



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

February 25, 2008

Chevron U.S.A. Inc.
Attn: Mr. Daniel Pequeno
15 Smith Rd, Rm-2235
Midland, TX 79705

Administrative Order NSL-5789

**Re: Vacuum Grayburg San Andres Unit Well No. 405
Unit H, Section 1-18S-34E**

**Vacuum Grayburg San Andres Unit Well No. 412
Unit I, Section 1-18S-34E**

**Vacuum Grayburg San Andres Unit Well No. 438
Unit A, Section 1-18S-34E**

**Vacuum Grayburg San Andres Unit Well No. 439
Unit B, Section 1-18S-34E**

**Vacuum Grayburg San Andres Unit Well No. 440
Unit C, Section 1-18S-34E**

**Vacuum Grayburg San Andres Unit Well No. 441
Unit A, Section 1-18S-34E**

All in Lea County, New Mexico

Dear Mr. Pequeno:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-02848388**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on January 29 2008,

(b) copy of Amendment to Vacuum Area Cooperative Lease Line Agreement dated (effective) December 1, 2007, together with copies of documents entitled "Ratification of Agreements Entitled 'Vacuum Area Cooperative Lease Line Agreement' and 'Amendment to Vacuum Area Cooperative Lease Line Agreement' Lea County, New Mexico"

(c) copy of Third Amendment to Vacuum (Grayburg-San Andres) Cooperative Water Injection Agreement, dated (effective) December 1, 2007, together with copies of signed ballots approving the same, and

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

Chevron U.S.A. Inc. (Chevron), as operator of the Vacuum Grayburg San Andres Unit, has requested to drill the above-referenced wells at unorthodox Grayburg-San Andres oil well locations within Section 1, Township 18 South, Range 34 East, NMPM, Lea County, New Mexico, as follows:

Vacuum Grayburg San Andres Unit Well No. 405
1910 feet FNL and 40 feet FEL (Unit H)

Vacuum Grayburg San Andres Unit Well No. 412
Surface Location: 2196 feet FSL and 296 feet FEL (Unit I)
Bottom-hole Location: 2200 feet FSL and 10 feet FEL (Unit I)

Vacuum Grayburg San Andres Unit Well No. 438
Surface Location: 10 feet FNL and 420 feet FEL (Unit A)
Bottom-hole Location: 10 feet FNL and 670 feet FEL (Unit A)

Vacuum Grayburg San Andres Unit Well No. 439
Surface Location: 634 feet FNL and 1632 feet FEL (Unit B)
Bottom-hole Location: 10 feet FNL and 1980 feet FEL (Unit B)

Vacuum Grayburg San Andres Unit Well No. 440
100 feet FNL and 1980 feet FWL (Unit C)

Vacuum Grayburg San Andres Unit Well No. 441
Surface Location: 170 feet FNL and 710 feet FWL (Unit D)
Bottom-hole Location: 10 feet FNL and 650 feet FEL (Unit D)

These locations are in the Vacuum-Grayburg/San Andres Pool. 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. Each of these locations is less than 330 feet from a unit boundary.

All of these proposed locations are in the Vacuum Grayburg San Andres Unit, a unit permitted as a secondary recovery unit by Order R-4442, issued in Case 4852 on November 27, 1972, and further permitted for tertiary recovery using injected CO2 by Order R-4442-B, issued in Case 13961 on December 11, 2007. However, each of these locations is less than 330 feet from the outer boundary of the Vacuum Grayburg Sand Andres Unit. Accordingly, Division approval of these non-standard locations is required pursuant to Rule 104.F(1).

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

It is our understanding that you are requesting these locations being requested because your geologic interpretation indicates that these wells can tap into stranded reserves located on the margins of the Vacuum Grayburg San Andres Unit that cannot be effectively drained by wells located at standard locations.

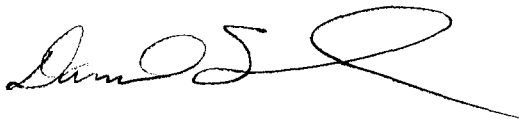
It is also understood that all of the offsetting units towards which the proposed locations encroach are included in the Central Vacuum Unit, a secondary recovery unit approved by Order No. R-5530, issued in Case 6008 on September 20, 1977, and that you have furnished us written consents signed by all owners in the Central Vacuum Unit.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox locations are 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,



Mark E. Fesmire
Mark E. Fesmire, P.E.
Director

MEF/db

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