

ABOVE THIS LINE FOR DIVISION USE ONLY

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



RECEIVED OOD
 09/13 P 1:42

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]

CTB-694

[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 _____

*30693 Chevron USA
 30-015-41047
 Skeen 2 26 27 State #2H
 30-015-41117
 Skeen 2 26 27 State #3H*

[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.

Cindy Herrera-Murillo _____
 Print or Type Name Signature Title Date

Cherreramurillo@chevron.com
 e-mail Address



Cindy Herrera-Murillo
Regulatory Specialist
Midcontinent BU

Chevron North America
Exploration and Production Company
(A Chevron U.S.A. Inc. Division)
PO Box 190, Room 121
Hobbs FMT, Hobbs, NM 88241
Tel 575-263-0431
Cherreramurillo@chevron.com

September 11, 2013

Oil Conservation Division
Attn: Engineering Department
1220 S. St. Francis Drive
Santa Fe, NM 87505

Application for surface commingling, Delaware River, Bone Spring Pool (Code 16800), Eddy County, NM (T26S-R27E, Sec 2)

Dear Sirs,

Chevron North America respectfully requests administrative approval to surface commingle oil, gas, and water production from the Delaware River, Bone Spring Pool through Chevron's Skeen Battery. Wells producing to this battery include the Chevron Skeen 2 State 2H and the Skeen 2 State 3H (which will be horizontally drilled in fall 2013 into the Second Bone Spring sand Formation, attached map). These wells are located in section 2, T26S-R27E, Eddy County, New Mexico. APDs for each well, which includes surface plats, are included with this notification.

The working interest and royalties are the same for both wells (100% CVX WI /81.25% NRI / 12.5% OCD RI). These wells will be horizontally drilled in fall of 2013. As such, the wells will be allocated by monthly Well test with coriolis on oil and EFM on gas. A schematic showing this configuration is attached.

Names of all WIO and RIO for each well are included with this request, and all of these owners are being notified of this request and that each will have 20 days with which to object to the commingling request per NMOCD Rule 19.15.12.10 SURFACE COMMINGLING C. (4) c.

Sincerely,

A handwritten signature in black ink that reads "Cindy Herrera-Murillo". The signature is written in a cursive, flowing style.

Cindy Herrera-Murillo
Permitting Specialist

575-263-04310

Brooks, David K., EMNRD

From: Herrera-Murillo, Cindy O <CHerreraMurillo@chevron.com>
Sent: Tuesday, October 08, 2013 9:43 AM
To: Brooks, David K., EMNRD
Subject: RE: Skeen 2-26 Stat3 ##1H & 3H; Surface commingling application

David,

Here is the information for the Skeen wells and the lease numbers your requested.

Skeen 2 State #2H on State of New Mexico-VB-1805 covering the W/2 of Section 2, T26S, R27E, Eddy County, New Mexico, containing 320 net acres, more or less.

Skeen 2 State #3H on State of New Mexico-VB-1796 covering the E/2 of Section 2, T26S, R27E, Eddy County, New Mexico, containing 320 net acres, more or less.

Thanks,



Cindy Herrera-Murillo

Permitting Specialist

1616 W. Bender Blvd

Hobbs, NM 88240

575-263-0400 ext 30431

Cherreramurillo@chevron.com

From: Brooks, David K., EMNRD [<mailto:david.brooks@state.nm.us>]
Sent: Monday, October 07, 2013 2:10 PM
To: Herrera-Murillo, Cindy O
Subject: Skeen 2-26 Stat3 ##1H & 3H; Surface commingling application

Good afternoon, Ms. Herrera-Murillo

I have examined this application. It appears to me that both wells are on the same lease and will be producing from the same pool. If that is the case, Division approval for commingling in a common tank battery on that lease is not required.

Please advise whether or not this is correct. If they are on the same lease, I will cancel this application, since approval is not needed. If they are not on the same lease, I have some additional questions.

Thanks

David K. Brooks

505-476-3450



Cindy Herrera-Murillo
Regulatory Specialist
Midcontinent BU

Chevron North America
Exploration and Production
Company

PO Box 190 Room 121
Hobbs FMT, Hobbs, NM 88240
Tel 575-263-0431
Fax 575-391-6679
cherreramurillo@chevron.com

September 11, 2013

Re: Application for Surface Commingling
Delaware River, Bone Spring Tank Battery
Section 2, T26S, R27E,
Eddy County, New Mexico

State Of New Mexico
Commissioner of Public Lands
Royalty Interest Owner,

Chevron U.S.A. Inc. respectfully gives notice of intent to surface commingle oil, gas and water production from the Delaware River, Bone Spring Pool through Chevron's Skeen Battery. Wells producing to this battery include the Chevron Skeen 2 State #2H and the Skeen 2 State #3H (which will be horizontally drilled in fall of 2013 into the Second Bone Spring sand formation, attached map). These wells are located in section 2, township 26 South and Range 27 East.

The working interest and royalties are the same for both wells. (100 CVZ WI/81.25% NRI / 12.5% OCD RI.)

Any objections to this commingle must be sent to the New Mexico Oil Conservation Division; 1220 South St. Francis Drive; Santa Fe, NM 87504, within 20 days of receipt of this notification. If you require additional information, please contact me at 575-263-0431, or by email at: cherreramurillo@chevron.com.

Sincerely,

A handwritten signature in black ink that reads "Cindy Herrera-Murillo".

Cindy Herrera-Murillo
Regulatory Specialist
Enclosure

cc: NMOCD – District II, Artesia
Lease File
James Laning
Greg Minnery
Danny Hunt
Denise Pinkerton

Skeen 2 26 27 State #2H

Created: 9/11/2013 By: Chay
 Updated: By:
 Updated: By:
 Updated: By:
 Lease: Skeen 2 26 27 State
 Field: Delaware River; Bone Springs
 Surf. Loc.: 150' FNL & 1980 FWL
 Bot. Loc.: 330' FSL & 1980 FWL
 County: Eddy St.: NM
 Status: New Well

Well #: 2H St. Lse: VB-1805
 API: 30-015-41047
 Unit Ltr.: C Section: 2
 TSHP/Rng: T26S-R27E
 Bottom Location:
 Unit Ltr.: N Section: 2
 TSHP/Rng: T26S-R27E
 CHEVNO:
 Directions:

Proposed Wellbore Diagram

Proposed
Surface Casing

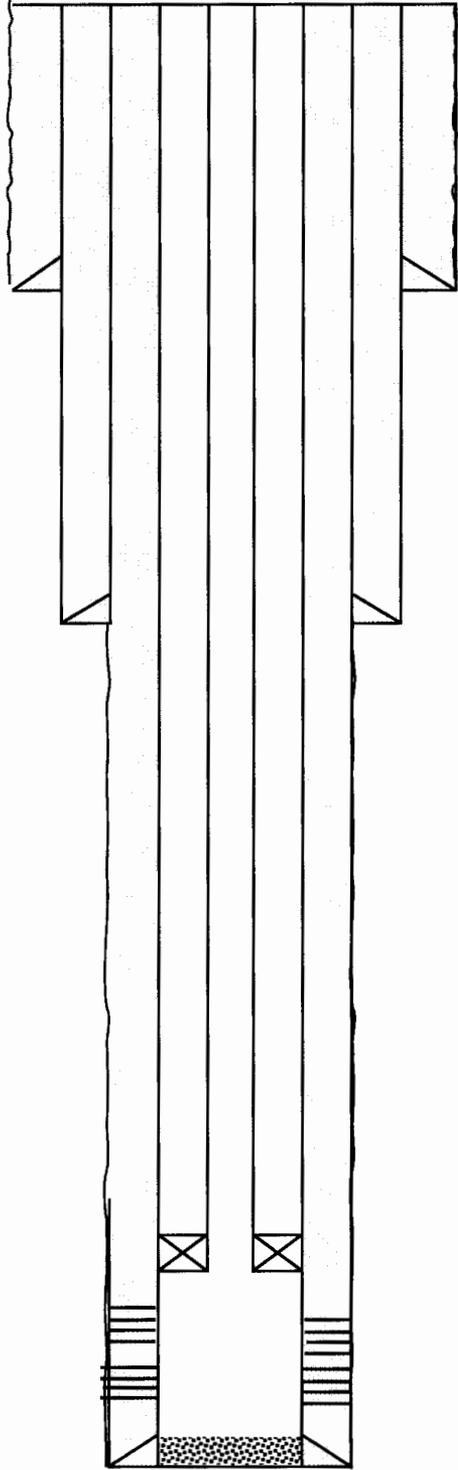
Size: 13-3/8"
 Wt., Grd.: 48#
 Depth: 450'
 Sxs Cmt: 600 sxs
 Circulate: Yes
 TOC: Surface
 Hole Size: 17-1/2"

Proposed
Intermediate Casing

Size: 9-5/8"
 Wt., Grd.: 40#
 Depth: 2250'
 Sxs Cmt: 1000 sxs
 Circulate: Yes
 TOC: Surface
 Hole Size: 12-1/4"

Proposed
Production Casing

Size: 5-1/2"
 Wt., Grd.: 17#
 Depth: 12,568
 Sxs Cmt: 900 sxs
 Circulate: No
 TOC: Est. 1750'
 Hole Size: 8-3/4"



KB: _____
 DF: _____
 GL: 3204'
 Ini. Spud: Est. Mid Oct, 2013
 Ini. Comp.: NA

Initial Completion:

TD: 12,568
 PBTD: _____

Skeen 2 26 27 State # 3H

Created: 9/11/2013 By: Chay
 Updated: By:
 Updated: By:
 Updated: By:
 Lease: Skeen 2 26 27 State
 Field: Delaware River; Bone Springs
 Surf. Loc.: 175' FNL & 1980' FWL
 Bot. Loc.: 175' FNL & 1980' FWL
 County: Eddy St.: NM
 Status: New Well

Well #: 3H St. Lse: VB-1796
 API: 30-015-41117
 Unit Ltr.: B Section: 2
 TSHR/Rng: T26S-R27E
 Bottom Location:
 Unit Ltr.: B Section: 2
 TSHR/Rng: T26S-R27E
 CHEVNO:
 Directions:

Proposed Wellbore Diagram

Proposed
Surface Casing

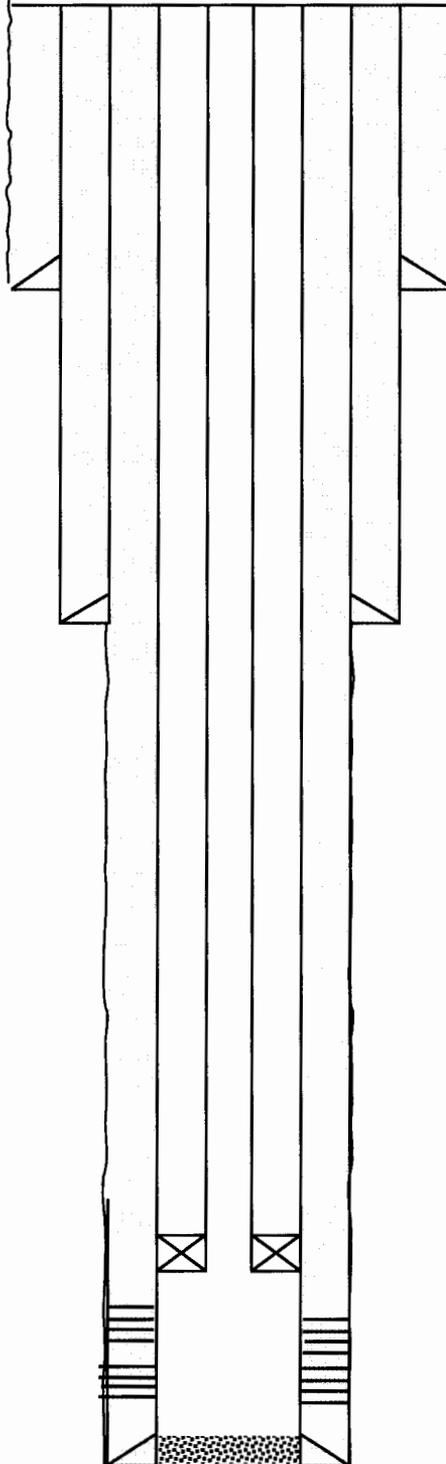
Size: 13-3/8"
 Wt., Grd.: 48#
 Depth: 450'
 Sxs Cmt: 600 sxs
 Circulate: Yes
 TOC: Surface
 Hole Size: 17-1/2"

Proposed
Intermediate Casing

Size: 9-5/8"
 Wt., Grd.: 40#
 Depth: 2250'
 Sxs Cmt: 1000 sxs
 Circulate: Yes
 TOC: Surface
 Hole Size: 12-1/4"

Proposed
Production Casing

Size: 5-1/2"
 Wt., Grd.: 17#
 Depth: 12,512'
 Sxs Cmt: 900 sxs
 Circulate: No
 TOC: Est. 1750'
 Hole Size: 8-3/4"



KB: _____
 DF: _____
 GL: 3183'
 Ini. Spud: Est. Mid Oct, 2013
 Ini. Comp.: NA

Initial Completion:

PBTD: _____
 TD: 12512'

TITLE CLEARANCE REQUEST FORM

TO: James Laning

PROPOSED OPERATION (new drill, P&A, re-completion):	New Drill
DATE:	7/8/2013
WELL NAME:	Skeen 2 State #2H
FIELD:	South Eddy
COUNTY, STATE	Eddy County, New Mexico
SURFACE LOCATION:	175' FNL and 1980' FWL, Section 2, T26S, R27E, Eddy County, New Mexico
BOTTOM HOLE LOCATION/LAST TAKE POINT:	Last Take Point: 330' FSL and 1980' FWL, BHL: 250' FSL and 1980' FWL, Section 2, T26S, R27E, Eddy County, New Mexico
DESIRED COMMENCEMENT DATE:	9/15/2013
PRESENT TD:	NA
TOTAL DEPTH:	7,915' TVD; 12,568' TMD
ESTIMATED DRILLING TIME:	30 days
PROPOSED COMPLETION (depths and formations)	2 nd Bone Spring Sand

Title Clearance for the above described operation is requested:

BY: Kelly McLachlan

TITLE CLEARANCE MEMORANDUM

Date: July 8, 2013

It is satisfactory from a land standpoint to commence the proposed operations, as outlined above, subject to the matters hereinafter set forth in paragraphs 1 through 10:

TITLE CLEARANCE/NEW DRILL

SKEEN 2 STATE #2H

EDDY COUNTY, NEW MEXICO

1. **LEASES & UNIT:** The subject well is located upon a State of New Mexico lease –VB-1805, (more particularly described on the attached Exhibit A) covering the W/2 of Section 2,T26S, R27E, Eddy County, New Mexico, containing 320 acres, more or less, N.M.P.M., Eddy County, New Mexico, among other lands. The well will be drilled and completed in the 2nd Bone Spring Sand within the Bone Spring formation. Our records indicate that said oil and gas lease is valid and still in its primary term. The lease is set to expire February 1, 2015. The annual rentals due for the lease are up to date and are set up in QLS to be paid annually. Special provisions in the lease of note include full settlement on the 20th day of each month for all royalties due to the Lessor for the preceding month; Section 8, which requires the drilling of offset wells in the event a well or wells producing oil or gas in paying quantities shall be brought in on adjacent land; Section 9, which requires that Lessee notify Lessor of the location of each well prior to the commencement of drilling and to keep a complete and accurate log of each well drilled and furnish same; Section 11, which requires Lessor pay surface damages and bury all pipelines below plow depth; Section 15, which contains a 60 day drilling or reworking clause if production is obtained during the primary term, but ceases from any cause after the expiration of the primary term.
2. **JOINT OPERATING AGREEMENT:** There is no JOA located on the spacing unit for the subject well.
3. **CHEVRON U. S. A. INC. INTEREST:** CUSA owns a 100% working interest and a 81.25% net revenue interest **INSOFAR AND ONLY INSOFAR** as to the W/2 of Section 2, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, from the Surface to center of Earth.
4. **WELL INFORMATION:** There are no other working interest owners in the subject well.
5. **RIGHT-OF-WAYS/EASEMENTS:** All pipeline right-of-way, telephone and power line easements should be located and respected. Please consult with Stephen Tarr, Surface Land Representative, regarding the need for additional rights-of-way for the transportation of power and fluids on and off the lease.
6. **SURFACE OWNERSHIP:** The surface estate whereupon the subject well is located is owned by the State of New Mexico. Therefore, SOPA notice requirements do not apply. Prior to disturbing the surface of the leased lands, the State of New Mexico should be contacted to be apprised of any procedures to be followed and modifications or reclamation measures that may be necessary. Per paragraph 11 of the lease, Chevron shall pay all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands.
7. **ACCESS AND OTHER MATTERS:** See Exhibit "B" attached hereto regarding access to and from the proposed well site.
8. **GAS CONTRACTS:** This acreage is not dedicated at this time. Any questions concerning gas contracts should be directed to Dee Hagy in Commercial.
9. **PERMITS:** All applicable permits required by the New Mexico Oil Conservation Division ("NMOCD") must first be obtained by Chevron prior to commencement of drilling operations. All relevant State and Federal regulations must also be observed including but not limited to the applicable rules and regulations promulgated by the New Mexico Oil Conservation Division.
10. **TITLE:** MCBU Title Action Plan dated June 13, 2013 has been reviewed and approved by Todd Kratz, MCBU Land Manager on June 14, 2013. This MCBU Title Action Plan is based on the Drilling and Division Order Title Opinion dated January 31, 2013 rendered by Rash Chapman. This title clearance is restricted to the proposed well site location and the depths stated in the request. **If the location or depths are changed, it will be necessary to procure a new Title Clearance.**

SCREEN 2-26-27 ST NO. 2 WELL	NW ARCH. AREA CRN.	NE ARCH. AREA CRN.	SE ARCH. AREA CRN.	SW ARCH. AREA CRN.	NW FAC. PAD CRN.	NE FAC. PAD CRN.	SW FAC. PAD CRN.
X= 552,860 NAD 27 Y= 392,296 LAT. 32.078423 LONG. 104.162668	X= 552,561 NAD 27 Y= 392,572 ELEVATION +3210' NAVD 88	X= 553,161 NAD 27 Y= 392,571 ELEVATION +3197' NAVD 88	X= 553,160 NAD 27 Y= 391,971 ELEVATION +3201' NAVD 88	X= 552,560 NAD 27 Y= 391,972 ELEVATION +3208' NAVD 88	X= 552,445 NAD 27 Y= 392,372 ELEVATION +3211' NAVD 88	X= 552,895 NAD 27 Y= 392,371 ELEVATION +3207' NAVD 88	X= 552,445 NAD 27 Y= 392,122 ELEVATION +3209' NAVD 88
X= 594,044 NAD83 Y= 392,354 LAT. 32.078545 LONG. 104.163180 ELEVATION +3204' NAVD 88	NW PAD CRN.	NE PAD CRN.	SE PAD CRN.	SW PAD CRN/ SE FAC. PAD CRN			
	X= 552,695 NAD 27 Y= 392,421 ELEVATION +3208' NAVD 88	X= 553,025 NAD 27 Y= 392,421 ELEVATION +3201' NAVD 88	X= 553,025 NAD 27 Y= 392,121 ELEVATION +3202' NAVD 88	X= 552,695 NAD 27 Y= 392,121 ELEVATION +3206' NAVD 88			

Sec. 35
Bureau of Land Management

Sec. 34
Bureau of Land Management

Sec. 3
Bureau of Land Management

FOR THE EXCLUSIVE USE OF
CHEVRON U.S.A. INC.
I, WM. J. DANIEL III, Registered Professional
Land Surveyor, do hereby state this plat is true
and correct to the best of my knowledge.



WM. J. DANIEL III
Registration No. 15078

Scale: 1"=300'

500' 0 250' 500'



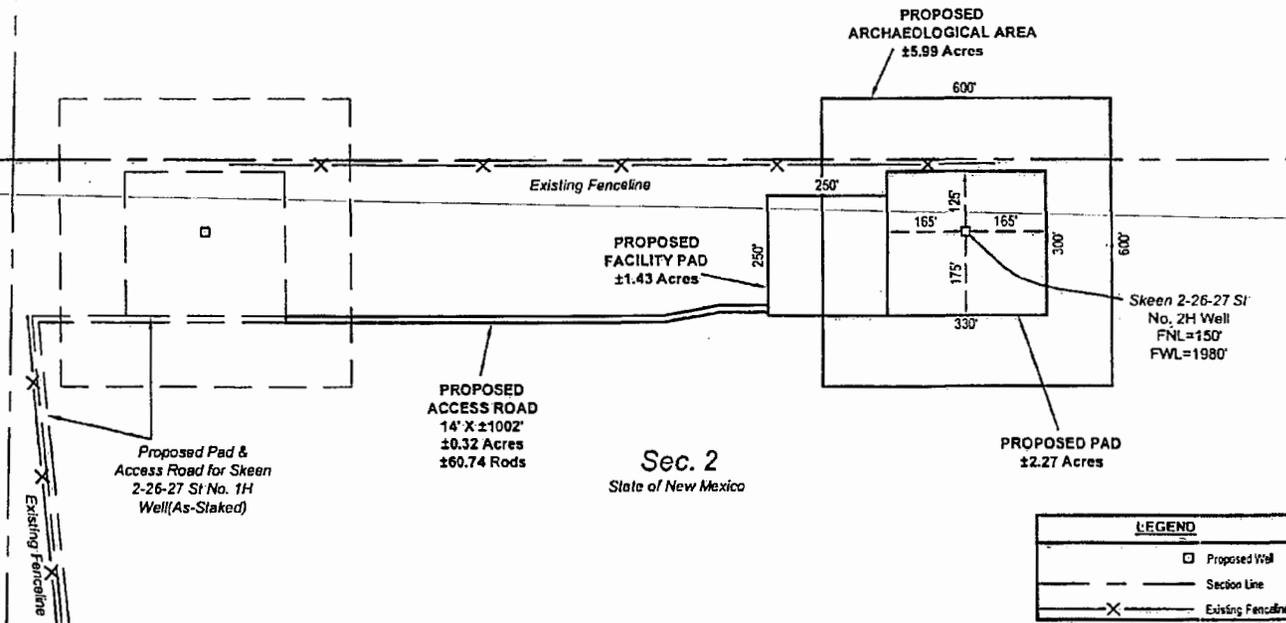
135 Regency Sq. Lafayette, LA 70508
Ph. 337-237-2200 Fax. 337-232-3299
www.fenstermaker.com

NOTE:

PLEASE BE ADVISED, THAT WHILE REASONABLE EFFORTS ARE MADE TO LOCATE AND VERIFY PIPELINES AND UTILITIES USING OUR STANDARD PIPELINE LOCATING EQUIPMENT, IT IS IMPOSSIBLE TO BE 100% EFFECTIVE, AS SUCH, WE ADVISE USING CAUTION WHEN PERFORMING WORK AS THERE IS A POSSIBILITY THAT PIPELINES AND OTHER HAZARDS, SUCH AS FIBER OPTIC CABLES, PVC PIPELINES, ETC. MAY EXIST UNDETECTED ON SITE.

MANY STATES MAINTAIN INFORMATION CENTERS THAT ESTABLISH LINKS BETWEEN THOSE WHO DIG (EXCAVATORS) AND THOSE WHO OWN AND OPERATE UNDERGROUND FACILITIES (OPERATORS). IT IS ADVISABLE AND IN MOST STATES, LAW, FOR THE CONTRACTOR TO CONTACT THE CENTER FOR ASSISTANCE IN LOCATING AND MARKING UNDERGROUND UTILITIES. NEW MEXICO ONE CALL, <http://www.nmonecall.org>.

DISCLAIMER: AT THIS TIME, FENSTERMAKER & ASSOCIATES, INC. HAS NOT PERFORMED NOR WAS ASKED TO PERFORM ANY TYPE OF ENGINEERING, HYDROLOGICAL MODELING, FLOOD PLAIN, OR "NO RISE" CERTIFICATION ANALYSES, INCLUDING BUT NOT LIMITED TO DETERMINING WHETHER THE PROJECT WILL IMPACT FLOOD HAZARDS IN CONNECTION WITH FEDERAL/FEMA, STATE, AND/OR LOCAL LAWS, ORDINANCES AND REGULATIONS. ACCORDINGLY, FENSTERMAKER MAKES NO WARRANTY OR REPRESENTATION OF ANY KIND AS TO THE FOREGOING ISSUES, AND PERSONS OR ENTITIES USING THIS INFORMATION SHALL DO SO AT THEIR OWN RISK.



LEGEND	
	Proposed Well
	Section Line
	Existing Fenceline

CHEVRON U.S.A. INC.
PROPOSED PAD & ACCESS ROAD
SKEEN 2-26-27 ST NO. 2H WELL
SECTION 2, T26S-R27E
EDDY COUNTY, NEW MEXICO

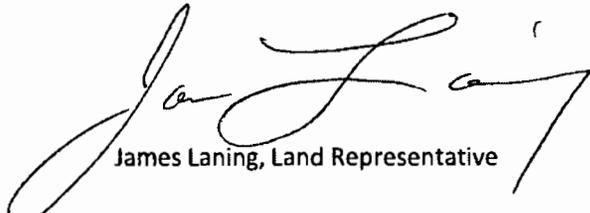
DRAWN BY: BMO		REVISIONS	
PROJ. MGR.: DBM	No.	DATE:	REVISED BY:
DATE: 01/18/2013	No.	DATE:	REVISED BY:
FILENAME: T:2012\2128636\DWGS\skoen 2-26-27 ST No.2 SUP.dwg			

**Skeen 2 State #2H
OWNER INFORMATION**

Skeen 2 State #2H

INT TYPE	NAME	ADDRESS LINE 1	ADDRESS LINE 2	CITY	STATE CODE	ZIP CODE
WI	CHEVRON MIDCONTINENT, L.P.	PO BOX 4791		HOUSTON	TX	77210-4791
RI	State of New Mexico	PO BOX 1148		Santa Fe	NM	87504-1148

I verify the above information is correct.



James Laning, Land Representative

TITLE CLEARANCE REQUEST FORM

TO: James Laning

PROPOSED OPERATION (new drill, P&A, re-completion):	New Drill
DATE:	7/10/2013
WELL NAME:	Skeen 2 State #3H
FIELD:	South Eddy
COUNTY, STATE	Eddy County, New Mexico
SURFACE LOCATION:	175' FNL and 1980' FEL, Section 2, T26S, R27E, Eddy County, New Mexico
BOTTOM HOLE LOCATION/LAST TAKE POINT:	Last Take Point: 330' FSL and 1980' FEL, BHL: 250' FSL and 1980' FEL, Section 2, T26S, R27E, Eddy County, New Mexico
DESIRED COMMENCEMENT DATE:	10/19/2013
PRESENT TD:	NA
TOTAL DEPTH:	7,720' TVD; 12,410.44' TMD
ESTIMATED DRILLING TIME:	30 days
PROPOSED COMPLETION (depths and formations)	2 nd Bone Spring Sand

Title Clearance for the above described operation is requested:

BY: Kelly McLachlan

TITLE CLEARANCE MEMORANDUM

Date: July 10, 2013

It is satisfactory from a land standpoint to commence the proposed operations, as outlined above, subject to the matters hereinafter set forth in paragraphs 1 through 10:

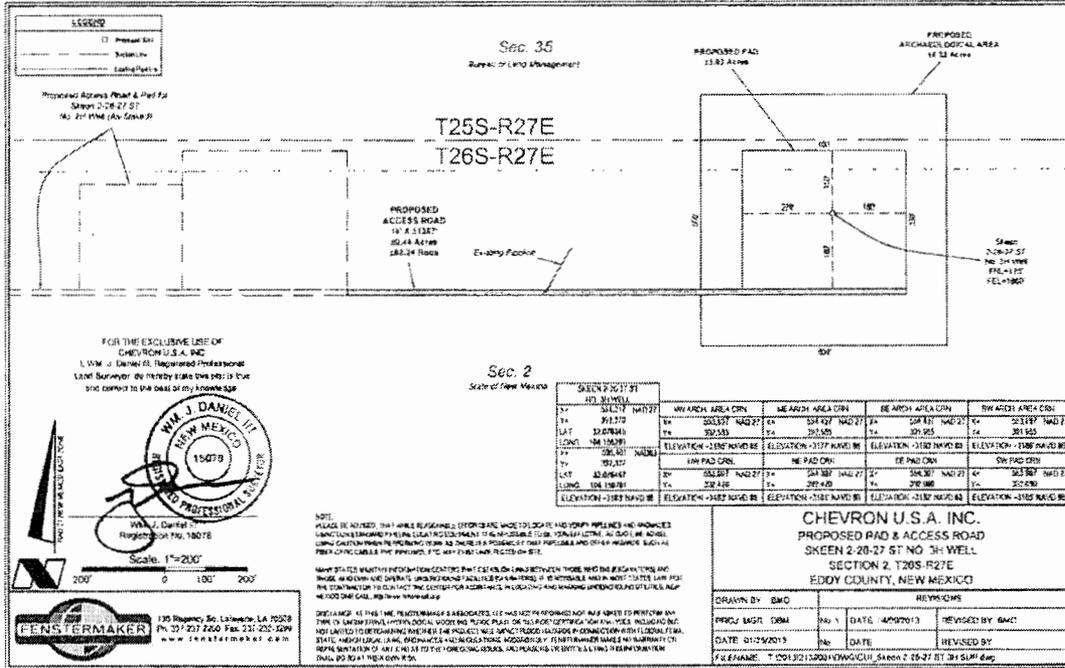
TITLE CLEARANCE/NEW DRILL

SKEEN 2 STATE #3H

EDDY COUNTY, NEW MEXICO

1. **LEASES & UNIT:** The subject well is located upon a State of New Mexico lease –VB-1796, (more particularly described on the attached Exhibit A) covering the E/2 of Section 2,T26S, R27E, Eddy County, New Mexico, containing 320 acres, more or less, N.M.P.M., Eddy County, New Mexico, among other lands. The well will be drilled and completed in the 2nd Bone Spring Sand within the Bone Spring formation. Our records indicate that said oil and gas lease is valid and still in its primary term. The lease is set to expire February 1, 2015. The annual rentals due for the lease are up to date and are set up in QLS to be paid annually. Special provisions in the lease of note include Section 3, full settlement on the 20th day of each month for all royalties due to the Lessor for the preceding month; Section 8, which requires the drilling of offset wells in the event a well or wells producing oil or gas in paying quantities shall be brought in on adjacent land; Section 9, which requires that Lessee notify Lessor of the location of each well prior to the commencement of drilling and to keep a complete and accurate log of each well drilled and furnish same; Section 11, which requires Lessor pay surface damages and bury all pipelines below plow depth; Section 15, which contains a 60 day drilling or reworking clause if production is obtained during the primary term, but ceases from any cause after the expiration of the primary term.
2. **JOINT OPERATING AGREEMENT:** There is no JOA located on the spacing unit for the subject well.
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4. **WELL INFORMATION:** There are no other working interest owners in the subject well.
5. **RIGHT-OF-WAYS/EASEMENTS:** All pipeline right-of-way, telephone and power line easements should be located and respected. Please consult with Stephen Tarr, Surface Land Representative, regarding the need for additional rights-of-way for the transportation of power and fluids on and off the lease.
6. **SURFACE OWNERSHIP:** The surface estate whereupon the subject well is located is owned by the State of New Mexico. Therefore, SOPA notice requirements do not apply. Prior to disturbing the surface of the leased lands, the State of New Mexico should be contacted to be apprised of any procedures to be followed and modifications or reclamation measures that may be necessary. Per paragraph 11 of the lease, Chevron shall pay all damages to the range, livestock, growing crops or improvements caused by lessee's operations on said lands.
7. **ACCESS AND OTHER MATTERS:** See Exhibit "B" attached hereto regarding access to and from the proposed well site.
8. **GAS CONTRACTS:** This acreage is not dedicated at this time. Any questions concerning gas contracts should be directed to Dee Hagy in Commercial.
9. **PERMITS:** All applicable permits required by the New Mexico Oil Conservation Division ("NMOCD") must first be obtained by Chevron prior to commencement of drilling operations. All relevant State and Federal regulations must also be observed including but not limited to the applicable rules and regulations promulgated by the New Mexico Oil Conservation Division.
10. **TITLE:** MCBU Title Action Plan dated June 13, 2013 has been reviewed and approved by Todd Kratz, MCBU Land Manager on June 14, 2013. This MCBU Title Action Plan is based on the Drilling and Division Order Title Opinion dated January 31, 2013 rendered by Rash Chapman. This title clearance is restricted to the proposed well site location and the depths stated in the request. **If the location or depths are changed, it will be necessary to procure a new Title Clearance.**

EXHIBIT B

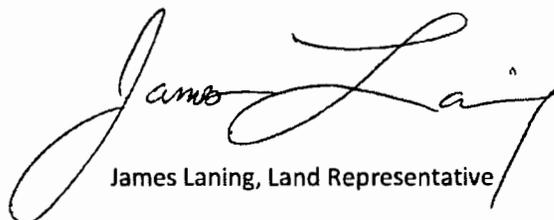


**Skeen 2 State #3H
OWNER INFORMATION**

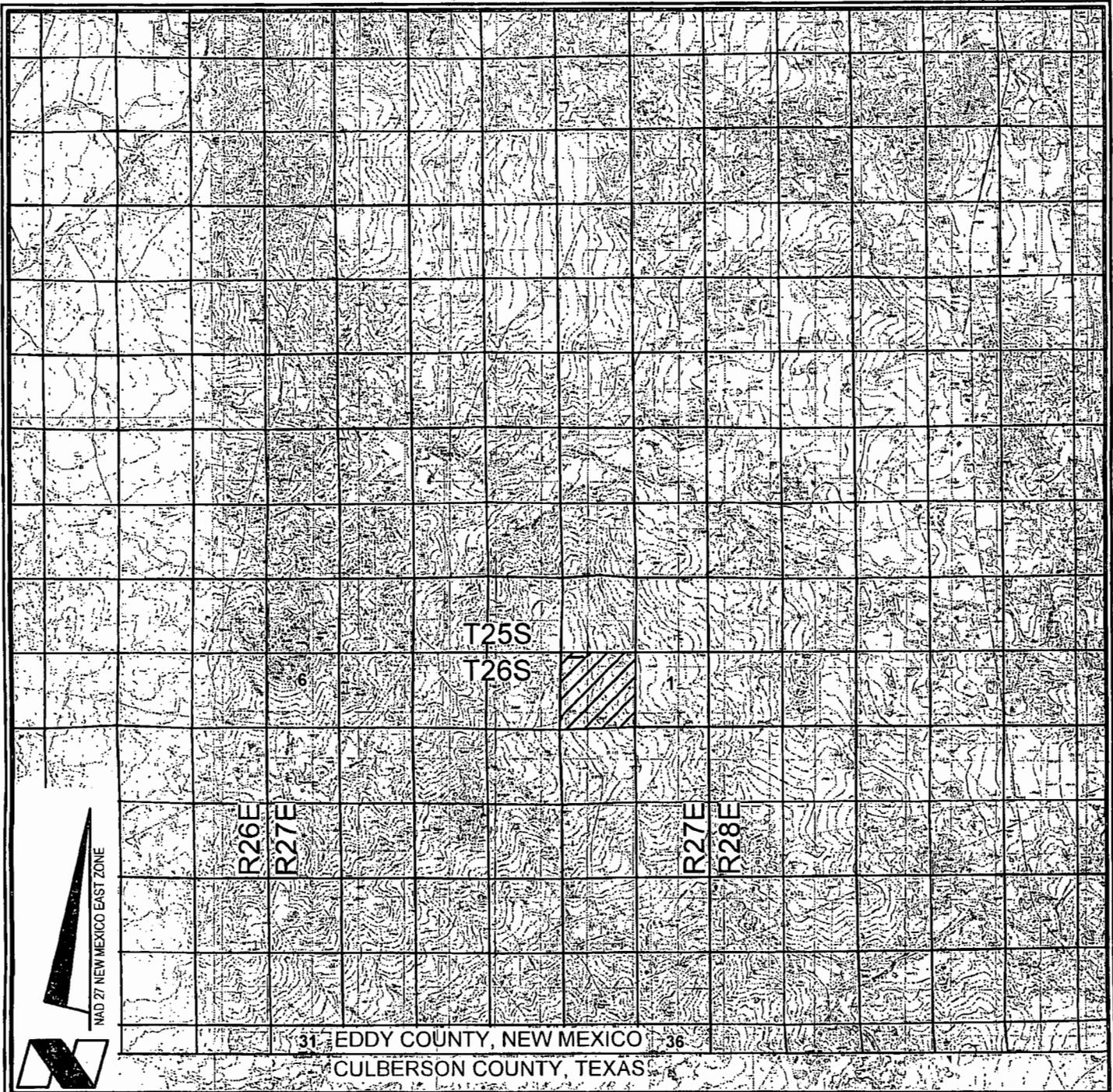
Skeen 2 State #3H

INT TYPE	NAME	ADDRESS LINE 1	ADDRESS LINE 2	CITY	STATE CODE	ZIP CODE
WI	CHEVRON MIDCONTINENT, L.P.	PO BOX 4791		HOUSTON	TX	77210-4791
RI	State of New Mexico	PO BOX 1148		Santa Fe	NM	87504-1148

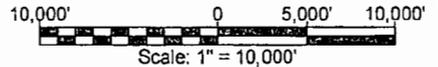
I verify the above information is correct.



James Laning, Land Representative



VICINITY MAP



CHEVRON U.S.A. INC.
 SKEEN 2-26-27 ST NO. 2H WELL
 LOCATED 150' FNL AND 1980' FWL
 SECTION 2, T26S-R27E
 EDDY COUNTY, NEW MEXICO



Lafayette New Orleans Houston
 135 Regency Sq. Lafayette, LA 70508
 Ph. 337-237-2200 Fax. 337-232-3299
 www.fenstermaker.com

DRAWN BY: BMO

REVISED:

DATE: 01/18/2013

PROJ. MGR.: DBM

SHEET 2 OF 3 SHEETS

FILENAME: T:\2012\2128636\DWG\Skeen 2-26-27 ST No.2 APD.dwg



New Mexico Office of the State Engineer Water Column/Average Depth to Water

(A CLW##### in the POD suffix indicates the POD has been replaced & no longer serves a water right file.)

(R=POD has been replaced,
O=orphaned,
C=the file is closed)

(quarters are 1=NW 2=NE 3=SW 4=SE)

(quarters are smallest to largest) (NAD83 UTM in meters) (In feet)

POD Number	POD Code	Subbasin	County	Q	Q	Q	Sec	Tws	Rng	X	Y	Depth Well	Depth Water	Water Column
<u>C 02588</u>	C		ED	3	4	3	33	25S	27E	575645	3549575*	81	19	62
												Average Depth to Water: 19 feet		
												Minimum Depth: 19 feet		
												Maximum Depth: 19 feet		

Record Count: 1

Basin/County Search:

Basin: Carlsbad

County: Eddy

Subbasin: Carlsbad

PLSS Search:

Section(s): 1-36

Township: 25S

Range: 27E

*UTM location was derived from PLSS - see Help

The data is furnished by the NMOSE/ISC and is accepted by the recipient with the expressed understanding that the OSE/ISC make no warranties, expressed or implied, concerning the accuracy, completeness, reliability, usability, or suitability for any particular purpose of the data.

1/28/13 3:38 PM

WATER COLUMN/ AVERAGE
DEPTH TO WATER



New Mexico Office of the State Engineer Water Column/Average Depth to Water

(A CLW##### in the POD suffix indicates the POD has been replaced & no longer serves a water right file.)

(R=POD has been replaced,
O=orphaned,
C=the file is closed)

(quarters are 1=NW 2=NE 3=SW 4=SE)
(quarters are smallest to largest) (NAD83 UTM in meters) (In feet)

POD Number	POD Code	Subbasin	County	Q 1	Q 2	Q 3	Q 4	Sec	Tws	Rng	X	Y	Depth Well	Depth Water	Water Column
<u>C 02930</u>	C		ED	2	3	4	22	26S	27E		577938	3543284*	100	50	50
													Average Depth to Water: 50 feet		
													Minimum Depth: 50 feet		
													Maximum Depth: 50 feet		

Record Count: 1

Basin/County Search:

Basin: Carlsbad County: Eddy Subbasin: Carlsbad

PLSS Search:

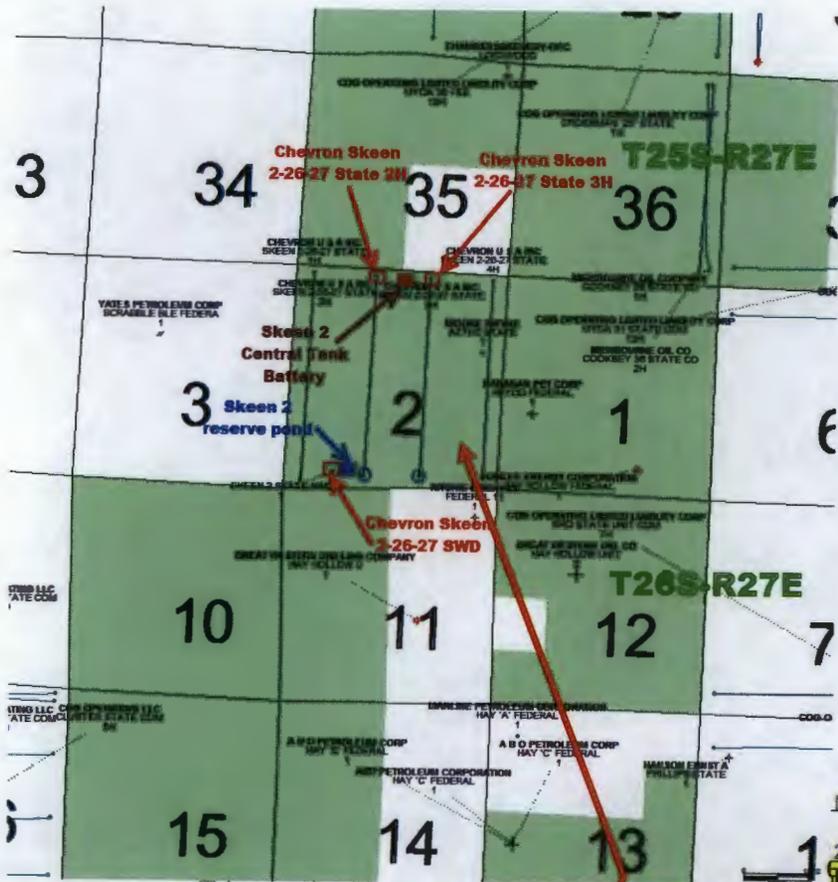
Section(s): 1-36 Township: 26S Range: 27E

*UTM location was derived from PLSS - see Help

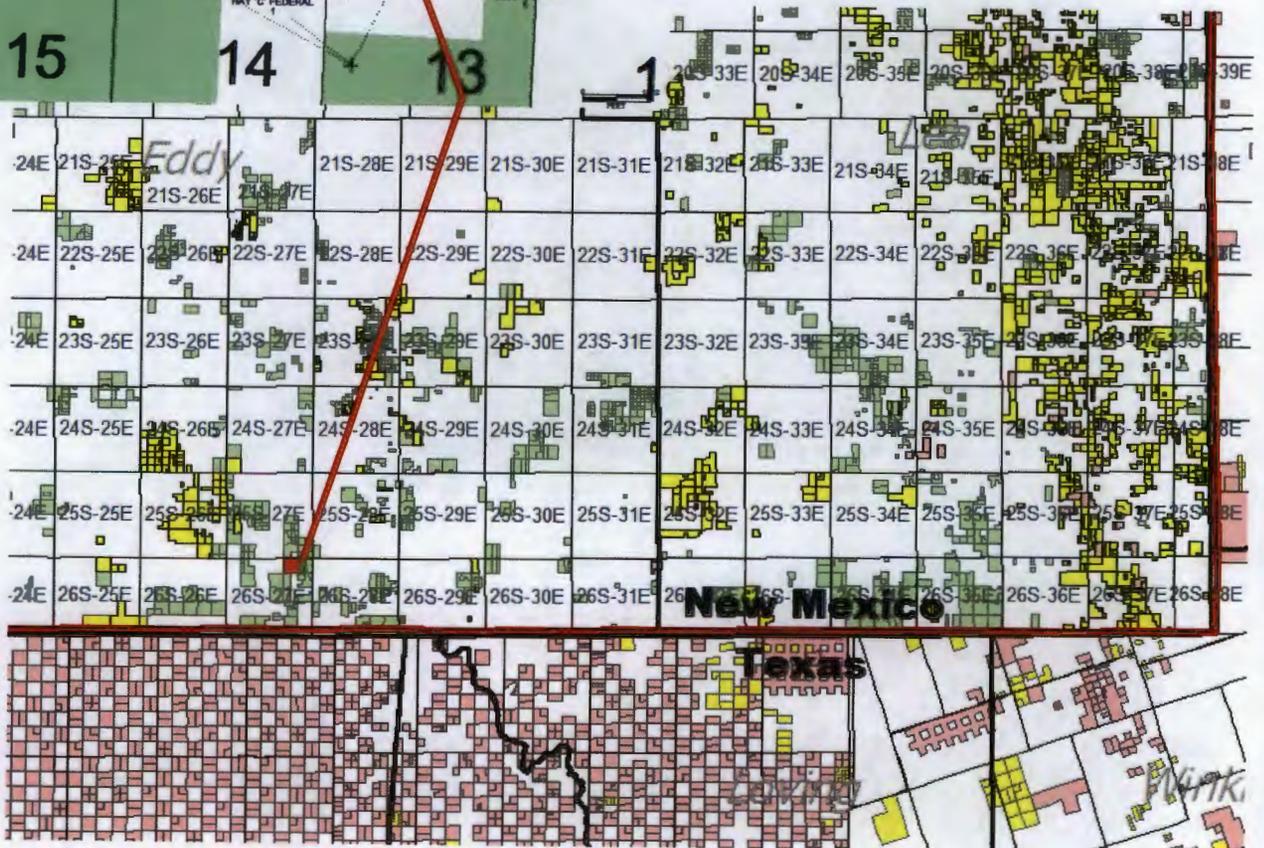
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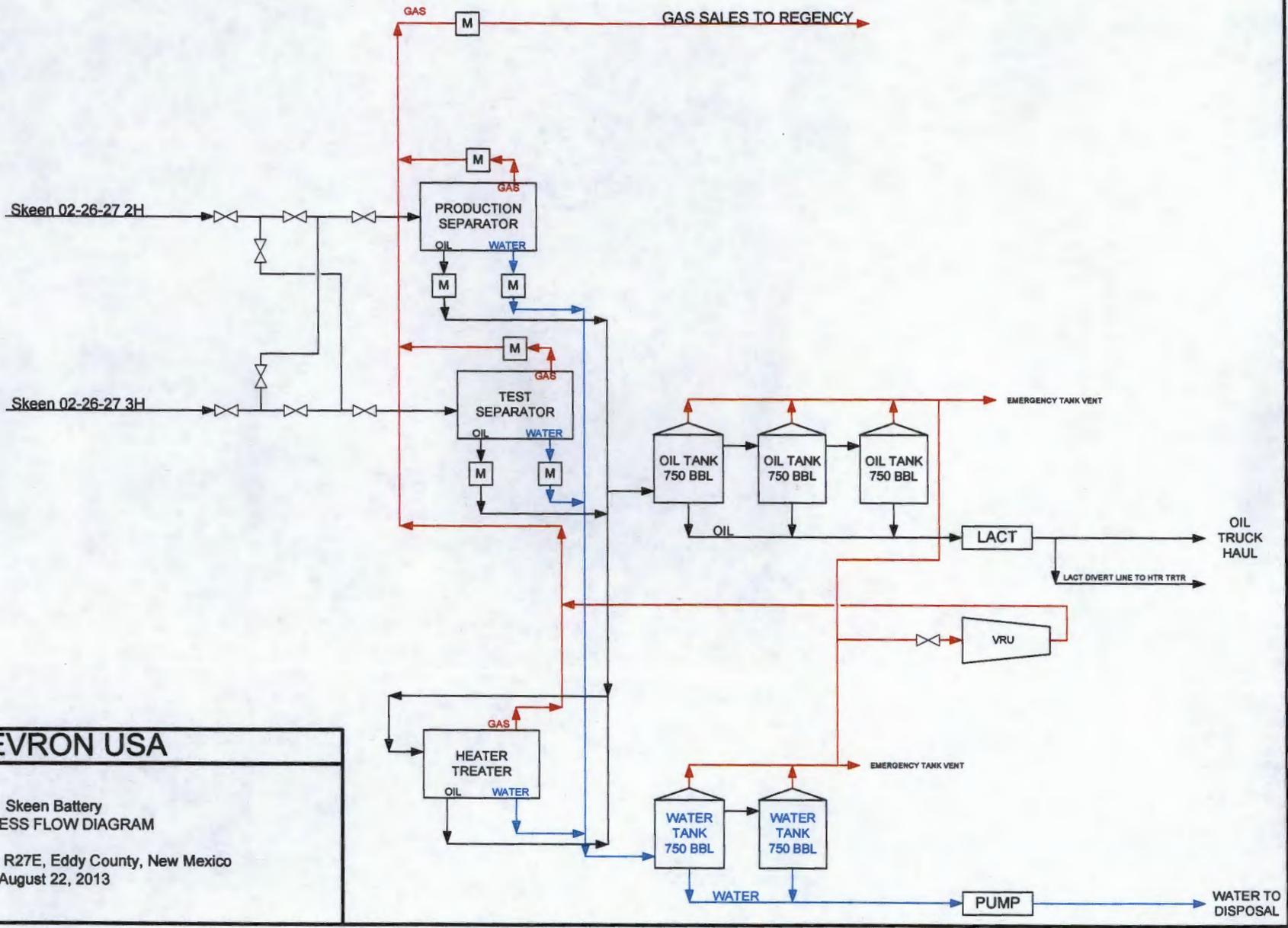
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WATER COLUMN/ AVERAGE
DEPTH TO WATER



Map of Skeen section 2 (T26S-R27E) in Eddy Co, New Mexico, showing location of two proposed wells, tank CTB, and reserve pond





CHEVRON USA

Skeen Battery
PROCESS FLOW DIAGRAM

Section 02, T26S, R27E, Eddy County, New Mexico
August 22, 2013