



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

June 6, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Chevron U.S.A., Inc.
11,111 S. Wilcrest Drive
Houston, Texas 77099

Attention: **Carl Okpattah, Geologist**
cokpattah@chevron.com

RE: NMOCD Correspondence Reference No. SD-06-15: Monument-Tubb Pool (47090) development within Chevron U.S.A., Inc.'s ("Chevron") existing 80-acre standard lay-down oil spacing and proration unit comprising the S/2 SW/4 (Units M and N) of Section 35, Township 19 South, Range 37 East, NMPM, Lea County, New Mexico.

Dear Mr. Okpattah:

Reference is made to the following: (i) your letter dated May 4, 2006 (*Division administrative reference No. pTDS0-613231188*); and (ii) the records of the New Mexico Oil Conservation Division ("Division"), including the file on a previously denied (letter of denial dated April 24, 2006) Chevron application (*see Division administrative reference pTDS0-610430407*).

The rules currently governing spacing, well locations, gas/oil ratio limitation, and allowables for the Monument-Tubb Pool include, but not necessarily limited to:

- (a) Division Order No. R-2800, issued in Case No. 3123 on November 10, 1964;
- (b) Division Order No. R-10128, issued in Case No. 10984 on June 3, 1994; and
- (c) Division Rule 505.A.

It is the Division's understanding that oil and casinghead gas production attributed to the Monument-Tubb Pool within this 80-acre unit is to be simultaneously dedicated to the following two described Chevron U.S.A., Inc. operated wells:

- (1) Jayhawk Well No. 1 (*API No. 30-025-34329*), which is this unit's original well (spud date: March 13, 1998) located at a standard oil well location 330 feet from the South and West lines (Unit M) of Section 35; and.

Chevron U.S.A., Inc.

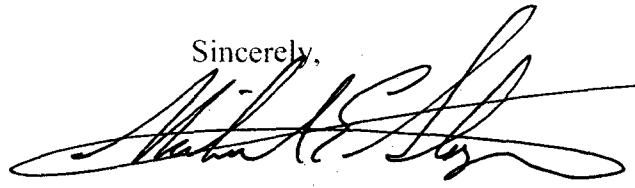
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- (2) Jayhawk "35" State Well No. 4 to be drilled and completed at a standard Monument-Tubb oil well location 990 feet from the South line and 1650 feet from the West line (Unit N) of Section 35.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", written over a horizontal line.

Michael E. Stogner
Staff Engineer

cc: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe