



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



July 1, 2008

Chevron USA, Inc.
Attn: Mr. Casey R. Mobley
11111 S. Wilcrest, Rm S-1037
Houston, TX 77099

Administrative Order NSL-5859

Re: Eunice King Well No. 34
API No. 30-025-
Unit F, Section 28-21S-37E
Lea County

Dear Mr. Mobley:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-15550083**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on June 3, 2008, and

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

Chevron USA, Inc. (Chevron) has requested to drill the above-referenced well at an unorthodox oil well location, 2160 feet from the North line and 2630 feet from the West line (Unit F) of Section 28, Township 21 South, Range 37 East, N.M.P.M., in Lea County, New Mexico. The SE/4 NW/4 of Section 28 will be dedicated to this well in order to form a standard 40-acre oil spacing unit in the Penrose-Skelly Grayburg Pool (50350). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet 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 this location is being requested because Chevron's geologic interpretation indicates that the well can tap into stranded reserves located on the margins of existing spacing units that cannot be effectively drained by wells located at standard locations.



July 1, 2008

Page 2

It is also understood that notice of this application to offsetting operators or owners is unnecessary because of common ownership.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

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 stylized flourish at the end.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs