

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

January 30, 2008

COG Operating LLC
Attn: Ms. Phyllis Edwards
550 W. Texas Ave, Suite 1300
Midland, TX 79701

Administrative Order NSL-5775

**Re: Chevron USA Inc.
Skelly Unit Well No. 973
Unit B, Section 21-17S-31E
Eddy County**

Dear Ms. Edwards:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-00855598**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Chevron USA Inc. (Chevron) on , January 8, 2008, and

(b) the Division's records pertinent to this request.

Chevron has requested to drill the above-referenced well at an unorthodox Glorieta Yeso oil well location, 430 feet from the North line and 2435 feet from the East line (Unit B) of Section 21, Township 17 South, Range 31 East, N.M.P.M., in Eddy County, New Mexico. The NW/4 NE/4 of Section 21 will be dedicated to this well in order to form a standard 40-acre spacing unit in the Fren-Glorieta/Yeso Pool (26770). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the western unit boundary.

Your application on behalf of Chevron has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location for topographic reasons.

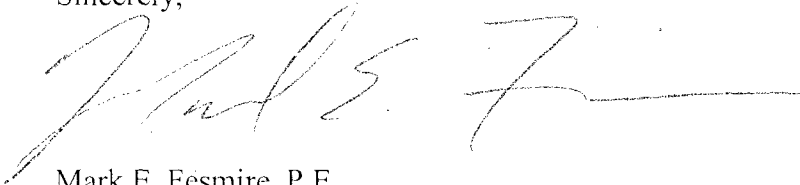
It is also understood that notice of this application to offsetting operators or owners is unnecessary because ownership of the offsetting spacing unit towards which this location encroaches is identical to ownership of the subject unit.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Mark E. Fesmire', followed by a horizontal line extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
United States Bureau of Land Management - Carlsbad