

# New Mexico Energy, Minerals and Natural Resources Department

**Bill Richardson**  
Governor

**Joanna Prukop**  
Cabinet Secretary  
**Reese Fullerton**  
Deputy Cabinet Secretary

**Mark Fesmire**  
Division Director  
Oil Conservation Division



April 2, 2008

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

## Administrative Order NSL-5789-A

**Re: Central Vacuum Unit Well No. 238  
(Unit P) Section 36-17S-34E  
Lea County**

Dear Mr. Pequeno:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-06361482**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on March 3, 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", filed with the Division in connection with Administrative Order NSL-5789, issued on February 25, 2008,

(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, filed with the Division in connection with Administrative Order NSL-5789, issued on February 25, 2008, and

(d) the Division's records pertinent to this request, including, but not limited to, the Division's records with reference to Order NSL-5789, issued on February 25, 2008.



Chevron U.S.A. Inc. (Chevron), as operator of the Central Vacuum Unit, has requested to drill its Central Vacuum Unit Well No. 238 at an unorthodox location within Section 36, Township 17 South, Range 34 East, NMPM, Lea County, New Mexico, as follows:

**Surface Location: 10 feet FSL and 420 feet FEL**  
**Bottom-Hole Location: 10 feet FSL and 10 feet FEL**  
**(Unit P) Section 36-17S-34E**

This location is 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. The proposed location is less than 330 feet from a unit boundary.

The proposed location is in the Central Vacuum Unit, a secondary recovery unit approved by Order No. R-5530, issued in Case 6008 on September 20, 1977. However, this location is less than 330 feet from the outer boundary of the Central Vacuum Unit. Accordingly, Division approval of this non-standard location 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 this location because your geologic interpretation indicates that this well can tap into stranded reserves located on the margin of the Central Vacuum Unit that cannot be effectively drained by wells located at standard locations.

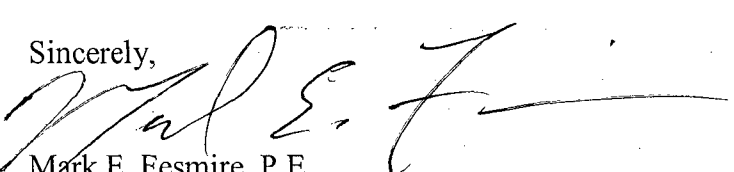
It is also understood that all of the offsetting units towards which the proposed location encroaches are included in the Vacuum Grayburg San Andres Unit, a unit permitted as a secondary recovery unit by Order R-4442, issued in Case 4852 on November 27, 1972, and further permitted for tertiary recovery using injected CO<sub>2</sub> by Order R-4442-B, issued in Case 13961 on December 11, 2007, and we further understand that Chevron is the operator and 100% working interest owner in the Vacuum Grayburg San Andres Unit.

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



Mark E. Fesmire, P.E.  
Director

MEF/db