



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

October 21, 1998

Chevron U.S.A. Production Company
P. O. Box 1150
Midland, Texas 79702
Attention: Lloyd Trautman

AMENDED Administrative Order NSL-4048 (BHL)

Dear Mr. Trautman:

By Division Administrative Order NSL-4048(BHL), dated June 2, 1998, authorization was given Chevron U.S.A. Production Company ("Chevron") to re-enter, directionally drill, and recomplete into the Undesignated North Lusk-Strawn Pool its Scott "E" Federal Com. Well No. 1 (API No. 30-025-27442), located at an actual surface location that is 1148 feet from the South line and 775 feet from the West line (Unit M) of Section 28 [the staked and reported surface location for this well shows it to be 1980 feet from the South and West lines (Unit K) of Section 28], Township 18 South, Range 32 East, NMPM, Lea County, New Mexico, to a non-standard subsurface oil producing area/bottomhole oil well location within a standard 40-acre oil spacing and proration unit that comprises the SW/4 SW/4 (Unit M) of Section 28. The producing area/drilling window prescribed in Division Administrative Order NSL-4048(NHL) was to be that area within Unit "M" of Section 28 that is:

- (a) no closer than 330 feet to the east, south, and west boundaries of this 40-acre unit; and,
- (b) no closer than 72 feet to the northern boundary of the unit.

Reference is now made to your letter with attachments dated July 30, 1998 and to the Division's well file and records, whereby an amendment should be issued in this order to indicate that the prescribed area was missed and to accurately reflect the actual bottom-hole location of this wellbore.

The Division Director Finds That:

- (1) This application was originally approved under the provisions of Division General Rule 104.F(2);
- (2) This amendment has been duly filed under the provisions of Division General Rules 104.F and 111.C(2);

- (3) During directional drilling operations the wellbore had deviated such that Chevron exceeded the eastern set-back requirements as prescribed in Division Administrative Order NSL-4048(BHL); and that,
- (4) Supporting data submitted with this application indicates that:
 - (a) the wellbore commenced overshooting the eastern limit of the prescribed drilling window/producing area at an approximate measured depth of 9,600 feet;
 - (b) the maximum deviation within the wellbore to the east occurred at a measured depth of approximately 10,881 feet, at which point the subsurface location was approximately 311 feet from the east line of this 40-acre unit;
 - (c) at the deepest most measured depth of 11,924 feet the subsurface location of the wellbore is approximately 333 feet from the east line of this 40-acre unit; and,
 - (d) at no point does the deviated wellbore exceed the northern, western, or southern limits of the prescribed drilling window/producing area.

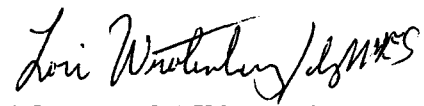
It Is Therefore Ordered That:

- (1) Division Administrative Order NSL-4048(BHL), dated June 2, 1998, is hereby amended to properly reflect the actual subsurface path of the Scott "E" Federal Well No. 1 (API No. 30-025-27442), as indicated in the findings above.
- (2) All other provisions of Order NSL-4048(BHL) not in conflict with this change shall remain in full force and effect until further notice.
- (3) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Amended Administrative Order NSL-4048(BHL)
Chevron U.S.A. Production Company
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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery", followed by a stylized set of initials or a date "10/21/98".

LORI WROTENBERY
Director

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad
File: NSL-4048(BHL)



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

NSL-4048(BHL)

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

August 6, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Chevron U.S.A., Inc.
15 Smith Road
Midland, Texas 79705

Attention: **J. Denise Pinkerton**
leakejd@chevrontexaco.com

2nd AMENDMENT to Division Administrative Order NSL-4048 (BHL)

Dear Ms. Pinkerton:

Reference is made to the following: (i) your initial application filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe on July 6, 2004 (*administrative application reference No. pSEM0-418949066*); (ii) my telephone conversation Tuesday afternoon, August 3, 2004 with Ms. Denise Wann and Mr. Scott Ingram; (iii) Ms. Wann's addendum to your application submitted to the Division by telefax Thursday morning, August 5, 2004; and (iv) the Division's records in Hobbs and Santa Fe: all concerning Chevron U.S.A. Inc.'s request to further amend the provisions of Division Administrative Order NSL-4048 (BHL), as amended, to include the Querecho Plains-Lower Bone Spring Pool (50510) and the Wolfcamp formation in either the Undesignated Young-Wolfcamp Pool (65580) or Undesignated North Lusk-Wolfcamp Pool (41608).

By Division Administrative Order NSL-4048 (BHL), dated June 2, 1998, authorization was given Chevron U.S.A. Production Company ("Chevron") to re-enter, directionally drill, and recomplete into the North Lusk-Strawn Pool (96678) its Scott "E" Federal Com. Well No. 1 (API No. 30-025-27442), located at an actual surface location that is 1148 feet from the South line and 775 feet from the West line (Unit M) of Section 28 [the staked and reported surface location for this well shows it to be 1980 feet from the South and West lines (Unit K) of Section 28], Township 18 South, Range 32 East, NMPM, Lea County, New Mexico, to a non-standard subsurface oil producing area/bottomhole oil well location within a standard 40-acre oil spacing and proration unit that comprises the SW/4 SW/4 (Unit M) of Section 28. The producing area/drilling window prescribed in Division Administrative Order NSL-4048 (NHL) was to be that area within Unit "M" of Section 28:

- (a) no closer than 330 feet to the east, south, and west boundaries of this 40-acre unit; and
- (b) no closer than 72 feet to the northern boundary of the unit.

On October 21, 1998 Division Administrative Order NSL-4048 (BHL) was amended to incorporate the actual subsurface path of the Scott "E" Federal Well No. 2, as summarized below, into the order authorizing the unorthodox subsurface location of this well in the North Lusk-Strawn Pool:

- (a) the wellbore commenced overshooting the eastern limit of the prescribed drilling window/producing area at an approximate measured depth of 9,600 feet;
- (b) the maximum deviation within the wellbore to the east occurred at a measured depth of approximately 10,881 feet, at which point the subsurface location was approximately 311 feet from the east line of this 40-acre unit;
- (c) at the deepest most measured depth of 11,924 feet the subsurface location of the wellbore is approximately 333 feet from the east line of this 40-acre unit; and,
- (d) at no point does the deviated wellbore exceed the northern, western, or southern limits of the prescribed drilling window/producing area.

The Division Director Finds That:

- (1) The two previous orders were originally approved under the provisions of Division Rules: (i) 104.F (2) applicable at that time, see Division Order No. R-10533, issued in Case No. 11351 on January 18, 1996; and (ii) 111.C (2), as revised by Division Order No. R-10388, issued in Case No. 11274 on June 13, 1995.
- (2) The immediate request to include the Bone Spring and Wolfcamp zones in this well has been duly filed under the provisions of Division Rules 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, and 111.C (2).
- (3) The Wolfcamp and Bone Spring intervals within this wellbore are both governed under Division Rule 104.B (1), which provides for: (i) 40-acre oil spacing and proration units, being a single governmental quarter-quarter section or lot; and (ii) wells to be no closer than 330 feet to any boundary of such unit.
- (4) The 40 acres comprising the SW/4 SW/4 (Unit M) of Section 28, being a standard 40-acre oil spacing and proration unit in the Querecho Plains-Lower Bone Spring, Undesignated Young-Wolfcamp, and Undesignated North Lusk-Wolfcamp Pools, are to be dedicated in both intervals (Bone Spring and Wolfcamp) to the Chevron's Scott "E" Federal Well No. 1.
- (5) Pursuant to Division Rules 111.A (8) and 111.C (2), if any portion of a wellbore within the vertical extent of a producing interval (formation or pool) extends beyond the standard well setback requirements for that interval, the subsurface location for the well in that pool/formation is considered to be "unorthodox."

August 6, 2004

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- (6) Within the Scott "E" Federal Well No. 1 through both the Bone Spring and Wolfcamp intervals, the wellbore path (subsurface location) encroaches closer than 330 feet to the eastern boundary of the SW/4 SW/4 of Section 28.
- (7) The "Directional Survey Data" page that was submitted by Chevron to the Division: (i) August 3, 1998 in the application that resulted in the first Amendment to Division Administrative Order NSL-4048 (BHL); and (ii) again on August 4, 2004 in this application, should be incorporated by reference into this order.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rule 104.F (2), Division Administrative Order NSL-4048 (BHL), dated June 2, 1998, as amended by order dated October 21, 1998, is further amended to properly reflect the actual subsurface path, portions thereof being unorthodox, of Chevron U.S.A. Inc.'s Scott "E" Federal Well No. 1 (API No. 30-025-27442) through the Bone Spring and Wolfcamp formations as described in the findings above and as shown on the "Directional Survey Data" page, hereby incorporated by reference into this order.

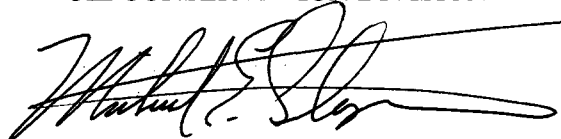
(2) The 40 acres comprising the SW/4 SW/4 (Unit M) of Section 28, Township 18 South, Range 32 East, NMPM, Lea County, New Mexico, being a standard 40-acre oil spacing and proration unit in the Querecho Plains-Lower Bone Spring Pool (50510) and the Wolfcamp formation in either the Undesignated Young-Wolfcamp Pool (65580) or the Undesignated North Lusk-Wolfcamp Pool (41608), are to be dedicated in both intervals (Bone Spring and Wolfcamp) to this well.

(3) The original Division Administrative Order NSL-4048 (BHL), dated June 2, 1998, as amended by order dated October 21, 1998, shall remain in full force and effect until further notice.

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MICHAEL E. STOGNER
Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Hobbs
Ms. Denise Wann, Chevron U.S.A. Inc. – Midland, TX (telefax No. 432-687-7905)
U. S. Bureau of Land Management – Carlsbad
U. S. Bureau of Land Management – Roswell (Attention: Gary Gorley)
File: Administrative Order NSL-4048 (BHL)
1st AMENDED Administrative Order NSL-4048 (BHL)