

DATE IN 10/19/07	SUSPENSE	ENGINEER W. Jones	LOGGED 10/19/07	TYPE D50729250394
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DHC-3964
RECEIVED
2007 OCT 19 AM 11 57

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling
 NSL NSP DD SD

Check One Only for [B] and [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **INFORMATION / DATA SUBMITTED IS COMPLETE** - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

Richard Jenkins		Petro. Engineer	10/16/2007
Print or Type Name	Signature	Title	Date

District I
1625 N. French Drive, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

District II
1301 W. Grand Avenue, Artesia, NM 88210

Oil Conservation Division

APPLICATION TYPE

District III
1000 Rio Brazos Road, Artec, NM 87410

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Single Well
 Establish Pre-Approved

Pools

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

APPLICATION FOR DOWNHOLE COMMINGLING

EXISTING WELLBORE

Yes No

DHG-3964

Chevron Corporation
Operator

15 Smith Road, Midland TX 79705
Address

S.J. Sarkey 26
Lease

#2
Well No.

D-26-21S-37E
Unit Letter-Section-Township-Range

Lea
County

OGRID No. 4323 Property Code 30030 API No. 30-025-06792 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Penrose Skelly; Grayburg	-	Blinebry Oil & Gas (Pro Gas)
Pool Code	50350	-	72480
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3674'-3876'	-	5519'-5822'
Method of Production (Flowing or Artificial Lift)	Artificial Lift	-	Artificial Lift
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	NA	-	NA
Oil Gravity or Gas BTU (Degree API or Gas BTU)	NA	-	NA
Producing, Shut-In or New Zone	Producing	-	Producing
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: Estimate 8/8/2007 Oil Gas 5 BOPD 30 MCFPD	-	Date: Calculated from Offset SJ Sarkey #4 Oil Gas 1 BOPD 74 MCFPD
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas 83% 29%	-	Oil Gas 17% 71%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes No
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes No

Are all produced fluids from all commingled zones compatible with each other? Yes No

Will commingling decrease the value of production? Yes No

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes No

NMOCD Reference Case No. applicable to this well: _____

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

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

SIGNATURE [Signature] TITLE Petroleum Engineer DATE 10/16/07

TYPE OR PRINT NAME Richard A Jenkins TELEPHONE NO. (432) 687-7120

E-MAIL ADDRESS rjdg@chevron.com

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 May 27, 2004

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

WELL API NO.
30-025-06792

5. Indicate Type of Lease
 STATE FEE

6. State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well Gas Well Other

2. Name of Operator
Chevron U.S.A. Inc.

7. Lease Name or Unit Agreement Name
S.J. Sarkey 26

8. Well Number **2**

9. OGRID Number
4323

3. Address of Operator
15 Smith Road Midland, TX 79705

10. Pool name or Wildcat
Blinebry/Grayburg

4. Well Location
 Unit Letter **D** : **660** feet from the **North** line and **660** feet from the **West** line
 Section **26** Township **21S** Range **37E** NMPM County **LEA**

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3395'

Pit or Below-grade Tank Application or Closure

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

- PERFORM REMEDIAL WORK PLUG AND ABANDON
 TEMPORARILY ABANDON CHANGE PLANS
 PULL OR ALTER CASING MULTIPLE COMPL

SUBSEQUENT REPORT OF:

- REMEDIAL WORK ALTERING CASING
 COMMENCE DRILLING OPNS. P AND A
 CASING/CEMENT JOB

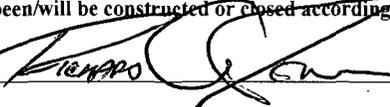
OTHER: **DHC Penrose Skelly; Grayburg\Blinebry Oil & Gas (Pro Gas)**

OTHER:

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

IT IS PROPOSED TO DOWNHOLE COMMINGLE POOLS, PENROSE SKELLY GRAYBURG (PERFS 3674'-3876'), AND BLINEBRY OIL & GAS (PRO GAS) (5519'-5822') IN THE CAPTIONED WELL. PRODUCTION WILL BE ALLOCATED BACK TO THE TWO POOLS BASED ON THE PERCENTAGES SHOWN IN THE ATTACHED SUPPORT DATA.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit or an (attached) alternative OCD-approved plan .

SIGNATURE  TITLE PETR. ENGINEER DATE 10/16/2007

Type or print name _____ E-mail address: _____ Telephone No. _____
For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any): _____



Richard A. Jenkins
Petroleum Engineer
New Mexico Team

Permian Business Unit
Chevron U.S.A. Inc.
15 Smith Road
Midland, TX 79705
Tel 432-631-3281
Fax 432-687-7871
rjdg@chevron.com

October 16, 2007

State of New Mexico
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87504

Request to AMEND DHC-3891; S.J. Sarkey 26 #2 (30-025-06792)

Attention: Oil and Gas Regulatory Department

Chevron U.S.A. Inc. respectfully requests administrative approval for an amendment to Downhole Commingle the Penrose Skelly Grayburg (50350) and the Blinebry Oil & Gas (Pro Gas) (72480) in the S.J. Sarkey 26 #2, API number is 30-025-06792. The #2 is located in the Penrose Skelly Pool, 660' FNL & 660' FWL, Unit D, Section 26, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.

The S.J. Sarkey 26 #2 is currently downhole commingled, producing from the Grayburg and Blinebry formations. The #2 is currently making 6BOPD, 180 BWPD, and 104 MCFGPD. This well was originally down hole commingled as an oil well, however the S.J. Sarkey #4 (API: 30-025-06794) is located on the same lease as the #2 and is permitted as a Pro Gas Blinebry producer. Chevron proposes to amend downhole commingle order DHC-3891 and permit the Blinebry formation in the S.J. Sarkey 26 #2 as a Pro Gas zone. The #2 and the #4 will be simultaneously dedicated in the 160 acre proration unit.

The proposed allocation percentages were calculated using production information from the S.J. Sarkey 26 #2, as well as offset Blinebry production from the S.J. Sarkey #4. Attached in support of this request is a well test report, a proposed well schematic diagram for the #2, C107, a C102 form for each pool, and a lease plat.

Chevron is the operator, with 100% working interest in the lease, and the Royalty Interest Owners are the same on each well.

If you require additional information or have any questions, please contact me by telephone at 432-687-7120, or by email at rjdg@chevron.com.

Sincerely,


Richard A Jenkins
Petroleum Engineer

Enclosure

cc: Denise Pinkerton
Denise Beckham

Request for Amendment of DHC-3891

Operator

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

Lease Name and Well Number

S.J. Sarkey 26 #2
660' FNL & 660' FWL, Unit Letter D
Section 26, T21S, R37E
Lea County, New Mexico

Division Order

DHC-3891

Pools To Be Commingled In S.J. Sarkey 26 #2

(50350) Penrose Skelly; Grayburg
(72480) Blinebry Oil and Gas (Pro Gas)

Perforated Intervals

Penrose Skelly; Grayburg (3674'-3876')
Blinebry Oil and Gas (5519'-5822')

Location Plat

Attached

Well Test Report & Production Plots

Attached.

Product Characteristics And Value

Previous commingling of these zones by Chevron and other operators in the area have shown that the produced fluids are compatible and commingling will not cause formation damage or producing problems. Also, the price received by Chevron for products from these zones is very similar, so value will not be adversely affected.

Production Allocation

<u>Pool</u>	<u>BOPD</u>	<u>BWPD</u>	<u>MCFPD</u>	<u>Remarks</u>
Grayburg	5	109	30	Production Estimate
Blinebry	1	71	74	S.J. Sarkey #4 Offset Production
Totals	6	180	104	S.J. Sarkey 26 #2 Well Test Report 8/8/2007

<u>Allocated %</u>	<u>Oil %</u>	<u>Water %</u>	<u>Gas %</u>	<u>Remarks</u>
Grayburg	83	61	29	Calculated using above production volumes
Blinebry	17	39	71	Calculated using above production volumes
Totals	100.00	100.00	100.00	

Ownership

Ownership of all zones is identical so correlative rights will not be compromised.

State / Federal Land Notification

The well is on a Fee lease

District I
1625 N. French Dr., Hobbs, NM 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised March 17, 1999

District II
811 South First, Artesia, NM 88210

OIL CONSERVATION DIVISION Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies
2040 South Pacheco
Santa Fe, NM 87505

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

District IV
2040 South Pacheco, Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-06792	² Pool Code 50350	³ Pool Name Penrose Skelly Grayburg
⁴ Property Code 30030	⁵ Property Name Sarkey, S.J. -26-	⁶ Well Number 2
⁷ OGRID No. 4323	⁸ Operator Name Chevron U.S.A., Inc.	⁹ Elevation 3395'

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
D	26	21S	37E		660	North	660	West	Lea

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

¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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

	<p>26</p>	<p>¹ OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p style="text-align: right;"> Signature Richard A. Jenkins Printed Name Petr. Engineer Title 10/15/2007 </p>
		<p>¹ SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p>Signature and Seal of Professional Surveyor:</p> <p style="text-align: right;">Certificate Number</p>

District I
1625 N. French Dr., Hobbs, NM 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised March 17, 1999

District II
811 South First, Artesia, NM 88210

OIL CONSERVATION DIVISION

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

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

2040 South Pacheco
Santa Fe, NM 87505

District IV
2040 South Pacheco, Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-06792		² Pool Code 72480		³ Pool Name Blinbry Oil & Gas (Pro Gas)	
⁴ Property Code 30030		⁵ Property Name Sarkey, S.J. -26-			⁶ Well Number 2
⁷ OGRID No. 4323		⁸ Operator Name Chevron U.S.A., Inc.			⁹ Elevation 3395'

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
D	26	21S	37E		660	North	660	West	Lea

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

¹² Dedicated Acres 160	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No. DHC-3891
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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

	<p>¹ OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p><i>[Signature]</i> Signature Richard A. Jenkins</p> <p>Printed Name Petr. Engineer</p> <p>Title 10/16/2007</p>
<p style="text-align: center; font-size: 2em;">26</p>	<p>¹ SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p>Signature and Seal of Professional Surveyor:</p> <p>_____ Certificate Number</p>

WELL TEST REPORT

Lease: SARKEYS, S. J.	Field: BLINEBRY OIL & GAS	Reservoir: BLINEBRY
Well: 4	Field Code: U46	Resv Code: 0000004532
	Unique Code: UCU466800	Battery: SJ SARKEY 26
	Wellbore: 427886	API No: 300250679400

Test Date	BOPD	BWPD	MCFPD	Tbg PSI	GOR	% Oil	Comp No.	Status	Remarks	Fluid Level	Fld Lvl Date	BTFPD
	0	0	0				01	PR		5517	9/27/03	
	0	0	0				01	PR		5630	4/3/04	
	0	0	0				01	PR		5558	7/27/05	
	0	0	0				01	PR		5555	10/14/05	
9/20/07	0	0	46		115000	100.0	01	PR		5634	3/14/07	0
8/11/07	1	0	45		90000	100.0	01	PR		5634	3/14/07	1
7/11/07	0	0	45		300000	100.0	01	PR		5634	3/14/07	0
5/8/07	1	2	30		60000	25.0	01	PR		5634	3/14/07	2
4/20/07	1	2	30		60000	20.0	01	PR		5634	3/14/07	3
3/22/07	0	0	54		216000	100.0	01	PR		5634	3/14/07	0
2/26/07	0	0	20		100000	66.7	01	PR		5634	6/14/06	0
12/14/06	0	0	19		63333	100.0	01	PR		5634	6/14/06	0
11/29/06	0	0	18		90000	100.0	01	PR		5634	6/14/06	0
10/25/06	0	0	20		100000	100.0	01	PR		5634	6/14/06	0
7/25/06	0	0	57		228000	49.0	01	PR		5634	6/14/06	1
6/30/06	1	0	53		106000	71.4	01	PR		5634	6/14/06	1

WELL TEST REPORT

Lease: SARKEYS, S. J.		Field:		BLINEBRY OIL & GAS		Reservoir:		BLINEBRY	
Well: 2		Field Code:		U46		Resv Code:		0000004532	
		Unique Code:		UCU466800		Battery:		SJ SARKEY 26	
		Wellbore:		427884		API No:		300250679200	

Test Date	BOPD	BWPD	MCFPD	Tbg PSI	GOR	% Oil	Comp No.	Status	Remarks	Fluid Level	Fld Lvl Date	BTFPD
8/9/07	3	126	101		33667	2.3	99	PR		5225	7/23/07	129
8/8/07	6	180	104		17333	3.2	99	PR		5225	7/23/07	186

Well: **S.J. Sarkey 26 #2**

Reservoir: **Grayburg/Blinebry**

Location:
 660' FNL & 660' FWL
 Section: 26
 Township: 21S
 Range: 37E
 County: Lea, NM.

Elevations:
 GL: 3395'
 DF:
 KB: 8'

Squeeze perfs @ 3650' (8 holes) - 385 sks, returns to surfac but no cmt - 12/14/06

Squeeze perfs @ 4010 (8 holes) - 150 sks, not circulated 12/12/06

This wellbore diagram is based on the most recent information regarding wellbore configuration and equipment that could be found in the Midland Office well files and computer databases as of the update date below. Verify what is in the hole with the well file in the Eunice Field Office. Discuss w/ WEO Engineer, WJ Rep, OS, ALS & FS prior to rigging up on well regarding any hazards or unknown issues pertaining to the well.

CIBP @ 6310' w/ 35' cmt

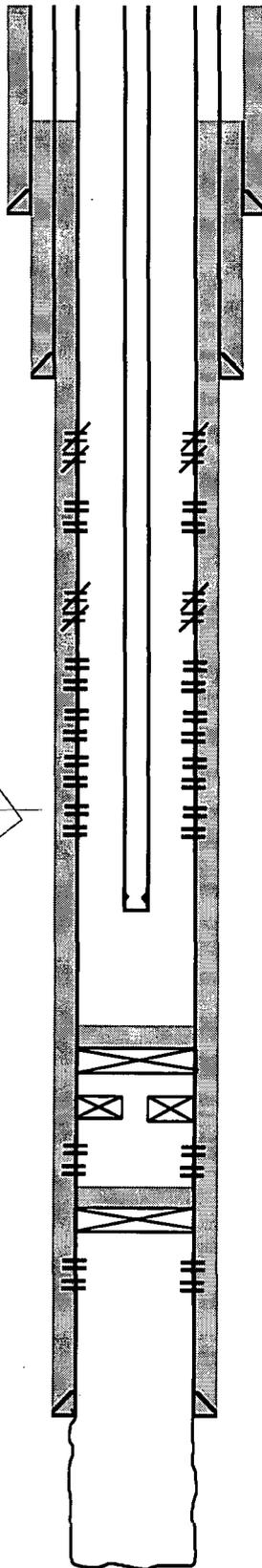
Baker Model D @ 6320'

CIBP @ 6520' w/ 15' cmt

COTD: 3985'
 PBTD: 3985'
 TD: 6603'

Updated: 3/16/2007

Proposed



Well ID Info:
 Refno: FA7889
 API No: 30-025-06792
 L5/L6:
 Spud Date:
 Compl. Date:

Surface Csg: 13-3/8" 36#
Set @: 290' w/ 300 sks
Hole Size: 17-1/4"
Circ: Yes
TOC By: Cir by Calc

Interm Csg: 8-5/8" 32#
Set @: 2799' w/ 1400 sks
Hole Size: 11"
Circ: ?
TOC By: Cir by Calc

Perfs	Status
3674'-3876'	Graybug - Open

Perfs	Status	
5519'-5529'	Blinebry - Open	2 SPF
5532'-5551'	Blinebry - Open	
5554'-5558'	Blinebry - Open	
5742'-5749'	Blinebry - Open	1, 3/8" Jet Shot
5766'-5771'	Blinebry - Open	
5782'-5789'	Blinebry - Open	
5807'-5814'	Blinebry - Open	
5822'	Blinebry - Open	

Perfs	Status
6416'-6480'	Drinkard - Below CIBP

Perfs	Status
6532'-6554'	Drinkard - Below CIBP

Prod Csg: 5-1/2" 17#
Set @: 6559' w/ 500 sks
Hole Size: 7-7/8"
Circ:
TOC By: See notes above

Open Hole: 4-3/4", 6559'-6603'

By: rjdg

