



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joan M. Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

June 7, 2007

Chevron Mid-Continent, L.P.

Attn: Mr. Scott M. Ingram

11 Smith Rd.

Midland, TX 79705

Administrative Order NSL-5637

Re: Douglas Com. Well No. 1

API No. 30-015-21802

H-7-22S-27E

Eddy County

Dear Mr. Ingram:

Reference is made to the following:

(a) your application (**administrative application reference No. pCLP07-13031279**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on May 9, 2007, and

(b) the Division's records pertinent to this request.

Chevron Mid-Continent, L.P. (Chevron) has requested to re-complete its Douglas Com. Well No. 1 (API No. 30-015-21802) at an unorthodox gas well location in the Atoka and/or Strawn formations, 2410 feet from the North line and 560 feet from the East line (Unit H) of Section 7, Township 22 South, Range 27 East, N.M.P.M., in Eddy County, New Mexico. The E/2 of Section 7 will be dedicated to this well in order to form a standard 320-acre spacing unit in the undesignated Tansil Dam-Atoka Gas Pool (85900) and/or the undesignated Carlsbad-Strawn Gas Pool (74040). These pools are governed by statewide Rule 104.C(2), which provides for 320-acres units, with wells located at least 660 feet from a unit outer boundary. This location is less than 660 from the eastern unit boundary.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that Chevron is seeking this location in order to utilize an existing wellbore that was originally drilled to a deeper formation.

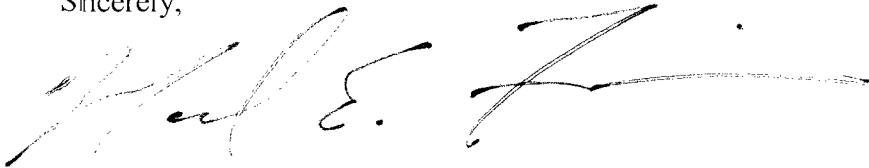
It is also understood that notice of this application has been furnished to the operator of the offsetting spacing unit towards which this location encroaches.

Pursuant to the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is CONDITIONED, HOWEVER, upon Chevron obtaining administrative approval from the Division for down-hole commingling prior to completing this well in both formations in such manner as to commingle the respective gas streams.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe