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ChevronTexaco

Request for Administrative Approval
Of Unorthodox Gas Well Location:
New Mexico 'DF' State Com #4
2310' FSL & 1650' FEL
Sect 32, T-21S R-23E
Eddy County, New Mexico

New Mexico Oil Conservation Division
Attn: Mr. Michael Stogner
2040 South Pacheco
Santa Fe, New Mexico 87505



Dear Mr. Stogner,

Texaco Exploration and Production, Inc. hereby requests NMOCD administrative approval for an unorthodox gas well location. With your approval we plan to produce the New Mexico 'DF' State Com #4 as a gas well in the Morrow formation.

The subject well was originally permitted in the Indian Basin Morrow and Indian Basin Upper Penn pools on 6/3/01 and successfully completed in the Morrow on 10/11/01. However, this office was recently notified by Mr. Bryan Arrant of your Artesia office that the subject well had been permitted and approved incorrectly for the Morrow and would have to be re-permitted into a different pool as the well could not be added to the Indian Basin Morrow pool.

As background, the DF #4 was economically justified as an Upper Penn replacement for either the 'DF' State Com #1 or 3, both currently producing in the Indian Basin Upper Penn pool. The Morrow portion of the hole was a wildcat tail, which proved productive. The 'DF' #4 location is a standard location for the Indian Basin Upper Penn; and was standard in the Indian Basin Morrow pool but, as stated above, must be permitted in a different Morrow pool.

Based on statewide rules (320-acre proration unit for gas wells), the location is an unorthodox location, encroaching on an internal proration boundary. This location was selected as it: 1) minimized surface impact due to topographic relief, 2) best mitigated subsurface risks related to a west-bounding Pennsylvanian fault as seen on the attached Cisco Structure map, and 3) fulfilled the desire to drill near equidistant between the 'DF' #1 and #3 wells for future salvage consideration in the Upper Penn pool.

As I understand from our discussions on 2/8 and 2/12/02, no offset operator notice is necessary as this location encroaches only on an internal proration boundary.