

2/11/08 DATE IN	SUSPENSE	Brooks ENGINEER	2/12/08 LOGGED IN	NSL TYPE	PKVR0804328459 APP NO.
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



Chevron USA Inc
C.P. Falby A Federal #7
5811

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE.

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [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 - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [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

- [D] Other: Specify _____

[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

2008 FEB 11 PM 3:59
RECEIVED

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Casey R. Mobley
Print or Type Name

Signature

Project Manager / Geologist
Title

2/01/2008
Date

Casey.Mobley@chevron.com
e-mail Address



Casey R. Mobley
Project Manager / Geologist

North America Upstream
Midcontinent Business Unit
11111 S. Wilcrest, Rm S1037
Houston, Texas 77099
Tel (281) 561-4830
Fax (281) 561-3576
Casey.Mobley@chevron.com

RECEIVED

2008 FEB 11 PM 1 29

February 1, 2008

Request for Administrative Approval of
Unorthodox Oil Well Location

Mr. Mark E. Fesmire
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Chevron respectfully requests administrative approval of an unorthodox oil well location for the following well:

C.P. Falby Federal A #7
330' FNL & 1307' FWL, NW/4 NW/4 of
Section 8, T22S, R37E, Unit Letter D
Lea County, New Mexico

The proposed well will be an infill producer in the Penrose Skelly, Grayburg Pool [Pool Code 50350], which is an oil pool spaced on 40 acres. This well is a continuation of our 6 year infill drilling in the same Pool. Chevron's technical analysis of the reservoir still supports the contention that typical Grayburg wells cannot drain 40 acres.

This application is based on geological and engineering analysis. The analysis and justification for this request is attached as Exhibit 1, along with other supporting documentation. There are five wells that have produced the Grayburg formation in the NW/4 of Section 8. Two wells in the NW/4 NW/4 40 acre lot have produced from the Grayburg Pool, the C.P. Falby Federal A #2 and the C.P. Falby Federal A #6. The C.P. Falby Federal A #2 well (API # 300251010400) has been plugged and abandoned since 1996. The proposed well will be simultaneously dedicated with the C.P. Falby Federal A #6 pursuant to statewide Rule 104.B(1). The proposed well will be located north of this well, 330' off the lease line and 10' off the lot line. Based on drainage calculations, Chevron believes that drilling the infill well will recover reserves that would not be recovered by existing Grayburg producers.

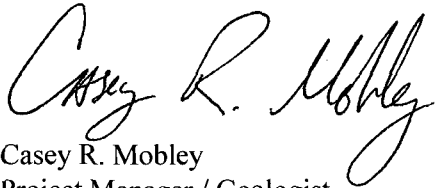
A land plat highlighting the proposed well's location is attached as Exhibit 2. The NW/4 of Section 8 is covered by a single federal lease and has common royalty and working interest ownership. For that reason and the proposed location of the infill well, there are no adversely affected interest owners and no one has been notified of this application.

February 1, 2008

Page 2

If you have any questions concerning this application or need additional information, please contact me by phone at (281) 561-4830 or by email at Casey.Mobley@chevron.com. If I am not available, you can also reach Meilin Du by phone at (281) 561-3564 or by email at meilin.du@chevron.com. Thank you for consideration of this matter.

Sincerely,

A handwritten signature in black ink that reads "Casey R. Mobley". The signature is fluid and cursive, with the first name "Casey" being more prominent.

Casey R. Mobley
Project Manager / Geologist

Attachments

cc: NMOCD District 1 – Hobbs, NM
Casey Mobley
Meilin Du
Ed Van Reet
Well File

NOTIFICATION LIST

Application of Chevron U.S.A. Inc. for Administrative Approval of an Unorthodox Oil Well Location:

C.P. Falby Fed A #7

330' FNL & 1307' FWL

Section 8, T22S, R37E, Unit Letter D

Lea County, New Mexico

Offset Operators, Working Interest Owners, NW/4 Section 8:

- | | | |
|----|---|------------------|
| 1. | Chevron U.S.A. Inc.
11111 S. Wilcrest
Houston, TX 77099 | Operator/100% WI |
|----|---|------------------|

EXHIBIT 1

ENGINEERING AND GEOLOGICAL JUSTIFICATION

Application of Chevron U.S.A. Inc. for Administrative Approval of an Unorthodox Oil Well Location and Simultaneous Dedication:

C.P. Falby Fed A #7

330' FNL & 1307' FWL

Section 8, T22S, R37E, Unit Letter D

Lea County, New Mexico

PRIMARY OBJECTIVE: GRAYBURG

SUPPORTING DATA:

1. Chevron U.S.A. Inc. (Chevron) is the operator of the proposed C.P. Falby Fed A #7 well (Exhibit 3). The proposed total depth is 4300' in the top of the San Andres formation.
2. The completion will be in the Penrose Skelly, Grayburg Oil Pool and the proposed location encroaches toward the following wells (Exhibit 4).

Operator	Well	API #	Location	Formation	Cum Prod		Current Prod		Status
					MBO	MMCF	BOPD	MCFPD	
Chevron	C P Falby B #4	30025101060000	8-L	Grayburg	3	85	0.2	20	Active
Chevron	C P Falby A #6	30025383720000	8-D	Grayburg	4	30	34	217	Active
Chevron	C P Falby A #1	30025101170000	8-C	Grayburg	9	257	4	131	Active
Chevron	C P Falby A #3	30025101180000	8-F	Grayburg	40	40	0.3	36	Active
Chevron	C P Falby B #5	30025379380000	8-K	Grayburg	1	25	2	107	Active
Chevron	So. PS Unit 181	30025101190000	8-N	Grayburg	35	63	-	-	Inactive
Chevron	So. PS Unit 180	30025214980000	8-M	Grayburg	20	26	-	-	Inactive
Chevron	So. PS Unit 156	30025101200000	8-E	Grayburg	42	97	-	-	Inactive
Chevron	C P Falby A #2	30025101040000	8-D	Grayburg	102	480	-	-	Inactive
Chevron	C P Falby B #1	30025101030000	8-K	Grayburg	123	-	-	-	Inactive

3. The proposed C.P. Falby Fed A #7 unorthodox Grayburg location is based primarily on drainage considerations:

a. Grayburg Reservoir

The Grayburg is a series of alternating subtidal and supratidal dolomites with the subtidal rock having porosity and hydrocarbons while the supratidal rock is tight. The Grayburg depositional environments varied rapidly so that many porous and tight intervals are not continuous from well to well on 40-acre spacing. Tight dolomite and/or anhydrite intervals within the Grayburg create vertical and horizontal flow barriers between different zones of porosity. Additionally, average porosity of the Grayburg is less than 10%, and the average permeability is less than 1 millidarcy. For all of these reasons, Grayburg wells are not usually capable of draining a 40-acre proration unit.

The reservoir was also analyzed by mapping the Hydrocarbon Pore Volume (HCPV) (Exhibit 5). HCPV is the product of feet of net pay (h) times average porosity (phi) times oil saturation (S_o). The attached map is the arithmetic product of grids interpreted from those values. The values were obtained as follows:

1. Net pay was read from either modern neutron-density logs or estimated from a map developed from gross pay times net-to-gross ratio (Exhibit 4).
2. Average porosity was calculated from modern well logs using a minimum of 6% crossplot porosity and a maximum of 20%.
3. Oil saturation was calculated from a fractional flow curve using representative water cut values.

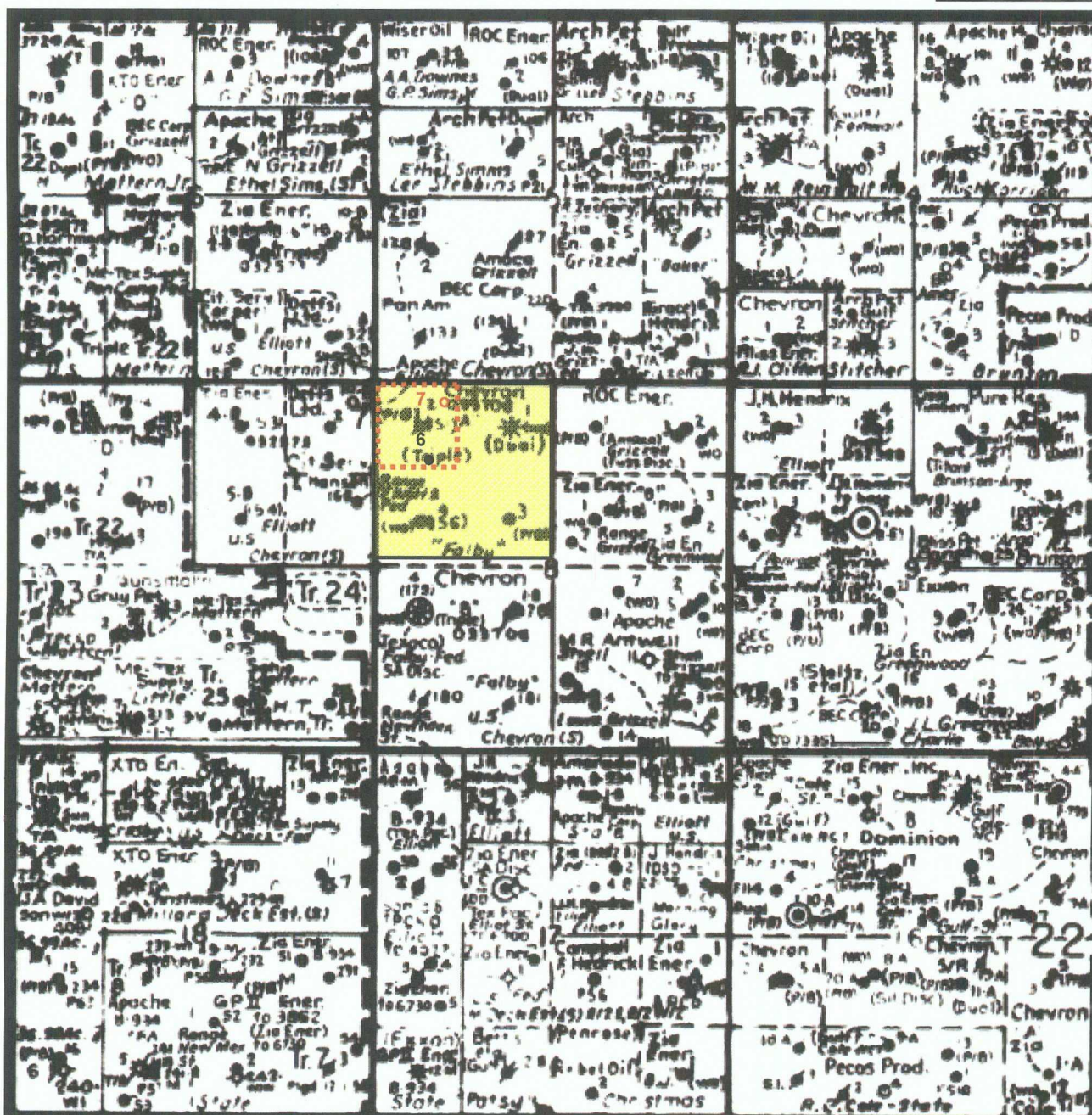
The following table provides drainage areas calculated from the HCPV map and reserves of the offsetting wells.

Operator	Well	API #	Location	Formation	Drainage Acres	EUR	
						MBO	MMCF
Chevron	C P Falby B #1	30025101030000	8-K	Grayburg	15	123	0
Chevron	C P Falby A #2	30025101040000	8-D	Grayburg	11	98	432
Chevron	C P Falby B #4	30025101060000	8-L	Grayburg	4	33	107
Chevron	C P Falby A #1	30025101170000	8-C	Grayburg	1	12	378
Chevron	C P Falby A #3	30025101180000	8-F	Grayburg	5	41	57
Chevron	So. PS Unit 181	30025101190000	8-N	Grayburg	4	35	63
Chevron	So. PS Unit 156	30025101200000	8-E	Grayburg	5	42	97
Chevron	So. PS Unit 180	30025214980000	8-M	Grayburg	3	20	26
Chevron	C P Falby B #5	30025379380000	8-K	Grayburg	10	92	138
Chevron	C P Falby A #6	30025383720000	8-D	Grayburg	3	27	266

As seen above, the average drainage area of the offsetting locations is only 6 acres, and additional reserves can be recovered by drilling the proposed infill well at an approximate equidistant location from the existing offsetting producers. Reserves for the proposed location were calculated using the HCPV map, a 6 acre drainage area, and a 15% recovery factor. The results are as follows:

Operator	Well	Location	HCPV	Drainage Acres	EUR	
					MBO	MMCF
Chevron	Falby Fed A #7	8-D	9.7	6	52	333



4. The W/2 of Section 8 is covered by a single fee lease which has common royalty and working interest ownerships. Chevron is the operator and 100% working interest owner of the Grayburg wells toward which the proposed well will encroach. Therefore, there are no offset interest owners or adversely affected parties to notify of this application.
5. The proposed C.P. Falby Fed A #7 will share a 40-acre proration unit and will be simultaneously dedicated with the C.P. Falby Fed A #2 and C.P. Falby A #6 as a Penrose Skelly, Grayburg producer in Section 8, Unit Letter D.
6. Approval of this application will allow for the recovery of oil and gas reserves which would not otherwise be recovered.



Chevron USA Inc.



C.P. Falby Fed A #6
 1310' FNL & 1100' FWL
 C.P. Falby Fed A #7 (proposed)
 330' FNL & 1307' FWL, Unit D
 Section 8, T22S-R37E
 Lea County, New Mexico

 C.P. Falby A Lease
 40 Acre Proration Unit

Scale: 1"=2000' Approx.

DISTRICT I

1626 N. FRENCH DR., ROSES, NM 88240

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number		Pool Code	Pool Name
Property Code	Property Name C.P. FALBY FEDERAL A		Well Number 7
OGRID No.	Operator Name CHEVRON USA INC.		Elevation 3429'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	8	22-S	37-E		330	NORTH	1307	WEST	LEA

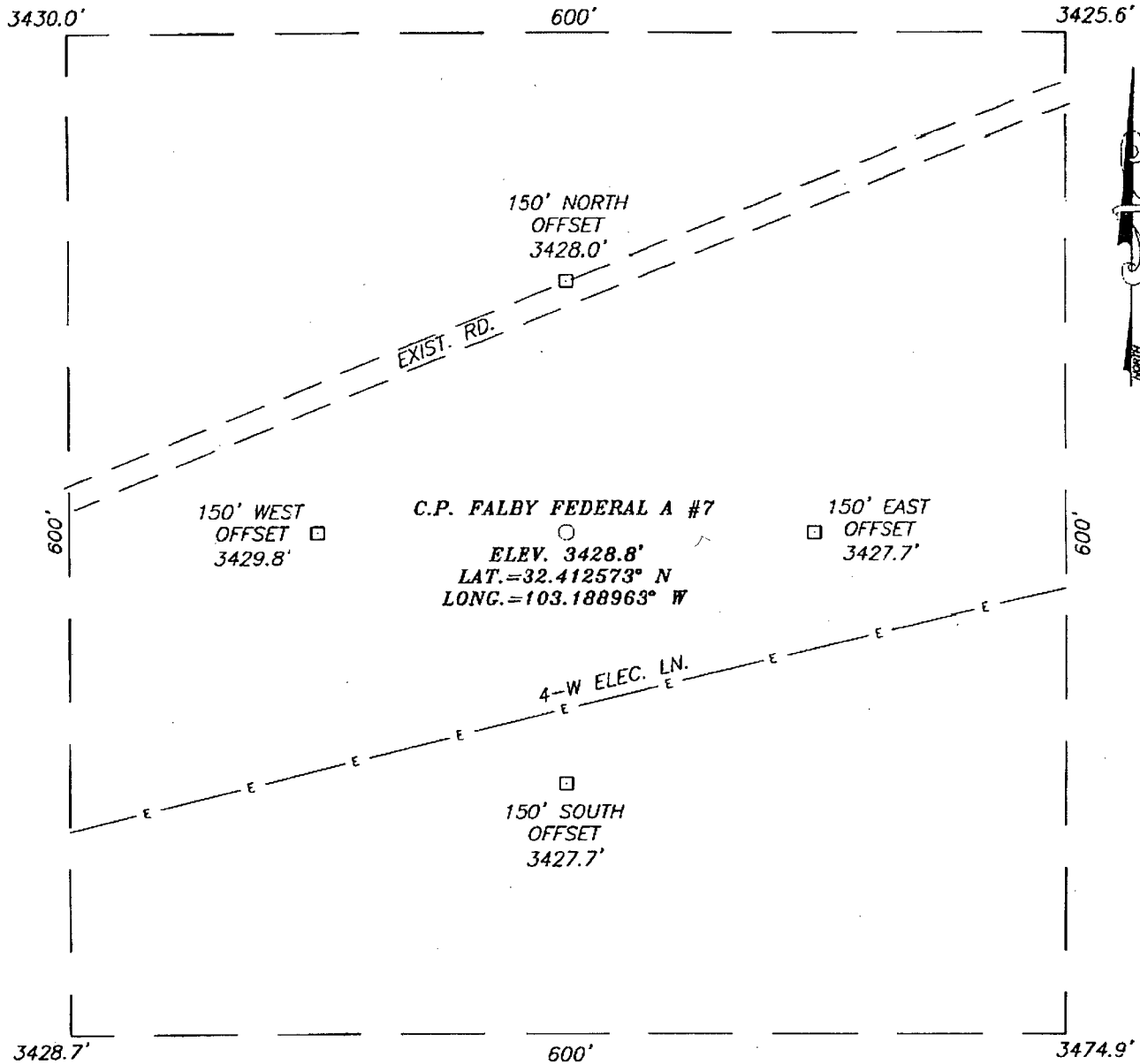
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres		Joint or Infill	Consolidation Code		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

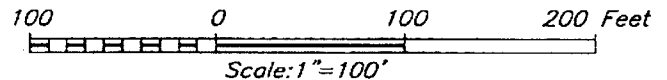
<p>1307' →</p> <p>330' ↓</p> <p>SEE DETAIL</p> <p>GEODEIC COORDINATES NAD 27 NME</p> <p>Y=515698.9 N X=853161.1 E</p> <p>LAT.=32.412573° N LONG.=103.188963° W</p> <p>DETAIL</p> <p>3430.0' 3425.6'</p> <p>600' 600'</p> <p>3428.7' 3424.9'</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p> <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>NOVEMBER 21 2007</p> <p>Date Surveyed _____ DSS</p> <p>Signature & Seal of Professional Surveyor</p> <p><i>Ronald J. Eidson</i> 3239</p> <p>07.11.1613</p> <p>Certificate No. GARY G. EIDSON 12841 RONALD J. EIDSON 3239</p>
---	---

SECTION 8, TOWNSHIP 22 SOUTH, RANGE 37 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF STATE ROAD #8 AND COUNTY ROAD E33 (LEGION ROAD), GO SOUTH ON LEGION ROAD APPROX. 1.8 MILES. TURN RIGHT AND GO WEST-SOUTHWEST APPROX. 0.12 MILES. GO RIGHT AT "Y" AND CONTINUE WEST-SOUTHWEST APPROX. 0.7 MILES. THIS LOCATION IS APPROX. 150 SOUTH.



CHEVRON USA INC.

C.P. FALBY FEDERAL A #7 WELL
LOCATED 330 FEET FROM THE NORTH LINE
AND 1307 FEET FROM THE WEST LINE OF SECTION 8,
TOWNSHIP 22 SOUTH, RANGE 37 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.

Survey Date: 11/21/07	Sheet 1 of 1 Sheets
W.O. Number: 07.11.1613	Dr By: DSS
Date: 12/01/07	Disk: .
07111613	Scale: 1"=100'



PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

SEC. 8 TWP. 22-S RGE. 37-E

SURVEY _____ N.M.P.M.

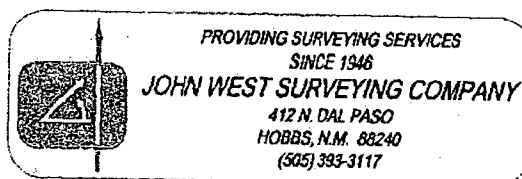
COUNTY LEA STATE NEW MEXICO

DESCRIPTION 330' FNL & 1307' FWL

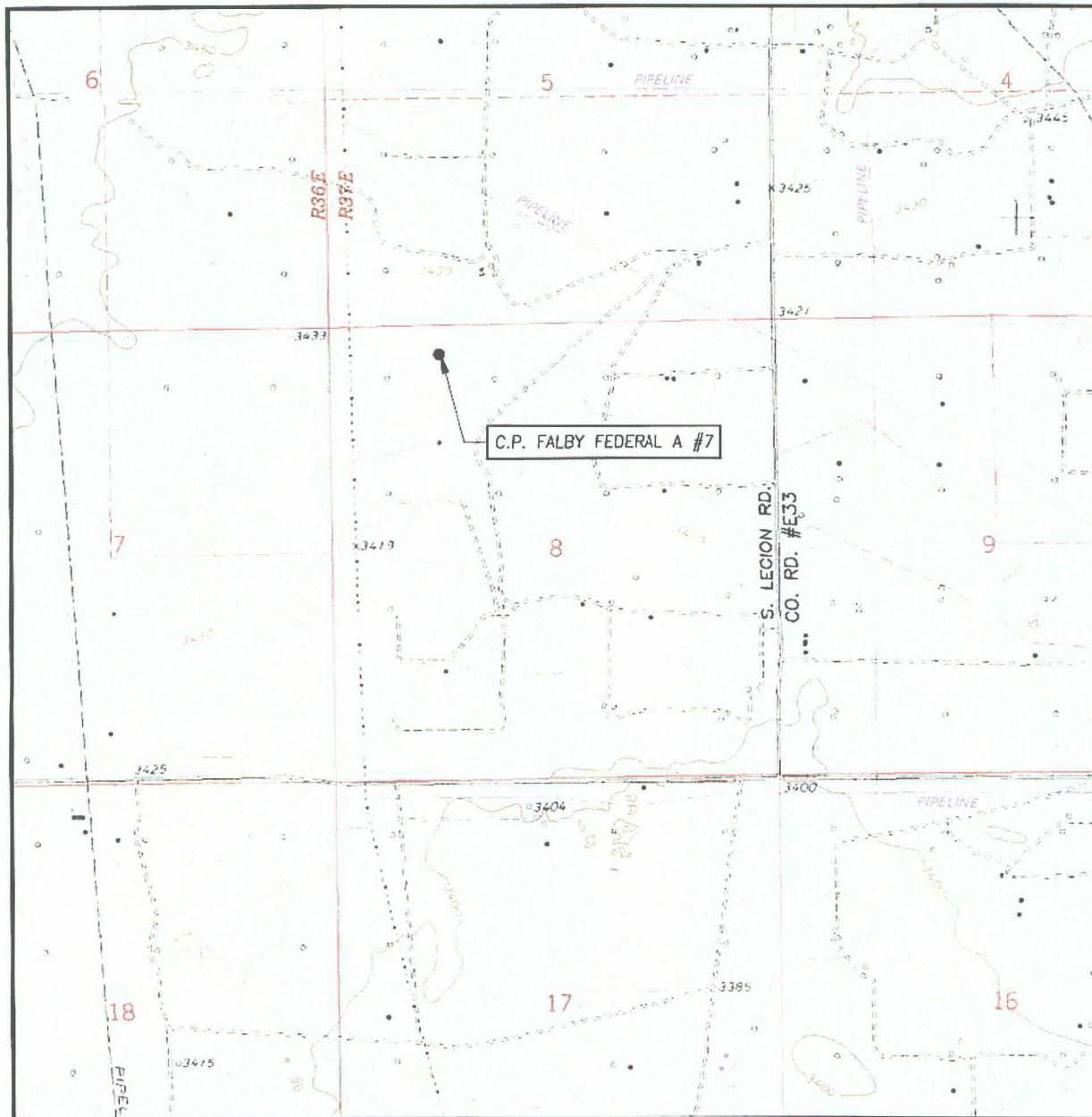
ELEVATION 3429'

OPERATOR CHEVRON USA INC.

LEASE C.P. FALBY FEDERAL A



LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
EUNICE, N.M. - 10'

SEC. 8 TWP. 22-S RGE. 37-E

SURVEY N.M.P.M.

COUNTY LEA STATE NEW MEXICO

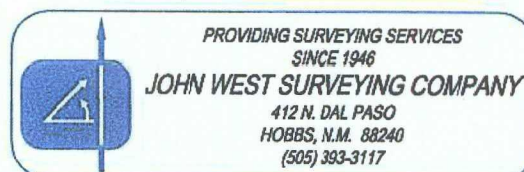
DESCRIPTION 330' FNL & 1307' FWL

ELEVATION 3429'

OPERATOR CHEVRON USA INC.

LEASE C.P. FALBY FEDERAL A

U.S.G.S. TOPOGRAPHIC MAP
EUNICE, N.M.



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

District II
1301 W. Grand Avenue, Artesia, NM 88210

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

District IV
1220 South St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised June 10, 2003

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to Appropriate District Office

Exhibit 3.1

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code 50350	³ Pool Name Penrose Skelly; Grayburg
⁴ Property Code	⁵ Property Name C.P. Falby A Federal	⁶ Well Number 7
⁷ OGRID No.	⁸ Operator Name Chevron U.S.A., Inc.	⁹ Elevation 3429

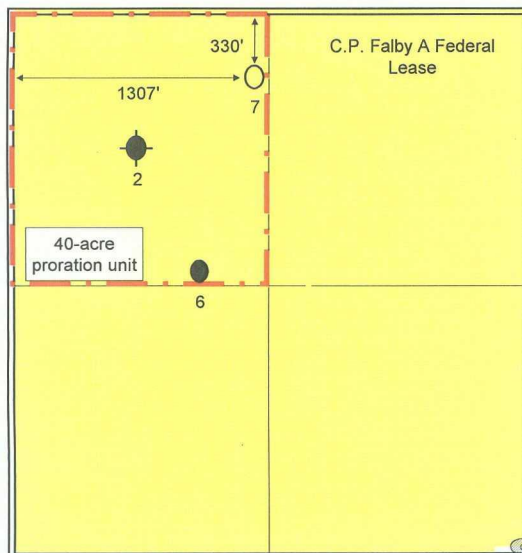
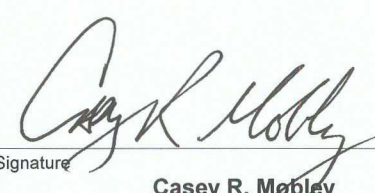
¹⁰ Surface Location

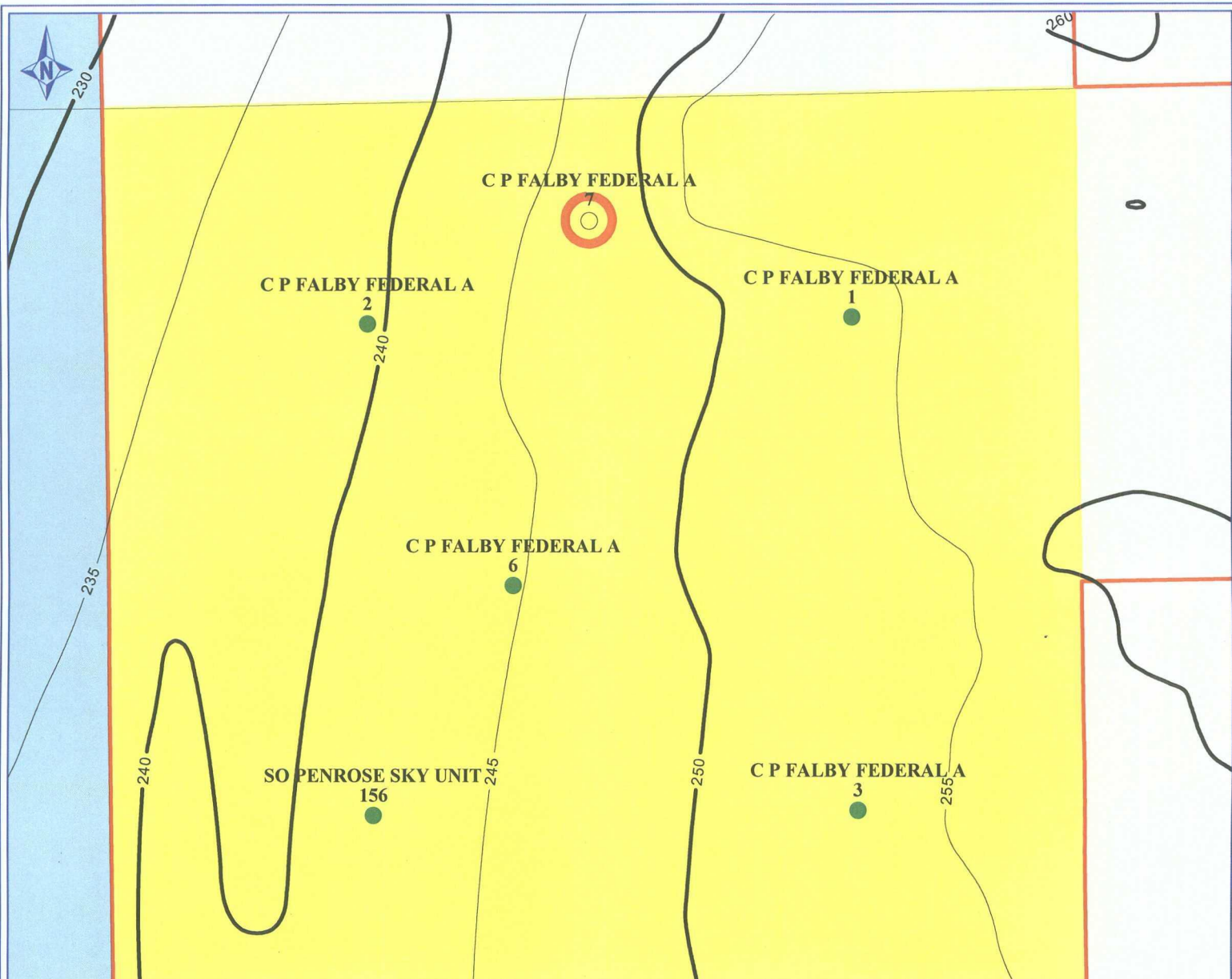
UL or Lot No. D	Section 8	Township 22S	Range 37E	Lot Idn	Feet from the 330	North/South line North	Feet from the 1307	East/West line West	County Lea
--------------------	--------------	-----------------	--------------	---------	----------------------	---------------------------	-----------------------	------------------------	---------------

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 40	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

	<p>¹⁷</p> <p>OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p>Signature </p> <p>Printed Name Casey R. Mobley</p> <p>Title Geologist</p> <p>February 1, 2008</p>
	<p>¹⁸</p> <p>SURVEYOR CERTIFICATION</p> <p><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></p> <p>Signature and Seal of Professional Surveyor:</p> <p>Certificate Number</p>



PETRA 2/5/2008 9:54:24 AM



Chevron U.S.A. Inc.

EXHIBIT 4

PENROSE-SKELLY FIELD C.P. FALBY FED A #7

Sec 8, T22S-37E, Lea Co., New Mexico

Grayburg Net Pay CI=5' [GR<40, Por>6%]

POSTED WELL DATA

Well Name
Well Number



February 5, 2008



PETRA 2/5/2008 9:51:54 AM



Chevron U.S.A. Inc.

EXHIBIT 5

PENROSE-SKELLY FIELD C.P. FALBY FED A #7

Sec 8, T22S-37E, Lea Co., New Mexico

Grayburg HCPV CI=0.5 & EUR - Drainage

POSTED WELL DATA

Well Name
Well Number

● Drainage Radii acre/ft with So=0.55

Cum Oil (MBO)
Cum Gas (MMCF)
Cum water (MBO)



February 5, 2008

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Monday, March 10, 2008 11:17 AM
To: 'Casey.Mobley@chevron.com'
Subject: C.P. Falby Federal A #7

Dear Mr. Mobley

This proposed location (330 FNL and 1307 FWL 8-22S-37E) encroaches toward the SE/SW of Section 5, as well as the NE/NW of Section 8 (See definition of "adjoining" in Rule 7.A(3)). Information indicates that the SE/SW of 5 is fee.

Please advise if SE/SW of 5 has common working interest ownership with NW of 8, and if not, please furnish proof of notice.

Thanks

David K. Brooks
Legal Examiner
505-476-3450

3/10/2008

Brooks, David K., EMNRD

From: Mobley, Casey R. [Casey.Mobley@chevron.com]
Sent: Wednesday, March 12, 2008 6:36 AM
To: Brooks, David K., EMNRD
Cc: McNally, Kevin (KMcNally); Du, Meilin
Subject: RE: C.P. Falby Federal A #7

David,

Thank you for bringing this situation to our attention. Kevin McNally briefed me on the phone conversation he had with you and explained the ruling to me. Please know that we are checking with our regulatory agent to confirm the status of the offset operator notice for the SE/SW of Section 5 T22S R37E, and will provide you with proof of notification as soon as possible.

We appreciate your patience during this time, and apologize for the delay.

Sincerely,

Casey

Casey R. Mobley
Geologist

New Mexico Asset Development
MidContinent SBU
Chevron North American Exploration and Production
11111 S. Wilcrest Dr., S1037
Houston, TX 77099
(281) 561-4830

From: Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]
Sent: Monday, March 10, 2008 1:17 PM
To: Mobley, Casey R.
Subject: C.P. Falby Federal A #7

Dear Mr. Mobley

This proposed location (330 FNL and 1307 FWL 8-22S-37E) encroaches toward the SE/SW of Section 5, as well as the NE/NW of Section 8 (See definition of "adjoining" in Rule 7.A(3)). Information indicates that the SE/SW of 5 is fee.

Please advise if SE/SW of 5 has common working interest ownership with NW of 8, and if not, please furnish proof of notice.

Thanks

David K. Brooks
Legal Examiner
505-476-3450

3/14/2008

Confidentiality Notice: This e-mail, including all attachments is for the sole use of the intended recipient (s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited unless specifically provided under the New Mexico Inspection of Public Records Act. If you are not the intended recipient, please contact the sender and destroy all copies of this message. -- This email has been scanned by the Sybari - Antigen Email System.

This inbound email has been scanned by the MessageLabs Email Security System.

Brooks, David K., EMNRD

From: Mobley, Casey R. [Casey.Mobley@chevron.com]
Sent: Monday, April 14, 2008 12:11 PM
To: Brooks, David K., EMNRD
Cc: McNally, Kevin (KMcNally); Baca, James (JMEB)
Subject: RE: C.P. Falby Federal A #7
Attachments: Offset Operator Notice (3-19-08).doc; Return Receipt for OCD Offset Operator Notice.pdf

David,

I spoke with Kevin McNally, my landman, and he provided me with a copy of the *offset operator notice* letter as well as the certified mail return receipt for the copy mailed to NMOCD (attached). The return receipt indicates that the office of Mark Fesmire received the notice letter on March 31. Apparently there was a mix-up somewhere and this letter did not get to your desk; please accept our apologies if Chevron was in any way responsible for this delay. Also, please advise if you require any further action on our part to resolve this matter.

As always, thanks for your time and attention to this matter. We are eager to work with you to get this NSL approval process moving forward.

Casey

Casey R. Mobley

Geologist

New Mexico Asset Development
MidContinent SBU
Chevron North American Exploration and Production
11111 S. Wilcrest Dr., S1037
Houston, TX 77099
(281) 561-4830

From: Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]
Sent: Monday, April 14, 2008 11:13 AM
To: Mobley, Casey R.
Subject: RE: C.P. Falby Federal A #7

Dear Mr. Mobley

My records indicate I sent an inquiry March 10 concerning ownership of the SE/SW of section 5, one of the adjoining sections to this application. You responded March 12, indicating that you were checking on this matter. I have nothing further in my file.

My apologies if I have missed a further response, but since I cannot locate, I would appreciate you re-sending if you have sent such a response. If not, I need a response to release this order.

David

4/15/2008

From: Mobley, Casey R. [mailto:Casey.Mobley@chevron.com]
Sent: Wednesday, April 09, 2008 2:03 PM
To: Brooks, David K., EMNRD
Cc: Baca, James (JMEB)
Subject: RE: C.P. Falby Federal A #7

David,

I write to you today requesting an update on the Falby A #7 NSL application. I understand you are away from your desk and that a timely response is not possible; feel free to contact me at a time that is convenient for you upon your return. Hope your time off was well spent.

Casey

Casey R. Mobley
Geologist

New Mexico Asset Development
MidContinent SBU
Chevron North American Exploration and Production
11111 S. Wilcrest Dr., S1037
Houston, TX 77099
(281) 561-4830

From: Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]
Sent: Monday, March 10, 2008 1:17 PM
To: Mobley, Casey R.
Subject: C.P. Falby Federal A #7

Dear Mr. Mobley

This proposed location (330 FNL and 1307 FWL 8-22S-37E) encroaches toward the SE/SW of Section 5, as well as the NE/NW of Section 8 (See definition of "adjoining" in Rule 7.A(3). Information indicates that the SE/SW of 5 is fee.

Please advise if SE/SW of 5 has common working interest ownership with NW of 8, and if not, please furnish proof of notice.

Thanks

David K. Brooks
Legal Examiner
505-476-3450

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4/15/2008

Kevin R. McNally
Land Representative

MidContinent/Alaska SBU
Chevron North America
Exploration and Production
11111 S. Wilcrest
Houston, TX 77099
Tel 281-561-3829
Fax 866-420-0335
kmcnally@chevron.com

March 20, 2008

VIA CERTIFIED MAIL – RETURN RECEIPT REQUESTED

BEC Corporation
500 W. Ohio, Suite 200
Midland, TX 79701

Dear Sir or Madam:

Chevron U.S.A. Inc. has filed an application with the New Mexico Oil Conservation Division seeking an unorthodox oil well location for the C.P. Falby Federal A #7 located in the NW/4 of the NW/4 of Section 8, Township 22 South, Range 37 East, N.M.P.M., Lea County, New Mexico. A copy of the application is enclosed. If you object to the application, you must notify the Division in writing no later than 20 days from the date of this letter (the Division's address is 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505). Failure to object will preclude you from contesting this matter at a latter date. The director may approve the unorthodox location upon receipt of waivers from all the affected persons or if no affected person has filed an objection within the 20-day period.

If you have no objection to this unorthodox well location, please sign in the space provided below and return one copy to my attention at the fax number or address shown in the letterhead.

Sincerely,

Kevin R. McNally

Enclosure

cc: Mr. Mark Fesmire, P.E., Director, Oil Conservation Division

BEC CORPORATION HAS NO OBJECTIONS TO THE UNORTHODOX WELL LOCATION DESCRIBED ABOVE.

AGREED TO AND ACCEPTED THIS _____ DAY OF _____, 2008

BEC CORPORATION

By: _____

Printed Name: _____

Title: _____