

August 16, 2007

**BY HAND DELIVERY**

Mr. Richard Ezeanyim, P. E.  
Chief Engineer  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

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RECEIVED

Re: Case No. 13961: Application of Chevron U.S.A. Inc. for amendment of Division Order No. R-4442, as amended, to authorize a tertiary recovery project by the injection of carbon dioxide in its Vacuum Grayburg-San Andres Unit Area, approval of amendment of the Cooperative Water Injection Agreement between the Central Vacuum Unit and the Vacuum Grayburg-San Andres Unit, and qualification of the project for the Recovered Oil Tax Rate Pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico.

Dear Mr. Ezeanyim:

This letter confirms our conversation of August 13, 2007 concerning the Examiner hearing on the above-referenced application that is scheduled on August 23, 2007.

In this case Chevron seeks an order like Order No. R-4442-A that was entered on September 18, 2001 granting the application of Texaco Exploration & Production, Inc. to implement a CO2 flood in the Vacuum Grayburg-San Andres Unit. Chevron has acquired this property from Texaco and is prepared to implement the CO2 flood that was previously approved. However, as we discussed, Texaco failed to implement this project or to request needed extensions of the original order and it expired of its own terms on September 18, 2003.

On June 26, 2007 Chevron filed its application in this case. It also filed an application for authorization to inject CO2 in this unit on Form C-108. Attached to this form were copies of all exhibits provided in 2001 by Texaco. Prior to filing, we reviewed this data to assure that all information was accurate. We will call land, geological and engineering witnesses to review this and additional information on this tertiary recovery project.

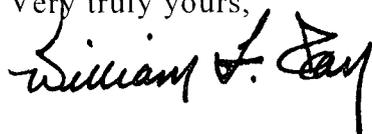
Since there has been activity in this area since the 2001 hearing, Chevron has reviewed the data on this unit and encloses with this letter and Pre-Hearing Statement supplemental information that it intends to present at the August 23rd hearing. This supplemental information consists of the following:

1. West -East Strategraphic Cross Section
2. North- South Strategraphic Cross Section
3. Updated Area of Review Map
4. Updated Target Area Map
5. Supplemental C-108 information that includes:
  - A. Tabular data for all wells in the subject Areas of Review that have been completed since 2001;
  - B. Revised well list showing all producing wells, plugged and abandoned wells, injection wells and wells that will be converted to injection;
  - C. Injection Well Data Sheets;
  - D. Map showing fresh water wells with attached water analysis;
  - E. Information on recently plugged and abandoned wells.

As we discussed, waterflood operation have been conducted in this unit for some time and the current application is for authorization to implement a tertiary recovery project. After the original order was issued to Texaco, wells have been added to the project by administrative order. While these orders referenced a tertiary recovery project, the wells have not been used for CO2 injection and have only been used to inject water into this waterflood project.

When the case is heard, Chevron will identify these administrative orders and wells and request that the order entered in this case provide that these prior approvals were only for the injection of water. After an order is entered in this case, Chevron will file new applications for administrative authorization to inject CO2 in the wells that were previously approved, but used only for water injection.

Very truly yours,



William F. Carr

Enclosures;

cc: David K. Brooks, Esq. w/o enc.  
Willaim V. Jones w/o enc.  
Paul Owen, Esq.  
Chevron USA Inc.