

OIL CONSERVATION DIVISION

July 28, 1995

Chevron U.S.A. Inc.
P.O. Box 1150
Midland, Texas 79702

Attention: Dave Rittersbacher

Re: *Administrative Application for directional drilling, an unorthodox bottomhole oil well location, and a non-standard oil proration unit; Lea "YL" State Well No. 2 (API No. 30-025-31005) located 2230'FSL - 2310'FEL (Unit J) of Section 2, Township 17 South, Range 37 East, NMPM, Shipp-Strawn Pool, Lea County, New Mexico.*

Dear Mr. Rittersbacher:

It has been determined subsequent to our initial evaluation of your application dated July 5, 1995 (received by the Division on July 12, 1995) that the provisions of the "*Special Rules and Regulations for the Shipp-Strawn Pool*", as promulgated by Division Order No. R-8062, as amended, does not permit the Division to process the subject application administratively since the proposed acreage dedication crosses over into two quarter sections, see RULES 2 and 3.

This application will be placed on the next available Examiners Hearing docket scheduled for August 24, 1995. Further, you as applicant must provide adequate notice of this matter pursuant to all applicable provisions of Division General Rule 1207.A.

Sincerely,



Michael E. Stogner
Chief Hearing Examiner/Engineer

cc: Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
William J. LeMay, Director - OCD, Santa Fe

Oil Conservation Division
August 1995



July 5, 1995
Midland, Texas

05 JUL 1995 01 8 52

Administrative Application for Non-Standard Well Location
and Non-Standard Proration Unit
Shipp Strawn Oil Pool
Lea "YL" State #2 Sidetrack
2600' FNL 1700' FEL
Section 2, T17S, R37E
Lea County, New Mexico

Chevron U.S.A. Production Company
P.O. Box 1150
Midland, TX 79702

State of New Mexico
Energy, Minerals, & Natural Resources Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504

*4.5 miles
north by west of
Humble City, NM*

Attn: Mr. William J. LeMay - Director

11367

Dear Mr. Lemay:

Chevron U.S.A. proposes to sidetrack the Lea "YL" State #2 to a non-standard location in the Shipp Strawn Oil Pool. The location of the original well bore is 2230' FSL 2310' FEL and the sidetrack bottom-hole location will be within a 50' radius of 2600' FNL 1700' FEL in Section 2, T17S, R37E, Lea County, N.M. The original Lea "YL" State #2 well is currently shut-in. The proposed 80 acre non-standard proration unit for this well would comprise the SW/4 NE/4 and NW/4 SE/4 of Section 2. Administrative approval of this non-standard location and non-standard proration unit is requested.

Field rules for Shipp Strawn require 80 acre spacing and standard well locations to be within 150' of the center of a quarter-quarter section. A non-standard location was based on seismic analysis that showed the target Strawn limestone algal-mound reservoir was located north and east of the existing Lea "YL" State #2. The seismic data show that a commercial well is unlikely at a standard location. The proposed location is non-standard with respect to the east line, and the working interest owners to the east, Conoco and Bechtel, have provided waiver letters that are attached. The proposed location is also non-standard with respect to the north line that impacts only 100% Chevron leasehold. Field rules call for 80 acre proration units to be the N/2, S/2, E/2, or W/2 of a quarter section. The proposed proration unit for the Lea "YL" #2 sidetrack will consist of 100% Chevron leasehold in the SW/4 NE/4 and NW/4 SE/4 of Section 2. This proration unit was chosen because the well location lies very close to the boundary between the SW/NE and NW/SE quarter-quarter sections.

A copy of this administrative application was provided to our offset operators via Certified Mail. Attached is a map and a form C-102 plat illustrating the proration unit acreage and well location. Also included is a copy of the letter sent to our offset operators.

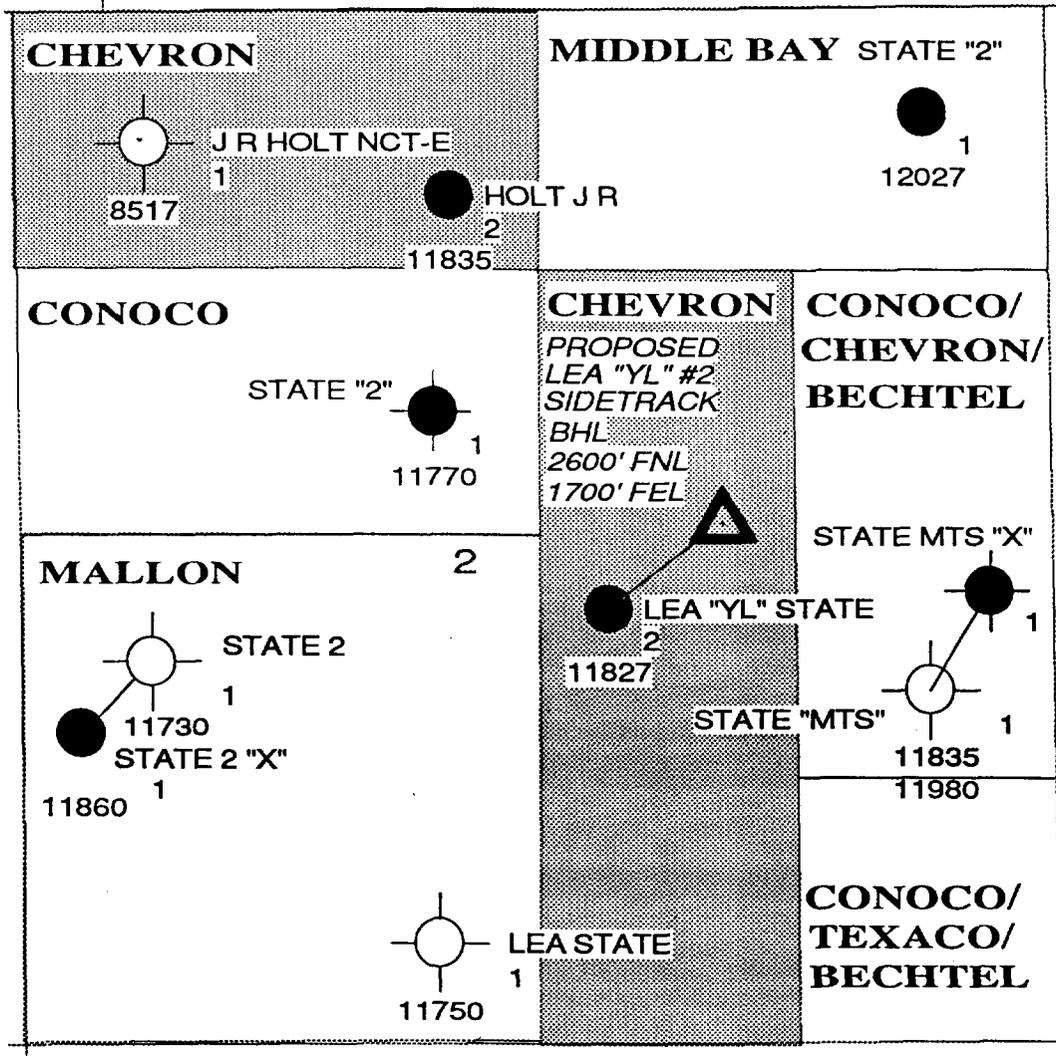
If you have any questions, or if you require further information, please contact Dave Rittersbacher at (915) 687-7114.

Sincerely,

Dave Rittersbacher

Dave Rittersbacher
Senior Geologist
New Mexico Area

cc: NMOCD - Hobbs, New Mexico



Chevron USA		
Shipp Strawn Proposed Lea "YL" #2 Sidetrack Sec. 2-T17S-R37E, Lea Co., N.M.		
Dave Rittersbacher		06/21/95
	Scale 1:12000.	

Submit to Appropriate District Office
 State Lease - 4 copies
 Fee Lease - 3 copies

State of New Mexico
 Energy, Minerals and Natural Resources Department

Form C-102
 Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

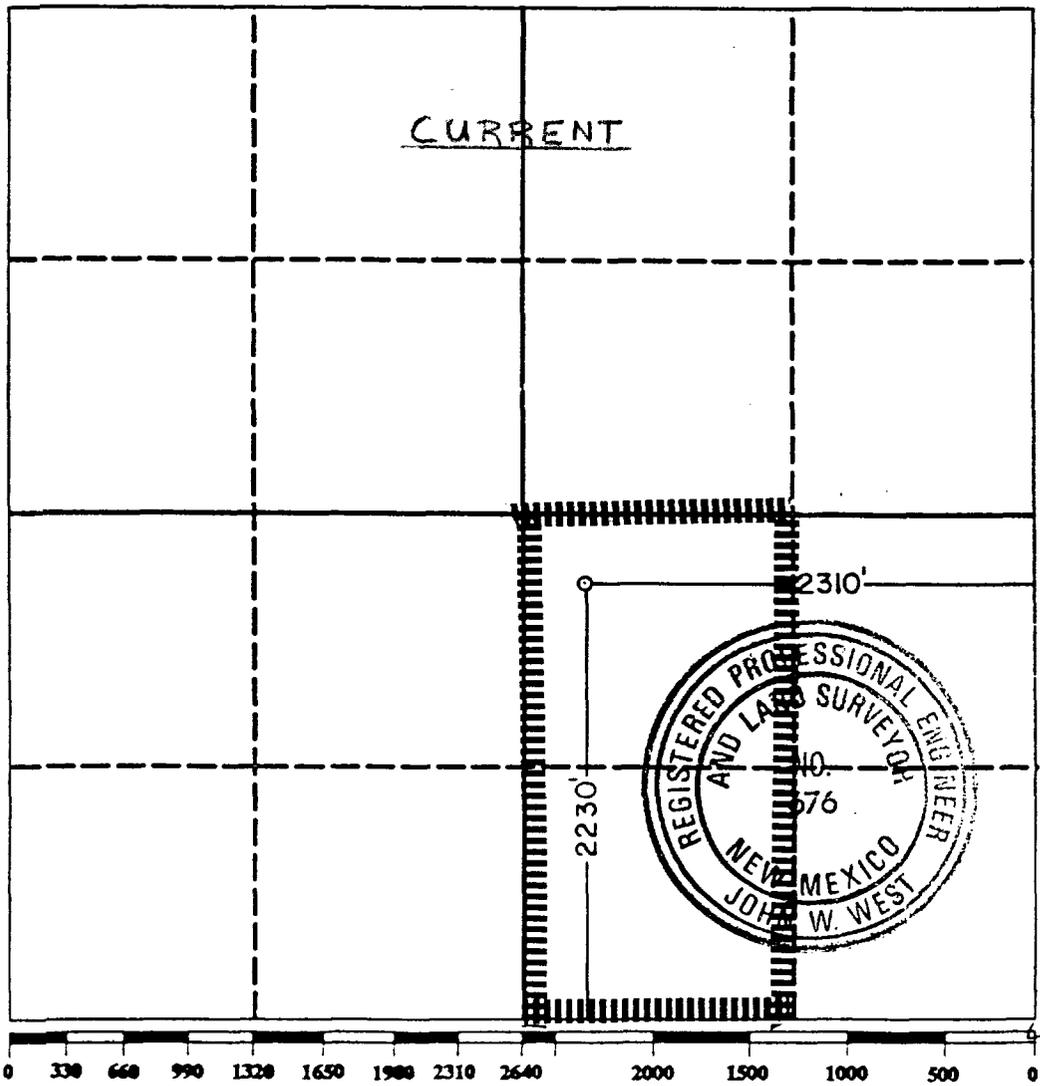
All Distances must be from the outer boundaries of the section

Operator CHEVRON USA, INC.		Lease Lea YL State		Well No. 2
Unit Letter J	Section 2	Township 17 South	Range 37 East	County Lea

Actual Footage Location of Well:
 2230 feet from the South line and 2310 feet from the East line

Ground level Elev. 3757.9	Producing Formation STRAWN	Pool SHIPP/STRAWN	Dedicated Acreage: 80 Acres
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- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?
 - Yes No If answer is "yes" type of consolidation _____
 If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)
 No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION
 I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature
M. E. Akins 9/7/90

Printed Name
 M.E. Akins

Position
 Delg Supt.

Company
 Chevron USA Inc

Date
 9/10/90

SURVEYOR CERTIFICATION
 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 knowledge and belief.

Date Surveyed
 August 21, 1990

Signature & Seal of Professional Surveyor
John W. West

Certificate No. JOHN W. WEST, 676
 RONALD J. EIDSON, 3239

125630

District I
 PO Box 1988, Hobbs, NM 88241-1988
 District II
 PO Drawer DD, Artesia, NM 88211-8719
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

Form C-102
 Revised February 10, 1994

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-31005		Pool Code	Pool Name SHIPP STRAWN	
Property Code	Property Name LEA "YL" STATE		Well Number 2	
OGRID No.	Operator Name CHEVRON USA INC		Elevation 3757.9	

10 Surface Location

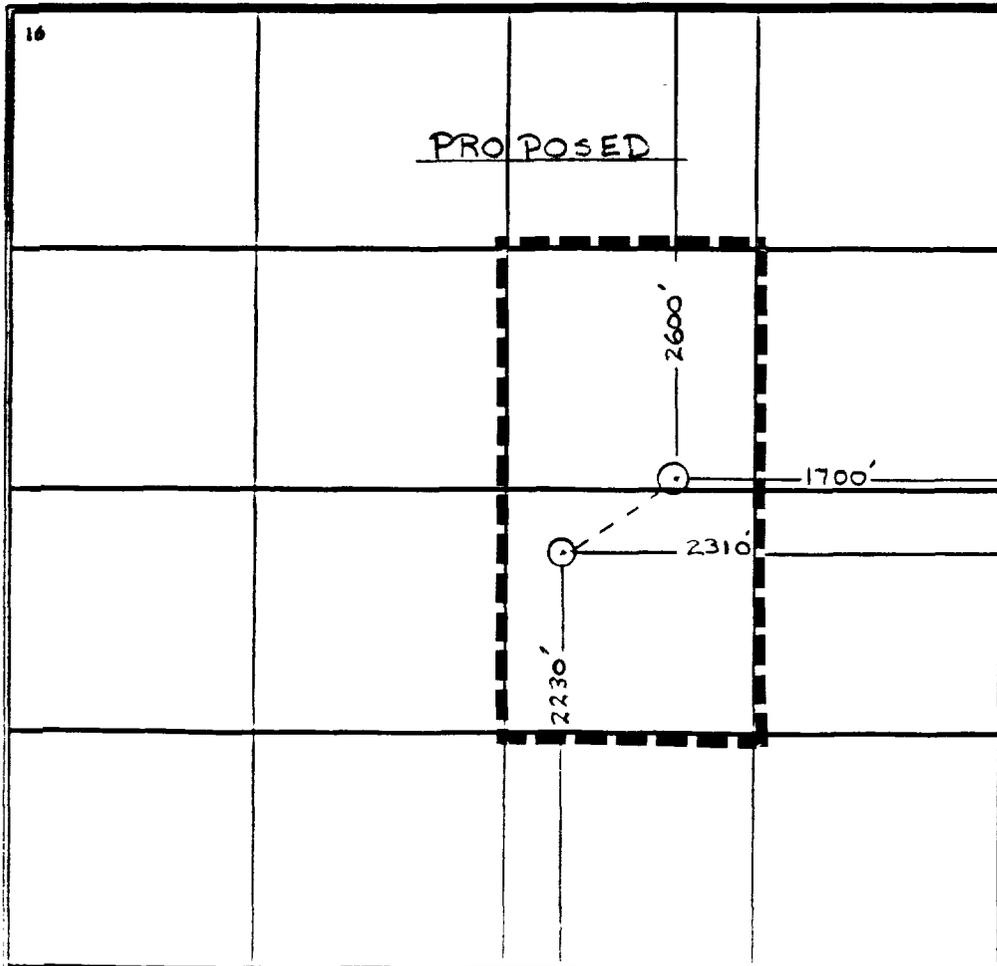
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	2	17S	37E		2230	SOUTH	2310	EAST	EDDY

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
G	2	17S	37E		2600	NORTH	1700	EAST	EDDY

12 Ductile	13 Acres	14 Joint or Infill	15 Consolidation Code	16 Order No.
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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



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief

Dave Rittersbacher
 Signature

Dave Rittersbacher
 Printed Name

Sr. Geologist
 Title

6/21/95
 Date

18 SURVEYOR CERTIFICATION

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.

 Date of Survey

 Signature and Seal of Professional Surveyor

 Certificate Number

OFFSET OPERATORS
PROPOSED LEA "YL" STATE #2 SIDETRACK

Conoco Inc.
10 Desta Drive
Suite 100W
Midland, Texas
79705

Texaco Inc.
P.O. Box 3109
Midland, Texas
79702

Bechtel Energy Resources Corp.
5555 San Felipe
Suite 600
Houston, Texas
77056

Mallon Oil Company
1099 18th Street
Suite 2750
Denver, Colorado
80202

Middle Bay Oil Compnay
P.O. Box 390
Mobile, Alabama
36601



Chevron U.S.A. Production Company

A Division of **Chevron U.S.A. Inc.**
P.O. Box 1150, Midland, TX 79702 • Phone (915) 687-7791
15 Smith Road, Midland, TX 79705 • Fax (915) 687-7448

Permian Basin
Land Division

**RECEIVED
CONOCO, INC.**

JUN 12 1995

LAND DEPT.

June 12, 1995

Shipp Prospect
Section 2, T-17-S, R-37-E,
Lea County, New Mexico

Conoco Inc.
10 Desta Drive, Suite 100W
Midland, Texas 79705-4500

Attention: M. J. Johnson

Case 11367

Gentlemen:

Chevron U. S. A. Production Company plans to drill a Strawn well located 1700' from the East Lease Line and 2600' from the North Lease Line of Chevron's lease covering, among other lands, the W/2SE/4 and SW/4NE/4 of Section 2, T-17-S, R-37-E, Lea County, New Mexico, as further described on the plat attached hereto as Exhibit "A".

Conoco has a leasehold interest in the lease offsetting Chevron's lease, covering Lots 1 and 2, SE/4NE/4, and the E/2SE/4 of Section 2, T-17-S, R-37-E, Lea County, New Mexico.

In anticipation of Chevron drilling the above described well, Conoco Inc. hereby agrees that it will not oppose Chevron as to the location of the well in regard to its proximity to the vertical lease line that separates the Chevron and Conoco leases.

Should Conoco wish to drill a well offsetting Chevron's lease, Chevron hereby agrees not to oppose a well being located at a like distance from the vertical lease line that separates the Chevron and Conoco leases.

Agreement and acceptance of the above is indicated by the parties' signature below.

Conoco Inc.

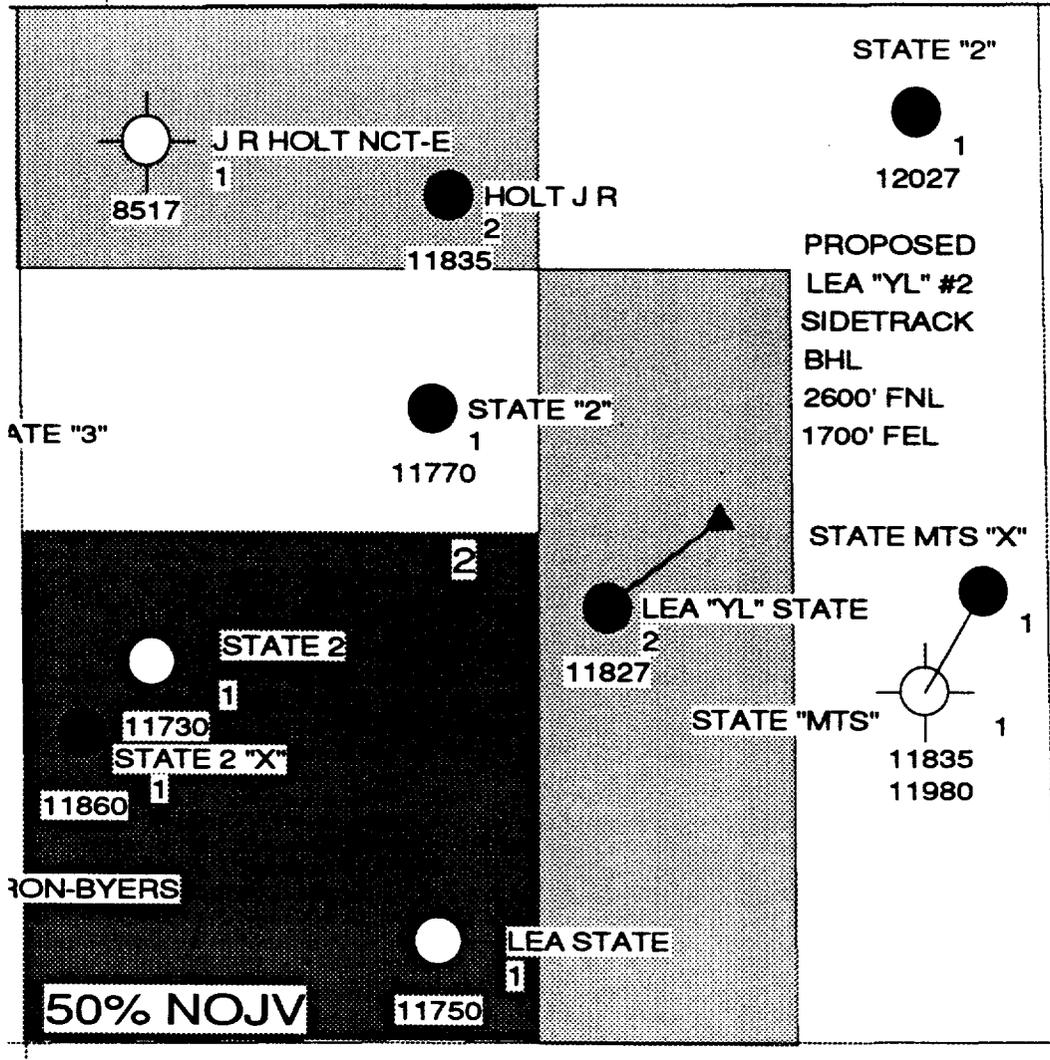
By: *[Signature]*
Title: Staff Landman

Chevron U.S.A. Production
Company, a Division of Chevron
U.S.A. Inc.

By: *[Signature]*
Title: Prospect Landman

Exhibit "A"

Attached hereto and made a part of that certain Letter Agreement dated June 12, 1995 by and between Chevron U.S.A. Production Company and Conoco Inc.



Chevron USA		
Shipp Strawn Proposed Lea "YL" #2 Sidetrack Sec. 2-T17S-R37E, Lea Co., N.M.		
Dave Rittersbacher		06/12/95
Scale 1:12000.		



Chevron U.S.A. Production Company

A Division of **Chevron** U.S.A. Inc.

P.O. Box 1150, Midland, TX 79702 • Phone (915) 687-7791

15 Smith Road, Midland, TX 79705 • Fax (915) 687-7448

Permian Basin
Land Division

June 15, 1995

Shipp Prospect
Section 2, T-17-S, R-37-E,
Lea County, New Mexico

Bechtel Energy Resources Corp.
5555 San Felipe, Suite 600
Houston, Texas 77056

Attention: Don Williamson

Gentlemen:

Chevron U. S. A. Production Company plans to drill a Strawn well located 1700' from the East Lease Line and 2600' from the North Lease Line of Chevron's lease covering, among other lands, the W/2SE/4 and SW/4NE/4 of Section 2, T-17-S, R-37-E, Lea County, New Mexico, as further described on the plat attached hereto as Exhibit "A".

Bechtel Energy Resources Corp. has a leasehold interest in the lease offsetting Chevron's lease, covering Lots 1 and 2, SE/4NE/4, and the E/2SE/4 of Section 2, T-17-S, R-37-E, Lea County, New Mexico.

In anticipation of Chevron drilling the above described well, Bechtel hereby agrees that it will not oppose Chevron as to the location of the well in regard to its proximity to the vertical lease line that separates the Chevron and Bechtel leases.

Should Bechtel wish to drill a well offsetting Chevron's lease, Chevron hereby agrees not to oppose a well being located at a like distance from the vertical lease line that separates the Chevron and Bechtel leases.

Agreement and acceptance of the above is indicated by the parties' signature below.

Bechtel Energy Resources Corp.

Chevron U.S.A. Production
Company, a Division of Chevron
U.S.A. Inc.

By:

Title:


Don Williamson

By:

Title:

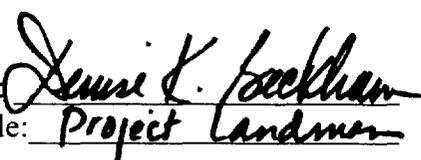
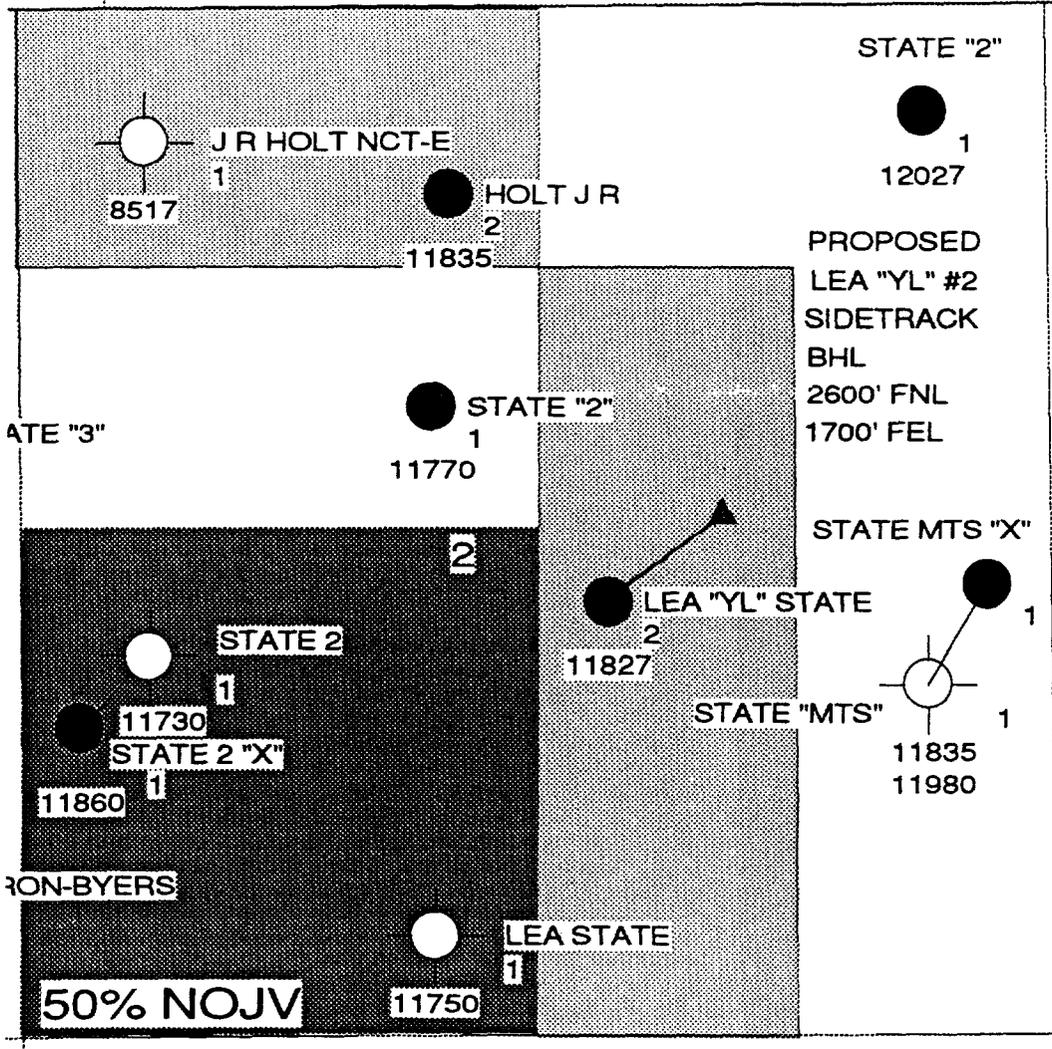

Project Landman

Exhibit "A"

Attached hereto and made a part of that certain Letter Agreement dated June 15, 1995 by and between Chevron U.S.A. Production Company and Bechtel Energy Resources Corp.



Chevron USA		
Shipp Strawn Proposed Lea "YL" #2 Sidetrack Sec. 2-T17S-R37E, Lea Co., N.M.		
Dave Rittersbacher		06/12/95
	Scale 1:12000.	



July 5, 1995
Midland, Texas

Chevron U.S.A. Production Company
P.O. Box 1150
Midland, TX 79702

**Administrative Application for Non-Standard Location
and Non-Standard Proration Unit
Shipp Strawn Oil Pool
Lea "YL" State #2 Sidetrack
2600' FNL 1700' FEL
Section 2, T17S, R37E
Lea County, New Mexico**

Conoco Inc.
10 Desta Drive, Suite 100W
Midland, Texas 79705

Dear Sir:

Please find attached a copy of Chevron USA's application to the New Mexico Oil Conservation Division for a non-standard location and non-standard proration unit for the proposed Lea "YL" State #2 sidetrack well, 2600' FNL 1700' FWL, Section 2, T17S, R37E, Shipp Strawn Pool, Lea County, New Mexico. Chevron proposes to sidetrack the existing Lea "YL" State #2 well currently located at 2230' FSL and 2310' FEL to the bottom hole location described above. The proposed non-standard proration unit is 80 acres comprising the SW/4 NE/4 and NW/4 SE/4 of Section 2, T17S, R37E.

If you have any questions or require further information, please call Dave Rittersbacher at (915) 687-7114.

Sincerely,

A handwritten signature in cursive script that reads "Dave Rittersbacher".

Dave Rittersbacher
Sr. Geologist
New Mexico Area



July 5, 1995
Midland, Texas

Chevron U.S.A. Production Company
P.O. Box 1150
Midland, TX 79702

**Administrative Application for Non-Standard Location
and Non-Standard Proration Unit
Shipp Strawn Oil Pool
Lea "YL" State #2 Sidetrack
2600' FNL 1700' FEL
Section 2, T17S, R37E
Lea County, New Mexico**

Bechtel Energy Resources Corp.
5555 San Felipe, Suite 600
Houston, Texas 77056

Dear Sir:

Please find attached a copy of Chevron USA's application to the New Mexico Oil Conservation Division for a non-standard location and non-standard proration unit for the proposed Lea "YL" State #2 sidetrack well, 2600' FNL 1700' FWL, Section 2, T17S, R37E, Shipp Strawn Pool, Lea County, New Mexico. Chevron proposes to sidetrack the existing Lea "YL" State #2 well currently located at 2230' FSL and 2310' FEL to the bottom hole location described above. The proposed non-standard proration unit is 80 acres comprising the SW/4 NE/4 and NW/4 SE/4 of Section 2, T17S, R37E.

If you have any questions or require further information, please call Dave Rittersbacher at (915) 687-7114.

Sincerely,

A handwritten signature in black ink that reads "Dave Rittersbacher". The signature is written in a cursive style with a horizontal line at the end.

Dave Rittersbacher
Sr. Geologist
New Mexico Area



July 5, 1995
Midland, Texas

Chevron U.S.A. Production Company
P.O. Box 1150
Midland, TX 79702

**Administrative Application for Non-Standard Location
and Non-Standard Proration Unit
Shipp Strawn Oil Pool
Lea "YL" State #2 Sidetrack
2600' FNL 1700' FEL
Section 2, T17S, R37E
Lea County, New Mexico**

Texaco Inc.
P. O. Box 3109
Midland, Texas 79702

Dear Sir:

Please find attached a copy of Chevron USA's application to the New Mexico Oil Conservation Division for a non-standard location and non-standard proration unit for the proposed Lea "YL" State #2 sidetrack well, 2600' FNL 1700' FWL, Section 2, T17S, R37E, Shipp Strawn Pool, Lea County, New Mexico. Chevron proposes to sidetrack the existing Lea "YL" State #2 well currently located at 2230' FSL and 2310' FEL to the bottom hole location described above. The proposed non-standard proration unit is 80 acres comprising the SW/4 NE/4 and NW/4 SE/4 of Section 2, T17S, R37E.

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Dave Rittersbacher
Sr. Geologist
New Mexico Area



July 5, 1995
Midland, Texas

Chevron U.S.A. Production Company
P.O. Box 1150
Midland, TX 79702

**Administrative Application for Non-Standard Location
and Non-Standard Proration Unit
Shipp Strawn Oil Pool
Lea "YL" State #2 Sidetrack
2600' FNL 1700' FEL
Section 2, T17S, R37E
Lea County, New Mexico**

Mallon Oil Company
1099 18th Street, Suite 2750
Denver, Colorado 80202

Dear Sir:

Please find attached a copy of Chevron USA's application to the New Mexico Oil Conservation Division for a non-standard location and non-standard proration unit for the proposed Lea "YL" State #2 sidetrack well, 2600' FNL 1700' FWL, Section 2, T17S, R37E, Shipp Strawn Pool, Lea County, New Mexico. Chevron proposes to sidetrack the existing Lea "YL" State #2 well currently located at 2230' FSL and 2310' FEL to the bottom hole location described above. The proposed non-standard proration unit is 80 acres comprising the SW/4 NE/4 and NW/4 SE/4 of Section 2, T17S, R37E.

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Dave Rittersbacher
Sr. Geologist
New Mexico Area



July 5, 1995
Midland, Texas

Chevron U.S.A. Production Company
P.O. Box 1150
Midland, TX 79702

**Administrative Application for Non-Standard Location
and Non-Standard Proration Unit
Shipp Strawn Oil Pool
Lea "YL" State #2 Sidetrack
2600' FNL 1700' FEL
Section 2, T17S, R37E
Lea County, New Mexico**

Middle Bay Oil Company
P. O. Box 390
Mobile, Alabama 36601

Dear Sir:

Please find attached a copy of Chevron USA's application to the New Mexico Oil Conservation Division for a non-standard location and non-standard proration unit for the proposed Lea "YL" State #2 sidetrack well, 2600' FNL 1700' FWL, Section 2, T17S, R37E, Shipp Strawn Pool, Lea County, New Mexico. Chevron proposes to sidetrack the existing Lea "YL" State #2 well currently located at 2230' FSL and 2310' FEL to the bottom hole location described above. The proposed non-standard proration unit is 80 acres comprising the SW/4 NE/4 and NW/4 SE/4 of Section 2, T17S, R37E.

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Dave Rittersbacher
Sr. Geologist
New Mexico Area