



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

March 8, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Chevron U.S.A., Inc. (Operator)
c/o Mack Energy Corporation, Agent
P. O. Box 960
Artesia, New Mexico 88211-0960

Attention: Jerry Sherrell
jerrys@mackenergycorp.com

Administrative Order NSL-5345

Dear Mr. Sherrell:

Reference is made to the following: (i) your application filed as agent for the operator, Chevron U.S.A., Inc. ("Chevron"), with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on February 27, 2006 (*administrative application reference No. pTDS0-605930400*); and (ii) the Division's records in Artesia and Santa Fe: all concerning Chevron's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the SE/4 SW/4 (Unit N) of Section 15, Township 17 South, Range 31 East, NMPM, Fren-Paddock Pool (26770), Eddy County, New Mexico.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

This 40-acre Paddock unit is currently dedicated to Chevron's Skelly Unit Well No. 949 (API No. 30-015-32968) located at a standard oil well location 330 feet from the South line and 1650 feet from the West line of Section 15.

From your application and the public records, it is the Division's understanding that all of Sections 15 is within the Skelly (Federal) Unit and comprises a single Federal lease issued by the U. S. Bureau of Land Management (*United States Government lease No. LC-029420-A*) in which Chevron is the leasehold operator of the shallow Paddock oil and gas rights.

By the authority granted me under the provisions of Division Rule 104.F (2), Chevron's following described well to be drilled at an unorthodox "infill" Fren-Paddock oil well location within the SE/4 SW/4 (Unit N) of Section 15 is hereby approved:

Skelly Unit Well No. 964
1175' FSL & 2310' FWL.

Chevron U.S.A., Inc. (Operator) c/o Mack Energy Corporation (Agent)
Division Administrative Order NSL-5345

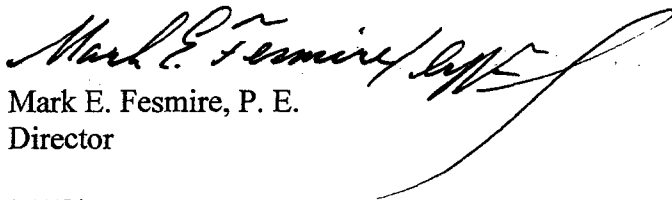
March 8, 2006

Page 2

Further, both Chevron's existing Skelly Unit Well No. 949 and proposed Skelly Unit Well No. 964 are to be simultaneously dedicated to the subject 40-acre unit.

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 – Artesia
U. S. Bureau of Land Management – Carlsbad