



George F. Pritchard
Project Manager / Geologist

North America Upstream
Midcontinent Business Unit
11111 S. Wilcrest, Rm S1052
Houston, Texas 77099
Tel (281) 561-4918
Fax (281) 561-3576
gpritchard@chevron.com

2006 MAR 27 PM 12 27

March 22, 2006

**Request for Administrative Approval of
Unorthodox Oil Well Location and
Simultaneous Dedication**

Mr. Mark E. Fesmire
c/o Mr. Michael E. Stogner
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:

W.T. McComack #24
330' FNL & 1410' FEL, C N/2 NE/4 of
Section 32, T21S, R37E, Unit Letter B
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 to our 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.

The NW/4 NE/4 of Section 32 will be simultaneously dedicated in the Penrose Skelly, Grayburg Pool to the proposed well and to both the W.T. McComack #2 [30-025-06931] and the W. T. McComack #22 [30-025-37180]. The W.T. McComack #2 was drilled in 1937, the W.T. McComack #22 was drilled in 2005 and both are currently Penrose Skelly, Grayburg producers. Chevron also requests approval of the simultaneous dedication.

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 eight wells that have produced the Grayburg formation in the NE/4 of Section 32. The proposed well will be located in the approximate center north of those wells. Based on drainage calculations, Chevron believes that drilling the infill well will recover reserves that would not be recovered by existing Grayburg producers.

March 22, 2006

Page 2

A land plat highlighting the proposed well's location is attached as Exhibit 2. The E/2 of Section 32 is covered by a single fee lease and has common royalty and working interest ownerships. 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.

If you have any questions concerning this application or need additional information, please contact me by phone at (281) 561-4918 or by email at gpritchard@chevron.com. If I am not available, you can also reach Michael Gelbs by phone at (281) 561-4794 or by email at mike.gelbs@chevron.com. Thank you for consideration of this matter.

Sincerely,



George F. Pritchard
Project Manager / Geologist

Attachments

cc: NMOCD District 1 – Hobbs, NM
Mike Gelbs
George Pritchard
Well File

4-13-2006 (9:21 AM)
Called w/ George Pritchard who
called to check on the status
his 8 recently filed WSE
application.
Shirley

NOTIFICATION LIST

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

W.T. McComack #24

330' FNL & 1410' FEL

Section 32, T21S, R37E, Unit Letter B

Lea County, New Mexico

Offset Operators, Working Interest Owners, E/2 Section 32:

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

DATE IN <u>3/27/06</u>	SUSPENSE	ENGINEER <u>MIKE STOGNER</u>	LOGGED IN <u>3/27/06</u>	TYPE <u>NSL</u>	APP NO. <u>PTD50628654013</u>
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

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



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

[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.

George F. Pritchard
 Print or Type Name

George F. Pritchard
 Signature

Project Manager / Geologist
 Title

3/22/2006
 Date

gpritchard@chevron.com
 e-mail Address

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:

W.T. McComack #24

330' FNL & 1410' FEL

Section 32, T21S, R37E, Unit Letter B

Lea County, New Mexico

PRIMARY OBJECTIVE: GRAYBURG

SUPPORTING DATA:

1. Chevron U.S.A. Inc. (Chevron) is the operator of the proposed W.T. McComack #24 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	W.T. McComack #1	3002506930	32-A	Grayburg	147	695	6	405	active Pre-1970
Chevron	W.T. McComack #2	3002506931	32-B	Grayburg	111	647	11	228	active Pre-1972
Chevron	W.T. McComack #5	3002506934	32-B	Grayburg	76	0	--	--	inactive Pre-1970
Chevron	W.T. McComack #8	3002506937	32-H	Grayburg	65	749	2	270	active Pre-1974
Chevron	W.T. McComack #11	3002506940	32-A	Grayburg	4	7	--	--	inactive 10/1986
Chevron	W.T. McComack #21	3002536744	32-G	Grayburg	4	107	5	401	active 9/2004
Chevron	W.T. McComack #22	3002537180	32-B	Grayburg	1	0	30	356	active 12/2005
Chevron	W.T. McComack #23	3002537179	32-G	Grayburg	1	0	23	470	active 11/2005

3. The proposed W.T. McComack #24 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.

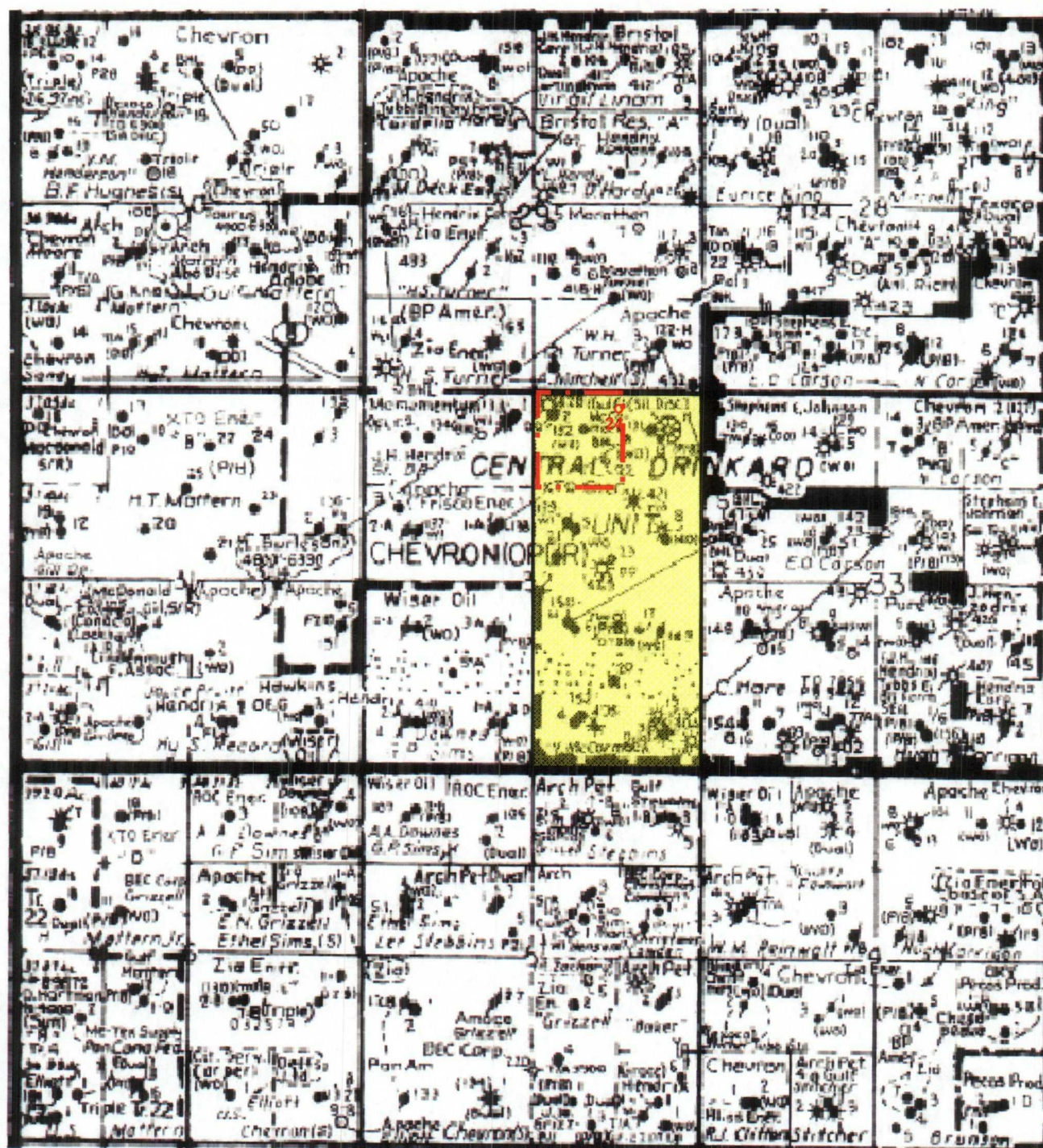
The following table provides drainage areas calculated from the HCPV map and reserves of the offsetting wells.

Operator	Well		Location	Formation	Drainage Acres	EUR	
						MBO	MMCF
Chevron	W.T. McComack #1	3002506930	32-A	Grayburg	34	158	1717
Chevron	W.T. McComack #2	3002506931	32-B	Grayburg	25	127	1202
Chevron	W.T. McComack #5	3002506934	32-B	Grayburg	14	76	NA
Chevron	W.T. McComack #8	3002506937	32-H	Grayburg	14	69	977
Chevron	W.T. McComack #11	3002506940	32-A	Grayburg	1	4	7
Chevron	W.T. McComack #21	3002536744	32-G	Grayburg	5	26	1346
Chevron	W.T. McComack #22	3002537180	32-B	Grayburg	18	89	300
Chevron	W.T. McComack #23	3002537179	32-G	Grayburg	17	89	300

As seen above, the average drainage area of the offsetting locations is 21 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 21 acre drainage area, and a 15% recovery factor. The results are as follows:

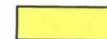
Operator	Well	Location	HCPV	Drainage Acres	EUR	
					MBO	MMCF
Chevron	McComack #24	32-B	5.4	20	89	975

4. The E/2 of Section 32 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 W.T. McComack #24 will share a 40-acre proration unit and will be simultaneously dedicated with the W.T. McComack #2 [30-025-06931] and W.T. McComack #22 [30-025-37180] as Penrose Skelly, Grayburg producers in Section 32, Unit Letter B.
6. Approval of this application will allow for the recovery of oil and gas reserves which would not otherwise be recovered.



Chevron USA Inc.

W. T. McComack #2
 330 FNL & 2310 FEL, Unit B
 W. T. McComack #22
 920 FNL, 1490 FEL, Unit B
 W. T. McComack #24 (proposed)
 330 FSL & 1410 FEL, Unit B
 Section 32, T21S-R37E
 Lea County, New Mexico



Eunice King Lease



40 Acre Proration Unit

Scale: 1"=2000 Approx.

DISTRICT I
1625 N. FRENCH DR., ROBBE, 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 W.T. McCOMACK	Well Number 24
OGRID No.	Operator Name CHEVRON U.S.A. INC.	Elevation 3460'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	32	21-S	37-E		330	NORTH	1410	EAST	LEA

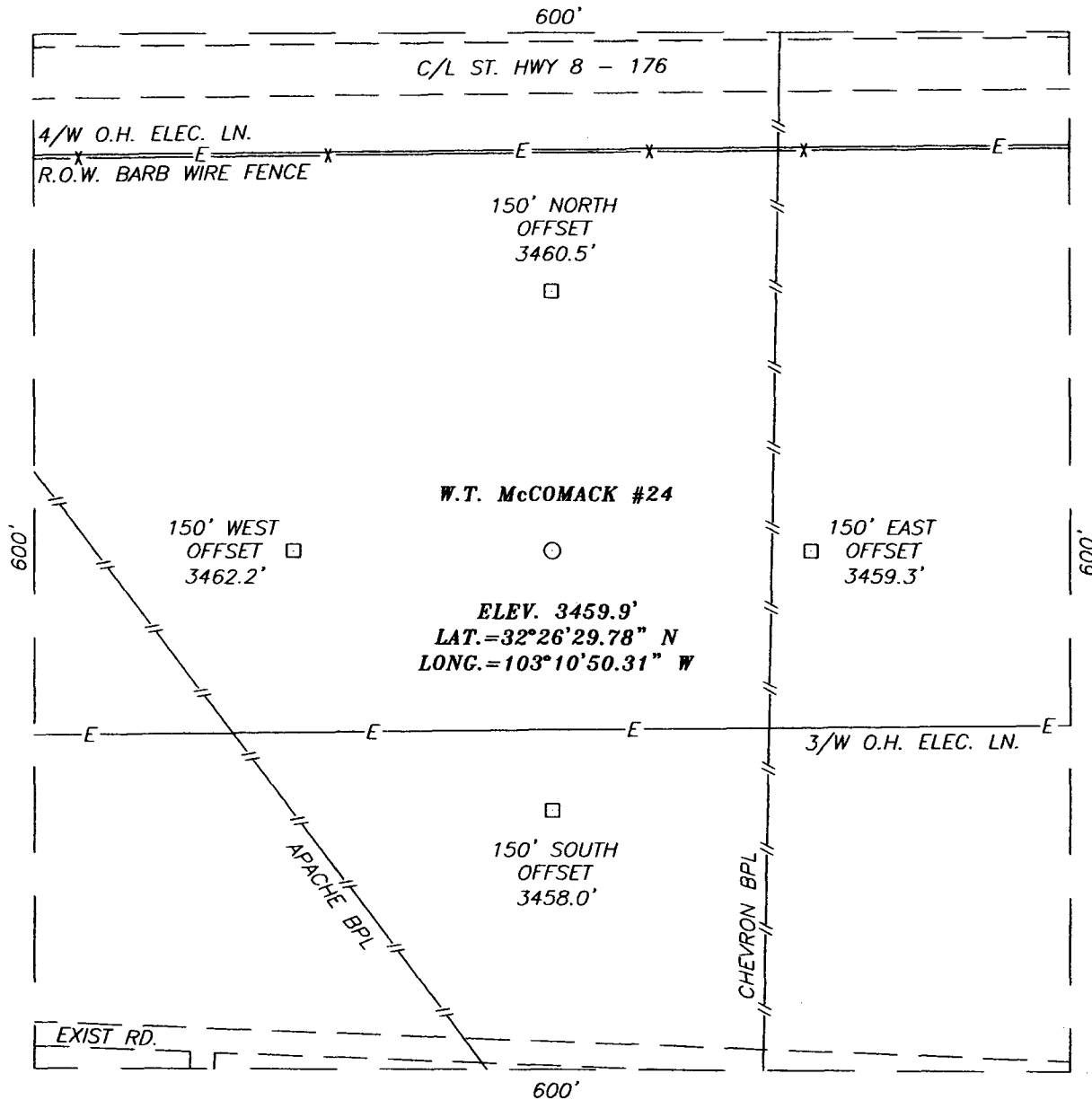
Bottom Hole Location If Different From Surface

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

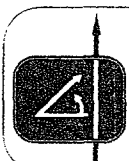
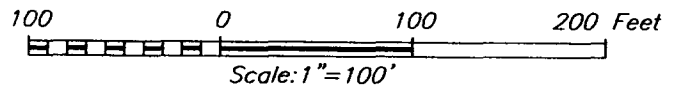
<div><p>330'</p><p>1410'</p><p>GEODETTIC COORDINATES NAD 27 NME</p><p>Y=526289.1 N X=855615.5 E</p><p>LAT.=32°26'29.78" N LONG.=103°10'50.31" W</p></div>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that 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.</p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p> <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>FEBRUARY 17, 2006</p> <p>Date Surveyed _____ DSR</p> <p>Signature & Seal of Professional Surveyor _____</p> <p>GARY EIDSON 3/14/06</p> <p>06.11.0324</p> <p>Certificate No. GARY EIDSON 12641</p>
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SECTION 32, TOWNSHIP 21 SOUTH, RANGE 37 EAST, N.M.P.M.,
 LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF CO. RD. E-33 (S. LEGION RD.) AND CO. RD. E-23 (TEXAS AVE.), (APPROX. 1.0 MILE WEST OF EUNICE, N.M.), GO WEST ON CO. RD. E-23 APPROX. 0.1 MILE. TURN RIGHT AND GO NORTH APPROX. 0.38 MILES. TURN LEFT AND GO WEST APPROX. 0.18 MILES. THIS LOCATION IS APPROX. 250 FEET NORTH.



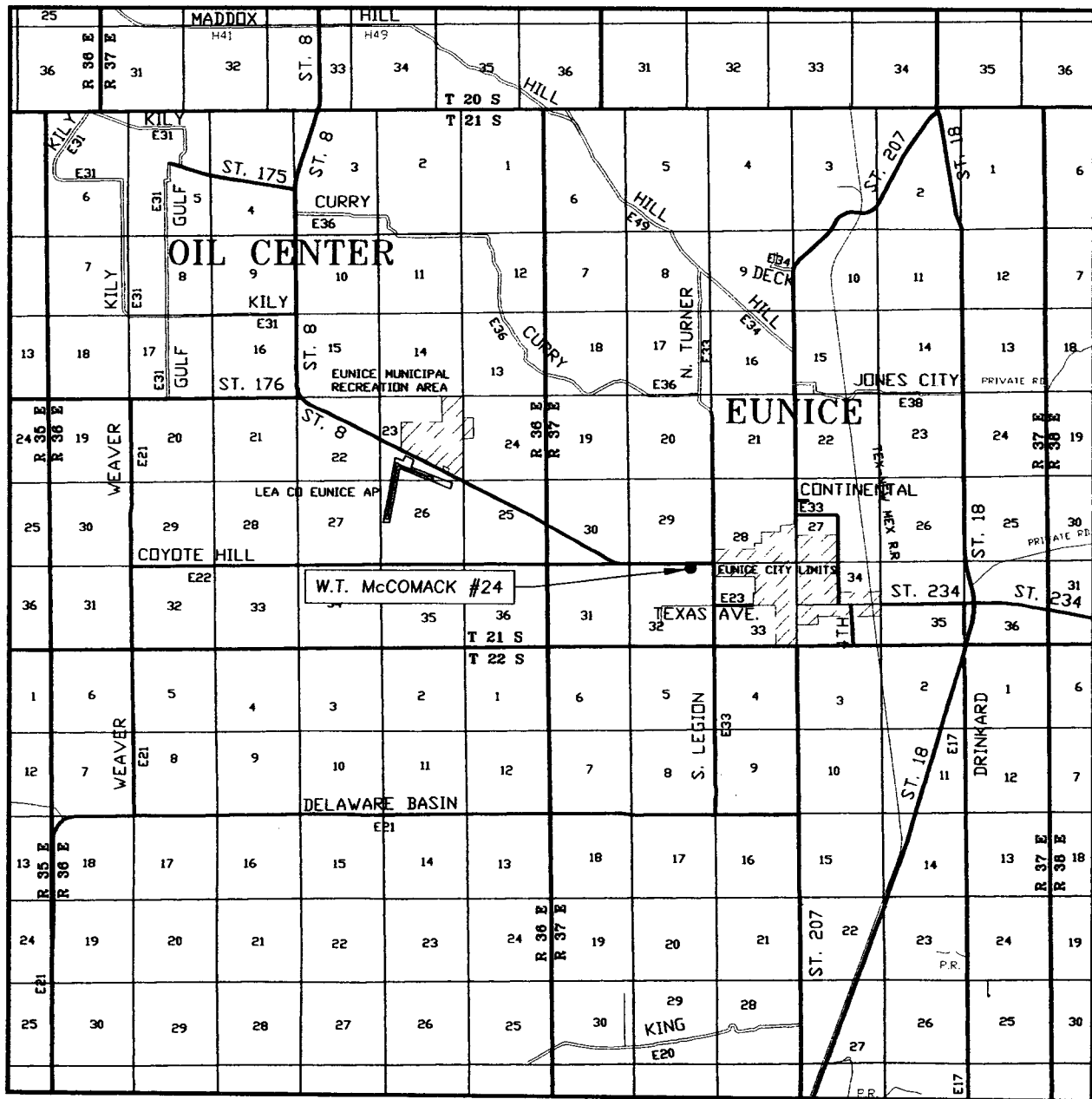
PROVIDING SURVEYING SERVICES
 SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 393-3117

CHEVRON U.S.A. INC.

W.T. McCOMACK #24 WELL
 LOCATED 330 FEET FROM THE NORTH LINE
 AND 1410 FEET FROM THE EAST LINE OF SECTION 32,
 TOWNSHIP 21 SOUTH, RANGE 37 EAST, N.M.P.M.,
 LEA COUNTY, NEW MEXICO.

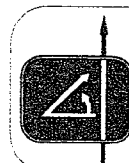
Survey Date: 02/17/06	Sheet 1 of 1 Sheets
W.O. Number: 06.11.0324	Dr By: D.S.R. Rev 1:N/A
Date: 03/06/06	Disk: CD#1 06110324 Scale: 1"=100'

VICINITY MAP



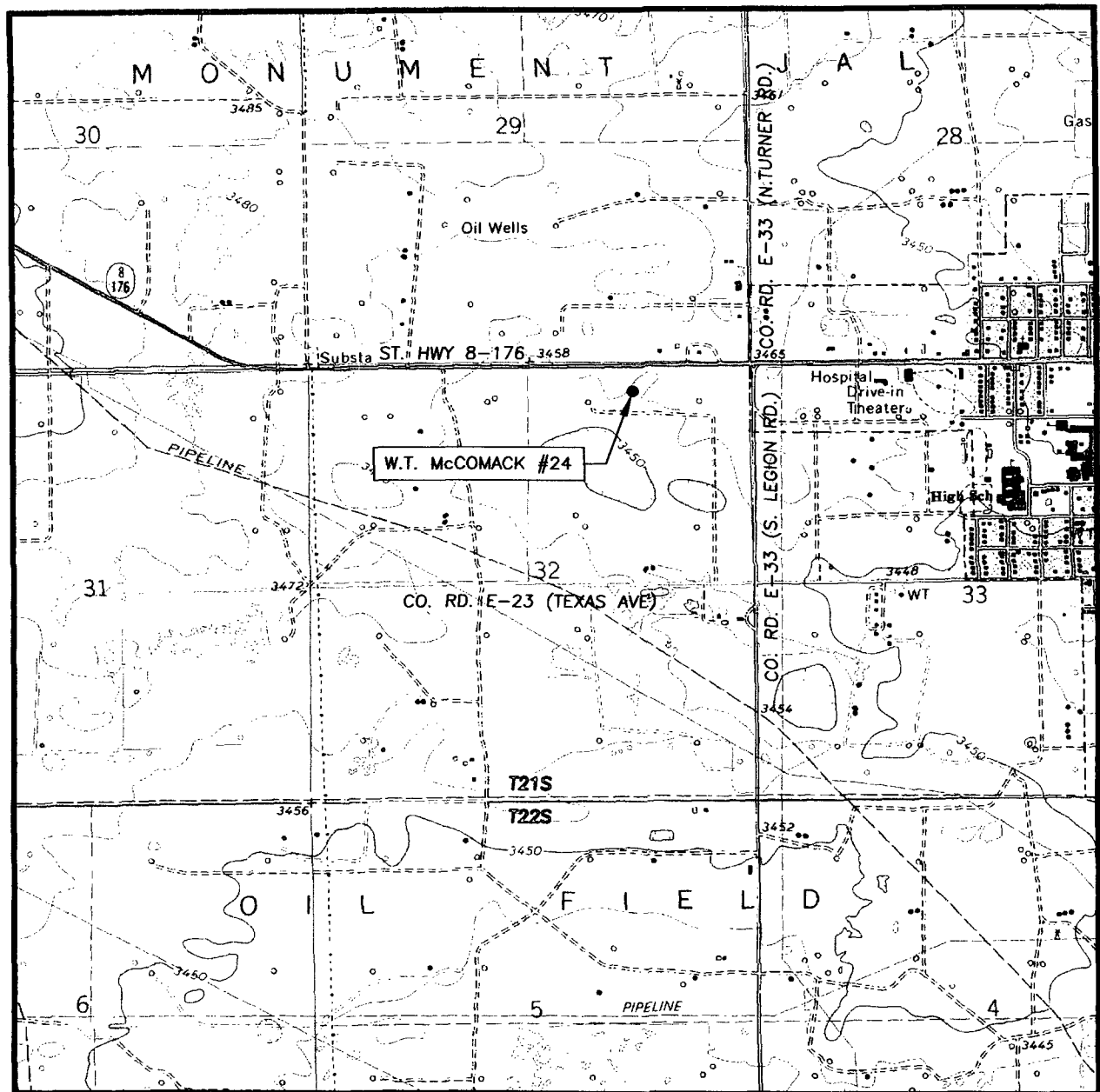
SCALE: 1" = 2 MILES

SEC. 32 TWP. 21-S RGE. 37-E
 SURVEY N.M.P.M.
 COUNTY LEA STATE NEW MEXICO
 DESCRIPTION 330' FNL & 1410' FEL
 ELEVATION 3460'
 OPERATOR CHEVRON U.S.A. INC.
 LEASE W.T. McCOMACK



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. 32 TWP. 21-S RGE. 37-E

SURVEY N.M.P.M.

COUNTY LEA STATE NEW MEXICO

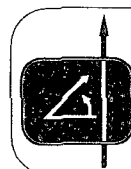
DESCRIPTION 330' FNL & 1410' FEL

ELEVATION 3460'

OPERATOR CHEVRON U.S.A. INC.

LEASE W.T. McCOMACK

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

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

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

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

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised June 10, 2003

OIL CONSERVATION DIVISION

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

Submit to Appropriate District Office

Exhibit 3.1

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-06931	² Pool Code 50350	³ Pool Name Penrose Skelly; Grayburg
⁴ Property Code	⁵ Property Name W T McComack	⁶ Well Number 2
⁷ OGRID No. 4323	⁸ Operator Name Chevron U.S.A., Inc.	⁹ Elevation 3458' gl

¹⁰ Surface Location

UL or Lot No. B	Section 32	Township 21S	Range 37E	Lot Idn	Feet from the 330	North/South line North	Feet from the 2310	East/West line East	County Lea
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¹¹ 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
¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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

<div><p>16</p><p>330'</p><p>2310'</p><p>2</p><p>24</p><p>40-acre proration unit</p><p>32</p><p>W T McComack Lease</p></div>	<div><p>17</p><p>OPERATOR CERTIFICATION</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>Signature _____</p><p>Printed Name George F. Pritchard</p><p>Title Geologist</p><p>March 20, 2006</p></div> <div><p>18</p><p>SURVEYOR CERTIFICATION</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>Certificate Number _____</p></div>
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District I
1625 N. French Dr., Hobbs, NM 88240

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

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

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

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised June 10, 2003

OIL CONSERVATION DIVISION

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

Submit to Appropriate District Office

Exhibit 3.1b

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-37180	² Pool Code 50350	³ Pool Name Penrose Skelly; Grayburg
⁴ Property Code	⁵ Property Name W T McComack	⁶ Well Number 22
⁷ OGRID No. 4323	⁸ Operator Name Chevron U.S.A., Inc.	⁹ Elevation 3450' gl

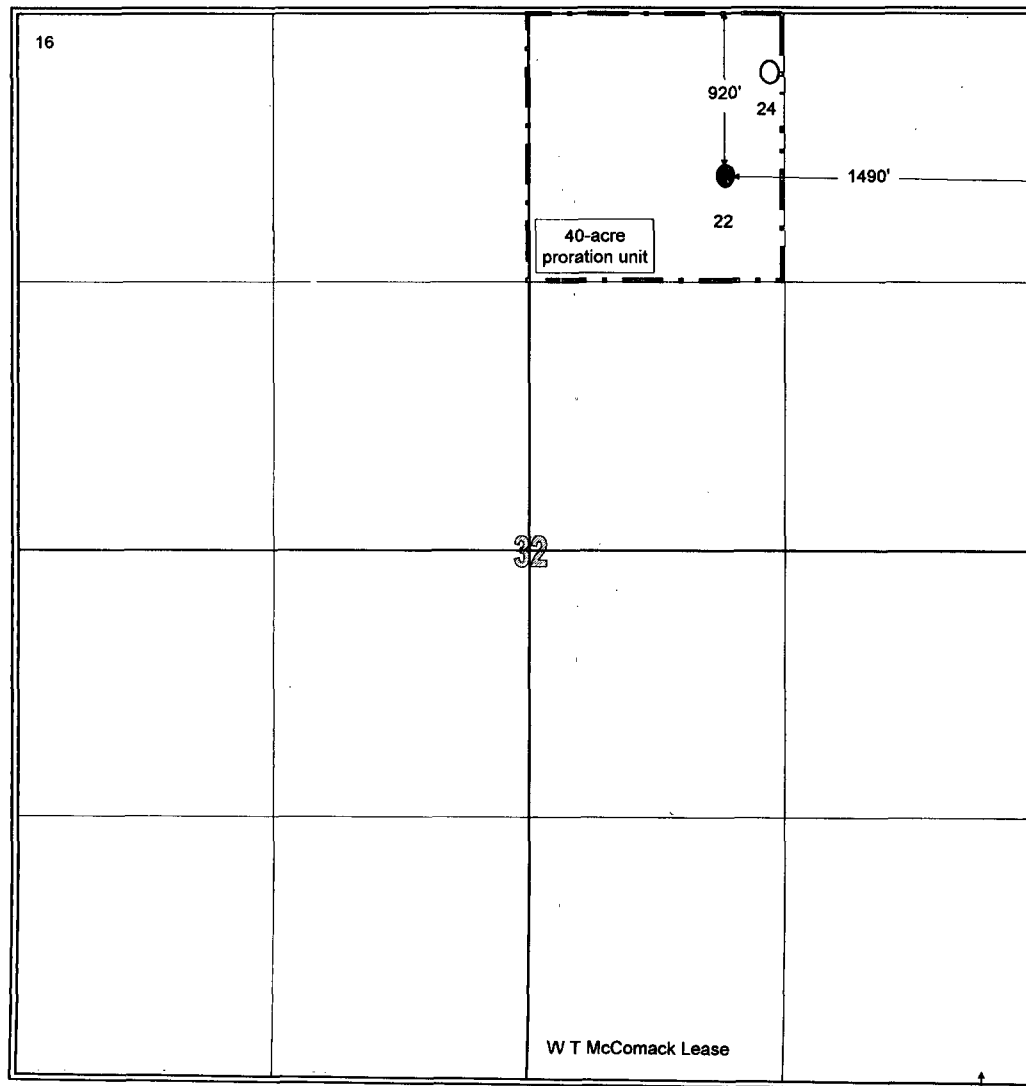
¹⁰ Surface Location

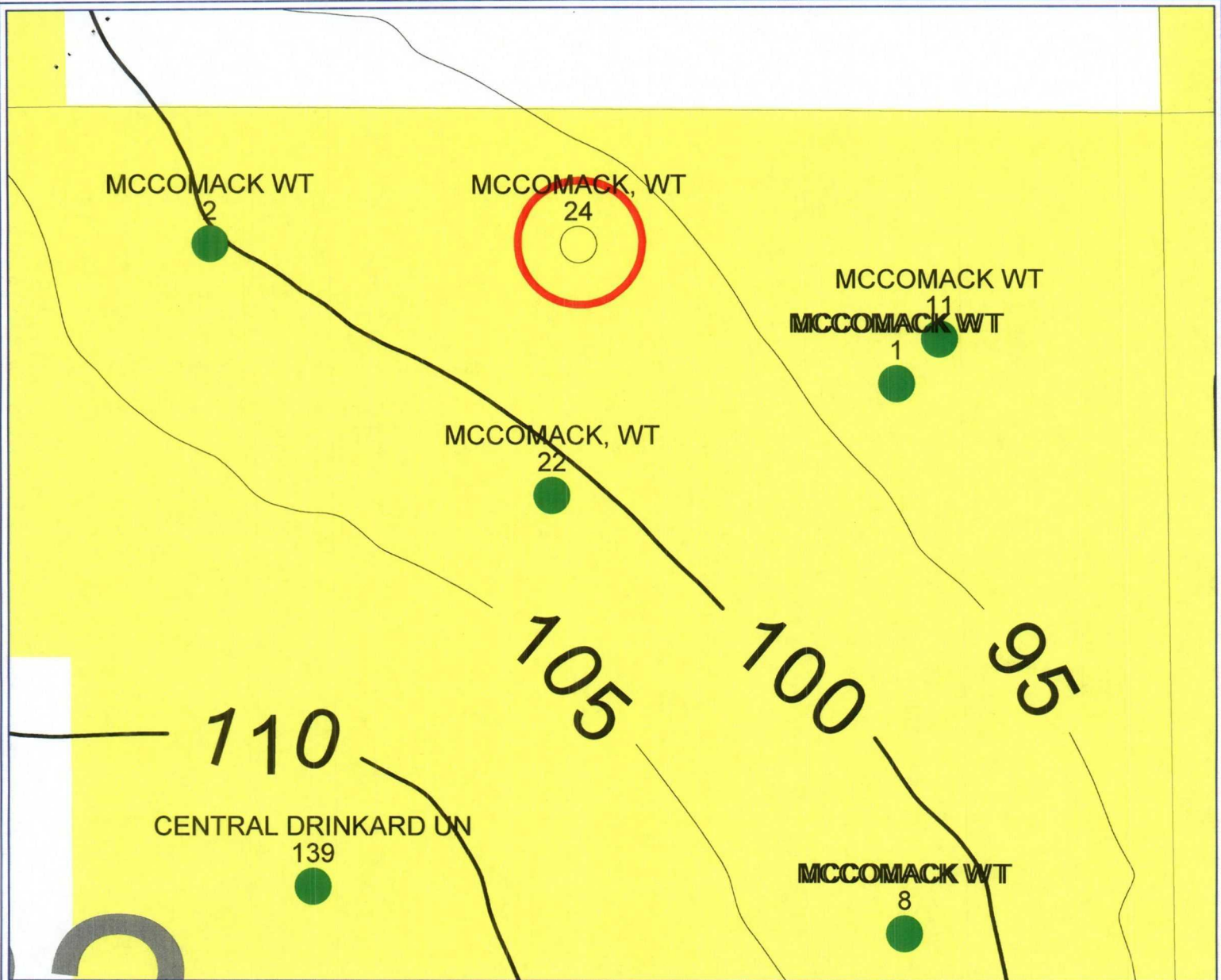
UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	32	21S	37E		920	North	1490	East	Lea

¹¹ 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
¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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

<div>16</div> 	<div>17</div> <p>OPERATOR CERTIFICATION</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>Signature _____ George F. Pritchard</p> <p>Printed Name _____ Geologist</p> <p>Title _____ March 20, 2006</p>
	<div>18</div> <p>SURVEYOR CERTIFICATION</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>Certificate Number _____</p>



PETRA 3/22/2006 7:17:05 AM

CHEVRON U.S.A.

EXHIBIT 4

PENROSE-SKELLY FIELD WT MCCOMACK #24

Sec. 32, T21S-R37E, Lea CO. New Mexico

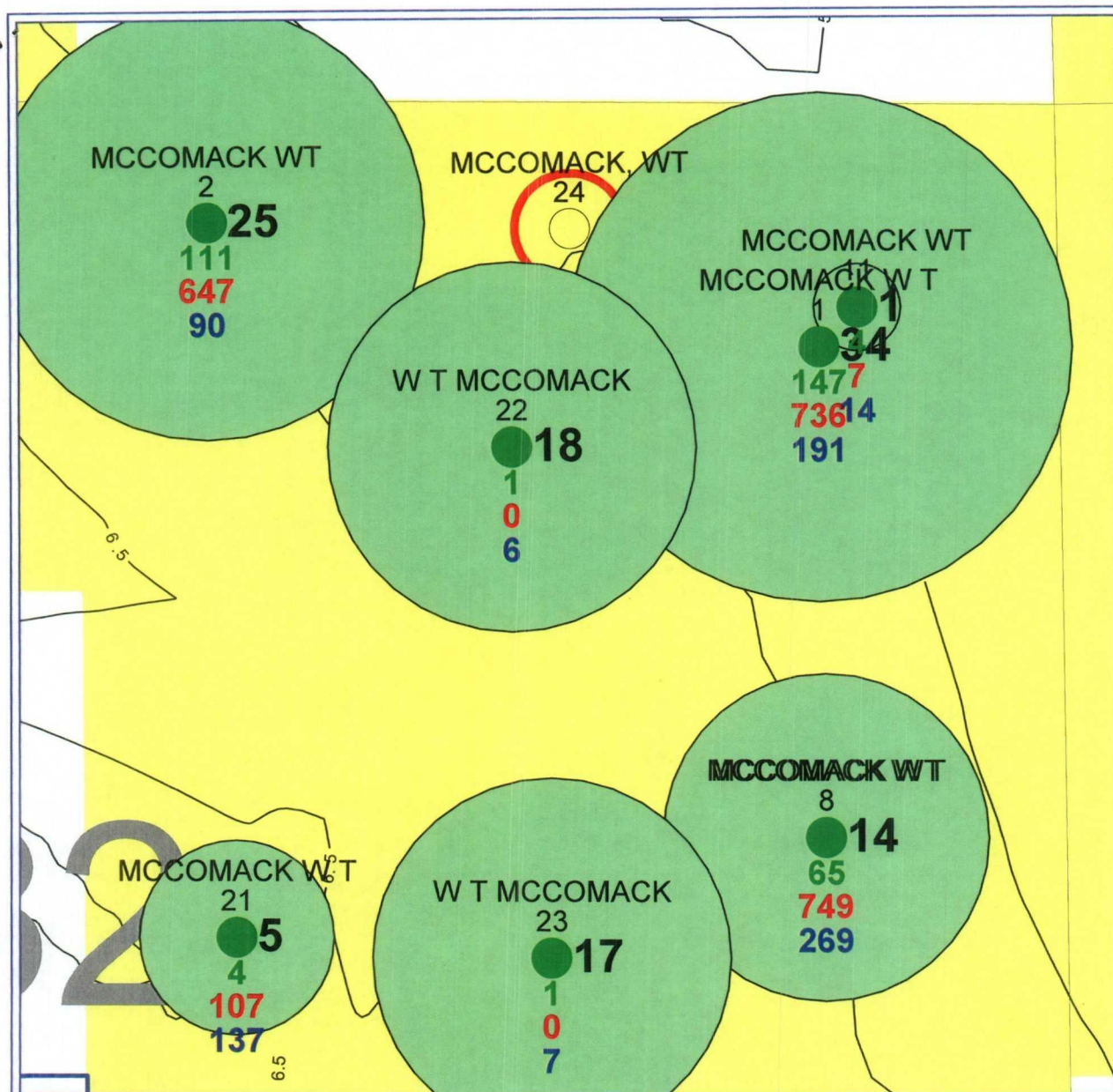
Grayburg Net Pay CI=5. '[Gr<40, Por>6%]

POSTED WELL DATA

Well Name
Well Number



March 22, 2006



PETRA 3/21/2006 12:20:59 PM

CHEVRON U.S.A.

EXHIBIT 5

PENROSE-SKELLY FIELD W T MCOMACK #24

Sec. 32, T21S-R37E, Lea CO. New Mexico

Grayburg HCPV CI=0.5 & EUR - Drainage

POSTED WELL DATA

Well Name
Well Number

● GFP_GRAYBURG - EUR-GRAYBURG-ACRES[GFP]

GFP_GRAYBURG - GRAYBURG-CUM_OIL_MBO[P]
GFP_GRAYBURG - GRAYBURG-CUM_GAS_MMCF[P]
GFP_GRAYBURG - GRAYBURG-CUM_WATER_MBO[P]



March 21, 2006



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-5183 (SD)

Dear Mr. Villalva:

Reference is made to the following: (i) your application (***administrative application reference No. pSEM0-506649177***) 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; and (ii) the Division's records: 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 NW/4 NE/4 (Unit B) of Section 32, Township 21 South, Range 37 East, NMPM, Penrose Skelly (Grayburg) Pool (**50350**), Lea County, New Mexico.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

This 40-acre Grayburg unit is currently dedicated to Chevron's W. T. McComack Well No. 2 (API No. **30-025-06931**) located at a standard oil well location 330 feet from the North line and 2310 feet from the East line of Section 32.

It is the Division's understanding that the E/2 of Section 32 comprises a single fee lease (W. T. McComack 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.

It is further understood that such unorthodox location is necessitated for geologic and engineering reasons in that this location is approximately equidistance to other offsetting Penrose Skelly (Grayburg) oil producers within the southern half of its W. T. McComack fee lease. The proposed infill oil well location will enable Chevron to further develop and deplete the Grayburg reserves within this lease that might not otherwise be recovered.

By the authority granted me under the provisions of Division Rule 104.F (2), the following described well to be drilled at an unorthodox "infill" oil well location within the NW/4 NE/4 (Unit B) of Section 32 is hereby approved:

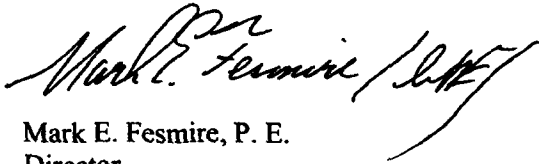
Chevron U.S.A., Inc.
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W. T. McComack Well No. 22
920' FNL & 1490' FEL.

Further, both the existing W. T. McComack Well No. 2 and the proposed W. T. McComack Well No. 22 are to be simultaneously dedicated to the subject 40-acre unit.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire" with a stylized flourish at the end.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

04/19/06 09:35:48
OGOMES -T088
PAGE NO: 1

Sec : 32 Twp : 21S Rng : 37E Section Type : NORMAL

D 40.00 CS B01327 0002 CHEVRON USA INC U 11/02/38 A A		C 40.00 CS B01327 0002 CHEVRON USA INC U 11/02/38 A A		B 40.00 Fee owned U A A A A A		A 40.00 Fee owned U A A P P A	
E 40.00 CS B00085 0014 BP EXPLORATION U 07/28/38 A A A		F 40.00 CS B00085 0014 BP EXPLORATION U 07/28/38 A A		G 40.00 Fee owned U A A A A A		H 40.00 Fee owned U A A A	
L 40.00 Fee owned A A		K 40.00 Fee owned A A		J 40.00 Fee owned U A A		I 40.00 Fee owned U A A	
M 40.00 Fee owned A A		N 40.00 Fee owned A A		O 40.00 Fee owned U A A A P		P 40.00 Fee owned U A A A A	