



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 23, 2008

Chevron U.S.A., Inc.
Attn: Mr. Casey R. Mobley
11111 S. Wilcrest, Rm S1037
Houston, TX 77099

Administrative Order NSL-5812

Re: Brunson Argo Well No. 28
API No. 30-025-
Unit D, Section 10-22S-37E
Lea County

Dear Mr. Mobley:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-08538521**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on March 20, 2008, and

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

Chevron U.S.A., Inc. (Chevron) has requested to drill the above-referenced well at an unorthodox well location, 1310 feet from the North line and 970 feet from the West line (Unit D) of Section 10, Township 22 South, Range 37 East, N.M.P.M., in Lea County, New Mexico. The NW/4 NW/4 of Section 10 will be dedicated to this well in order to form a standard 40-acre spacing unit in the Penrose Skelly-Grayburg Pool (50350). This pool is governed by statewide Rule 104.B(2), 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 southern unit boundary.

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

It is our understanding that this location is being requested because Chevron's geologic interpretation indicates that the well can tap into stranded reserves located on the margins of existing spacing units that cannot be effectively drained by wells located at standard locations.



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It is also understood that notice of this application to offsetting operators or owners is unnecessary because ownership of the offsetting unit is identical to 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,



M Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs