



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

RE: *Chevron U.S.A., Inc.'s ("Chevron") proposed L. R. Kershaw Well No. 16 to be drilled in the Monument-Tubb Pool (47090) at an unorthodox location 1220 feet from the North line and 500 feet from the East line (Unit A) of Section 13, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico.*

Dear Mr. Okpattah:

Reference is made to your letter dated April 4, 2006 (*Division administrative reference No. pTDS0-611836444*) that was received by the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on April 27, 2006 concerning Chevron's proposed additional development of the Monument-Tubb Pool with the above described well. As you know the Monument-Tubb Pool currently comprises the following described area in Lea County, New Mexico:

TOWNSHIP 19 SOUTH, RANGE 37 EAST, NMPM

Section 27:	SE/4
Section 32:	SE/4
Section 34:	NE/4 and S/2
Section 35:	SW/4

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM

Section 2:	W/2 and SE/4
Sections 3 through 5:	All
Section 8:	N/2 and SE/4
Sections 9 through 12:	All
Section 13:	N/2
Section 14:	N/2 and W/2 SW/4
Section 15:	All
Section 16:	N/2 and SE/4
Section 20:	NE/4
Section 21:	N/2
Section 22:	N/2
Section 23:	W/2

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

Section 6:	S/2
Section 7:	N/2 and SW/4.

Chevron U.S.A., Inc.

June 6, 2006

Page 2

Attention: Mr. Carl Okpattah

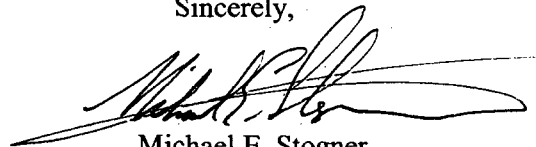
As you are also aware, the Monument-Tubb Pool is currently governed by the "*Special Rules and Regulations for the Monument-Tubb Pool*," as promulgated by Division Order No. R-2800, issued in Division Case No. 3123 on November 10, 1964, as amended by Division Order R-10128, issued in Division No. 10984 on June 3, 1994, and includes provisions requiring: (i) standard 80-acre oil spacing and proration units comprising the W/2, E/2, S/2, or N/2 of a governmental quarter section; (ii) wells to be located no closer than **330 feet to any governmental quarter-quarter section or lot line**; and (iii) a limiting gas/oil ratio of 10,000 cubic feet of gas per barrel of oil, which results in a casinghead gas allowable of 2220 MCF per day (depth bracket oil allowable for the Monument-Tubb Pool of 222 barrels of oil per day times 10,000).

As indicated in your letter of application the N/2 NE/4 of Section 13, being a standard 80-acre lay-down oil spacing and proration unit within the Monument-Tubb Pool, is currently dedicated to Chevron's L. R. Kershaw Well No. 15 (API No. 30-025-30806), located at a standard oil well location 330 feet from the North line and 2305 feet from the East line (Unit B) of Section 13.

I am withdrawing this request and returning your letter of application for the simultaneous dedication of Tubb production within this 80-acre unit to Chevron's existing L. R. Kershaw Well No. 15 and proposed L. R. Kershaw Well No. 16. You failed however to provide the necessary information, or state the reason why the No. 16 well will be unorthodox. Should Chevron still find it necessary to drill at this particular non-standard location and unable to move at least 230 feet to the north to an orthodox location, please reference 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] and resubmit this informational letter as a formal application seeking to drill the L. R. Kershaw Well No. 16 as an infill well to the L. R. Kershaw Well No. 15 at an unorthodox location within the existing 80-acre spacing and proration unit.

Should you have any questions or concerns, please contact and consult your legal counsel, Mr. William F. Carr in Santa Fe, New Mexico at (505) 988-4421.

Sincerely,



Michael E. Stogner
Staff Engineer

cc: New Mexico Oil Conservation Division – Hobbs
Mr. William F. Carr, Legal Counsel for Chevron U.S.A., Inc. - Santa Fe

DATE IN 4/27/06	SUSPENSE	ENGINEER MIKE STOGNER	LOGGED 4/28/06	TYPE SD
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ABOVE THIS LINE FOR DIVISION USE ONLY

PTD50611836444

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
[DD-Directional Drilling] [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 - Directional Drilling
☐ NSL ☐ NSP ☐ DD ☒ SD

Check One Only for [B] and [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

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

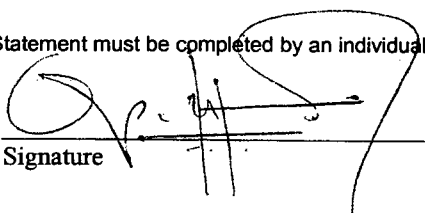
[A] ☐ Working, Royalty or Overriding Royalty Interest Owners
[B] ☒ Offset Operators, Leaseholders or Surface Owner
[C] ☐ Application is One Which Requires Published Legal Notice
[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
[F] ☐ Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

Carl Okpattah
Print or Type Name


Signature

Geologist
Title

04/20/2006
Date



Carl Okpattah
Geologist
Permian Basin

Mid-Continent Business Unit
Chevron U.S.A. Inc.
11111 S. Wilcrest Dr.
Houston, Texas 77099
Tel 281-561-4903
Fax 281-561-3576
cokpattah@chevron.com

April 4, 2006

Request for Administrative Approval
Simultaneous Dedication Request
LR Kershaw #16
1220' FNL & 500' FEL
Unit A, Section 13, T20S, R37E
Lea County, New Mexico

New Mexico Oil Conservation Division
Attn: Michael Stogner
1220 S. St. Francis Drive
Santa Fe, NM 87505

Dear Mr. Stogner:

Chevron respectfully requests administrative approval to Simultaneously Dedicate the allowable for the Monument Tubb to the LR Kershaw #15 and the LR Kershaw #16.

Chevron is planning to drill and complete the LR Kershaw #16 as a gas well in the Tubb formation. It is proposed to complete the subject well as a gas producer in the Monument Tubb pool and downhole commingle in the Blinebry and Drinkard zones.

Upon completion, the subject zone in the well would be simultaneously dedicated to the LR Kershaw #15 on an 80 acre proration unit. A land map highlighting the proposed well's location is attached as Exhibit 1.

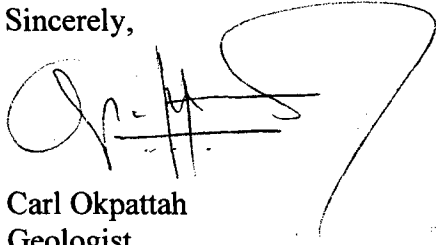
Notification to the necessary offset operators has been made.

If you have any questions concerning this application or need additional information, please contact me by phone at (281)-561-4903 or by email at COKPATTAH@CHEVRON.COM. If I

April 4, 2006
Page 2

am not available, you can contact Andrew Lawther at (281)-561-4796 or by email at LAWTHER@CHEVRON.COM. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Carl Okpattah', with a large, stylized flourish extending to the right.

Carl Okpattah
Geologist

Attachments

cc: NMOCD District 1 – Hobbs, NM
Andrew Lawther
Well File

District I
1625 N. French Dr., Hobbs, NM 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised March 17, 1999

District II
811 South First, Artesia, NM 88210

OIL CONSERVATION DIVISION

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

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

2040 South Pacheco
Santa Fe, NM 87505

☐ AMENDED REPORT

District IV
2040 South Pacheco, Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-30806	² Pool Code 47090	³ Pool Name Monument Tubb
⁴ Property Code	⁵ Property Name LR Kershaw	⁶ Well Number 15
⁷ OGRID No. 4323	⁸ Operator Name Chevron Corporation	⁹ Elevation 3569' KB

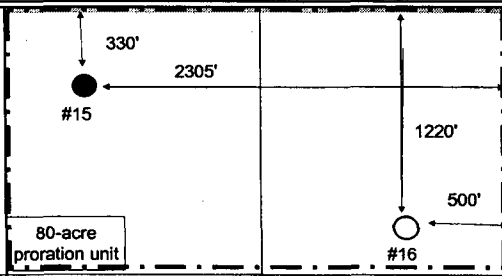
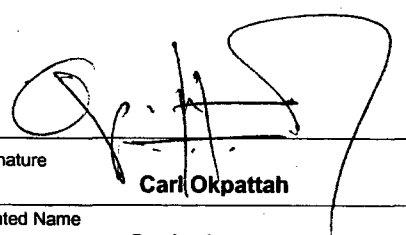
¹⁰ Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	13	20S	37E		330	North	2305	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	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

13			17
			OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i> Signature:  Printed Name: Carl Okpattah Title: Geologist Date: April 4, 2006
			18
			SURVEYOR CERTIFICATION <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> Signature and Seal of Professional Surveyor: Certificate Number

Standard 640-acre Section

District I
1625 N. French Dr., Hobbs, NM 88240

District II
311 South First, Artesia, NM 88210

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

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised March 17, 1999

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, NM 87505

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ **AMENDED REPORT**

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-	² Pool Code 47090	³ Pool Name Monument Tubb
⁴ Property Code	⁵ Property Name LR Kershaw	⁶ Well Number 16
⁷ OGRID No. 4323	⁸ Operator Name Chevron Corporation	⁹ Elevation 3567' KB

¹⁰ Surface Location

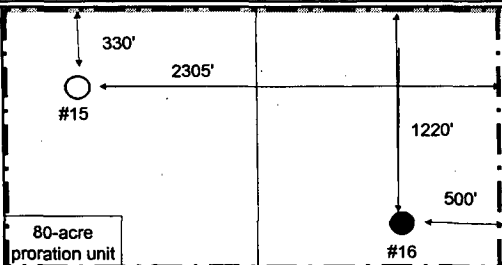
UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	13	20S	37E		1220	North	500	East	Lea

¹¹ Bottom Hole Location If Different From Surface

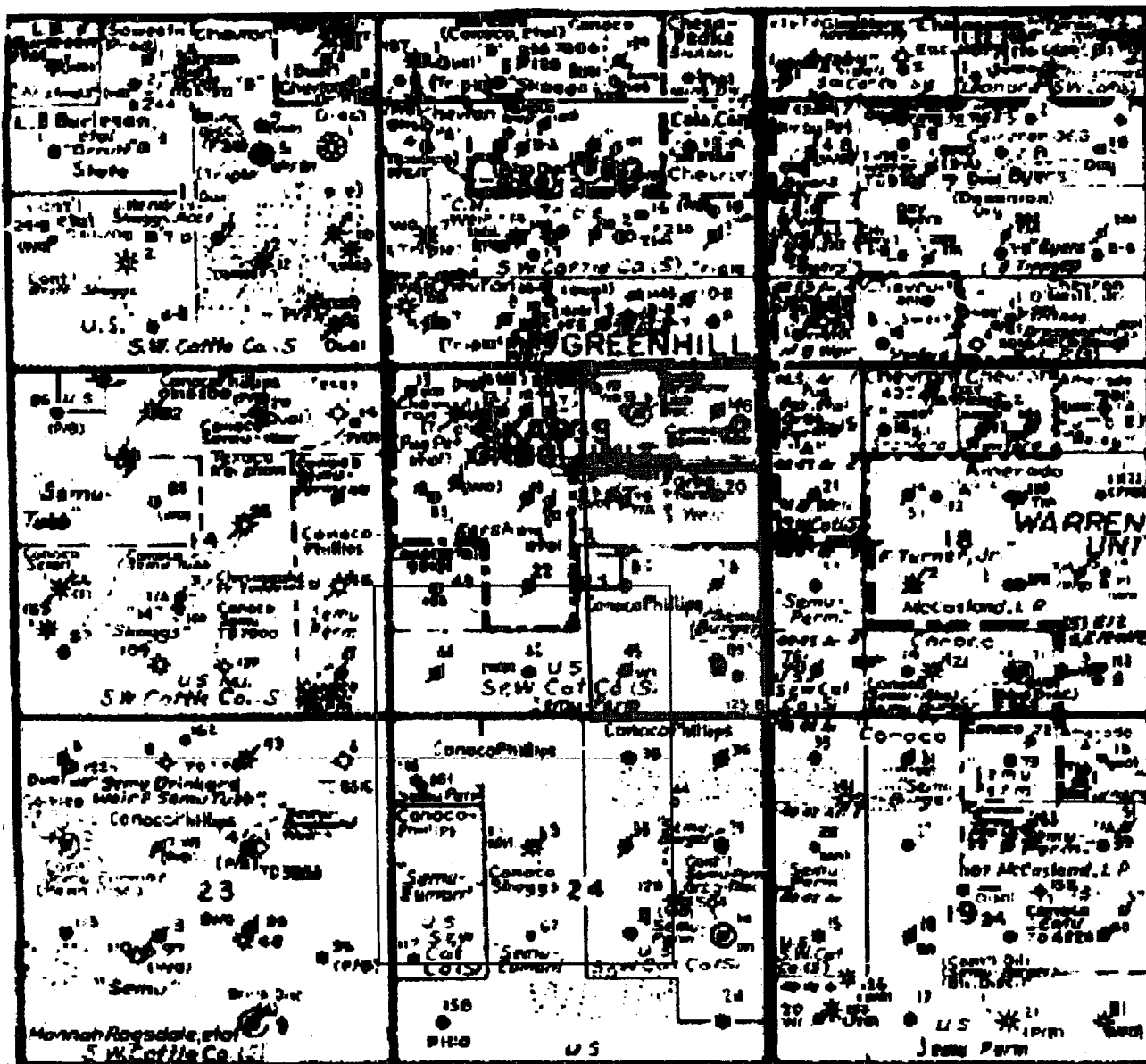
UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

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<div>13</div> 	<div>17</div> <p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature <u>Carl Okpattah</u></p> <p>Printed Name Geologist</p> <p>Title April 4, 2006</p>
	<div>18</div> <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>Signature and Seal of Professional Surveyor:</p>

Certificate Number



Chevron USA Inc.



LR Kershaw #15
 330' FNL & 2305' FEL, Unit B
 LR Kershaw #16 (proposed)
 1220' FNL & 500' FEL, Unit A
 Section 13, T20S-R37E
 Lea County, New Mexico



LR Kershaw Lease



80 Acre Proration Unit

Scale: 1"=2000' Approx.