



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

April 4, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Chevron U.S.A., Inc.
c/o **ChevronTexaco**
11,111 S. Wilcrest – Room S-1052
Houston, Texas 77099

Attention: Michael R. Villalva
Petroleum Engineer
mrvillalva@chevrontexaco.com

Administrative Order NSL-5185

Dear Mr. Villalva:

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 March 7, 2005 (*administrative application reference No. pSEM0-506648706*); 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 NE/4 NW/4 (Unit C) 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 October, 1962 when Texaco, Inc. re-completed the V. M. Henderson Well No. 4 (API No. 30-025-06910), located at a standard oil well location 660 feet from the North line and 1980 feet from the West line of Section 30. Penrose Skelly (Grayburg) oil production ceased in this well in November, 1966 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:

- (1) re-completing its existing V. M. Henderson Well No. 6 (API No. 30-025-06912) from the Blinebry (72480) and Paddock (49210) producing zones to the Grayburg formation, which well is located at a standard oil well location 760 feet from the North line and 1980 feet from the West line of Section 30; and

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(2) drilling its proposed V. M. Henderson Well No. 19 an at unorthodox oil well location 1300 feet from the North line and 2280 feet from the West line of Section 30.

Your application for the proposed unorthodox Grayburg oil well location has been duly filed under the provisions of Division Rule 104.F.

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. 19 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