



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

August 11, 2005

Mark Fesmire

Director

Oil Conservation Division

Chevron U.S.A., Inc.
c/o **MidContinent SBU**
Chevron North America Exploration and Production Company
P. O. Box 36366
Houston, Texas 77326

Attention: George F. Pritchard
Geologist
gpritchard@chevrontexaco.com

Administrative Order NSL-5251

Dear Mr. Pritchard:

Reference is made to the following: (i) your application for an exception to Division Rule 104.B (1) submitted on behalf of the operator, Chevron U.S.A., Inc. ("Chevron"), to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on July 22, 2005 (*administrative application reference No. pSEM0-520638645*); and (ii) the Division's records: all concerning Chevron's plans for additional development of the Penrose Skelly (Grayburg) Pool (50350) within a former standard 40-acre oil spacing and proration unit comprising the SE/4 NW/4 (Unit F) of Section 30, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.

From the Division's records, initial development of Grayburg oil production within this 40-acre unit commenced in March, 1962 when Texaco, Inc. drilled and completed its V. M. Henderson Well No. 7 (API No. 30-025-06913) at a standard oil well location 1980 feet from the North and West lines of Section 30. Penrose Skelly (Grayburg) oil production ceased in this well in July, 1969 when this zone was abandoned.

It is the Division's understanding that the N/2 equivalent of Section 30 comprises a single fee lease (V. M. Henderson lease) with common mineral interest in which Chevron is the leasehold operator; therefore, there are no adversely effected offsets to the subject 40-acre tract within the Grayburg interval.

Moreover, Chevron intends to re-establish Grayburg oil production within the subject 40-acre unit by drilling its proposed V. M. Henderson:

- (1) Well No. 18 (API No. 30-025-37110) at a standard oil well location 2170 feet from the North line and 2040 feet from the West line of Section 30; and

(2) Well No. 20 an at unorthodox oil well location 1360 feet from the North and West lines of Section 30.

Your application for the proposed unorthodox Grayburg oil well location has been duly filed under the provisions of Division Rules 104.F and 1207.A (2).

By the authority granted me under Division Rule 104.F (2), the above-described unorthodox Grayburg oil well location for Chevron's proposed V. M. Henderson Well No. 20 is hereby approved.

Further, both aforementioned wells and 40-acre oil spacing and proration unit will be subject to all existing rules, regulations, policies, and procedures applicable to this pool.

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

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs