



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

April 6, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Chevron U.S.A., Inc.
c/o ChevronTexaco
11,111 S. Wilcrest – Room S-1052
Houston, Texas 77099

Attention: **Michael R. Villalva**
Petroleum Engineer
mrvillalva@chevrontexaco.com

Administrative Order NSL-5188 (SD)

Dear Mr. Villalva:

Reference is made to the following: (i) your application (***administrative application reference No. pSEM0-506648973***) submitted on behalf of the operator, Chevron U.S.A., Inc. ("Chevron"), to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on March 7, 2005; and (ii) the Division's records: all concerning Chevron's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the NW/4 SE/4 (Unit J) of Section 34, Township 21 South, Range 37 East, NMPM, Penrose Skelly (Grayburg) Pool (**50350**), Lea County, New Mexico.

This application has been duly filed under the provisions of Division Rule 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.

This 40-acre Grayburg unit is currently dedicated to Chevron's Mark Owen Well No. 1 (**API No. 30-025-07001**) located at a standard oil well location 1980 feet from the South and East lines of Section 34.

It is the Division's understanding that the SE/4 of Section 34 comprises a single fee lease (Mark Owen lease) with common mineral interest in which Chevron is the leasehold operator; therefore, there are no adversely effected offsets to the subject 40-acre tract within the Grayburg interval.

It is further understood that such unorthodox location is necessitated for geologic and engineering reasons in that this location is approximately equidistance to other offsetting Penrose Skelly (Grayburg) oil wells within the Mark Owen fee lease. The proposed infill oil well location will enable Chevron to further develop and deplete the Grayburg reserves within this lease that might not otherwise be recovered

By the authority granted me under the provisions of Division Rule 104.F (2), the following described well to be drilled at an unorthodox "infill" oil well location within the NW/4 SE/4 (Unit J) of Section 34 is hereby approved:

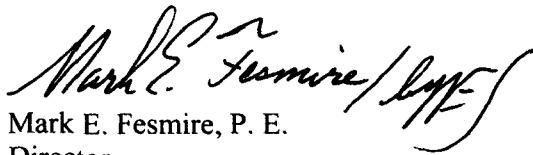
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Mark Owen Well No. 9
1590' FSL & 1340' FEL.

Further, both the existing Mark Owen Well No. 1 and the proposed Mark Owen Well No. 9 are to be simultaneously dedicated to the subject 40-acre unit.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire" followed by a stylized flourish or initials.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs