advise if SE/SW of 5 has common working interest ownership with NW of 8, and if not, please furnish proof of notice.

Thanks

David K. Brooks  
Legal Examiner  
505-476-3450

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**Kevin R. McNally**  
Land Representative

**MidContinent/Alaska SBU**  
Chevron North America  
Exploration and Production  
11111 S. Wilcrest  
Houston, TX 77099  
Tel 281-561-3829  
Fax 866-420-0335  
kmcnally@chevron.com

March 20, 2008

**VIA CERTIFIED MAIL – RETURN RECEIPT REQUESTED**

BEC Corporation  
500 W. Ohio, Suite 200  
Midland, TX 79701

Dear Sir or Madam:

Chevron U.S.A. Inc. has filed an application with the New Mexico Oil Conservation Division seeking an unorthodox oil well location for the C.P. Falby Federal A #7 located in the NW/4 of the NW/4 of Section 8, Township 22 South, Range 37 East, N.M.P.M., Lea County, New Mexico. A copy of the application is enclosed. If you object to the application, you must notify the Division in writing no later than 20 days from the date of this letter (the Division's address is 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505). Failure to object will preclude you from contesting this matter at a latter date. The director may approve the unorthodox location upon receipt of waivers from all the affected persons or if no affected person has filed an objection within the 20-day period.

If you have no objection to this unorthodox well location, please sign in the space provided below and return one copy to my attention at the fax number or address shown in the letterhead.

Sincerely,

Kevin R. McNally

Enclosure

cc: Mr. Mark Fesmire, P.E., Director, Oil Conservation Division

**BEC CORPORATION HAS NO OBJECTIONS TO THE UNORTHODOX WELL LOCATION DESCRIBED ABOVE.**

AGREED TO AND ACCEPTED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2008

BEC CORPORATION

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_