

ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



*Chevron Midcontinent  
 Lovington Paddock Unit  
 #83*

**ADMINISTRATIVE APPLICATION CHECKLIST**

*5896*

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [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 - Simultaneous Dedication  
 NSL  NSP  SD

Check One Only for [B] or [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

- [D] Other: Specify \_\_\_\_\_

[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 (See Amendments to Lease Line Agreements for Production wells & water injection wells)

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[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

**Note:** Statement must be completed by an individual with managerial and/or supervisory capacity.

Daniel Pequeno  
 Print or Type Name

*[Signature]*  
 Signature

Senior Land Representative  
 Title

July 16, 2008  
 Date

peqd@chevron.com  
 e-mail Address



Daniel Pequeno, CPL/ESA  
Senior Land Representative

MidContinent/Alaska BU  
North American Exploration  
and Production Company  
15 Smith Road, RM-2235  
Midland, Texas 79705  
Tel 432 687 7461  
Fax 432 687 7871  
peqd@chevron.com

July 17, 2008

Mark E. Fesmire, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

**RE: REQUEST FOR ADMINISTRATIVE APPROVAL OF UNORTHODOX  
GAS WELL LOCATION, LEA COUNTY, NEW MEXICO**

Dear Mr. Fesmire,

Chevron U.S.A. Inc. (Chevron) respectfully request administrative approval for an unorthodox gas well location for the following well:

Well: Lovington Paddock Unit Well No. 83 (proposed re-completion as State "R" Well No. 6)  
Location: 1,650' FSL & 2,310' FWL (Unit Letter K)  
Well Unit: NE/4SW/4 of Section 36, Township 16 South, Range 36 East, N.M.P.M.,  
Lea County, New Mexico

The proposed well, if successful, is to be a new producer in the Queen Formation at a depth interval of 3,930-4,050 feet. The completion will be in the Lovington-Queen Gas pool and the proposed location will be closer than 660' to the 160-acre quarter section as required by state regulations. The proposed well will most likely be plugged and abandon if Chevron does not utilize it for the proposed workover in the Queen formation.

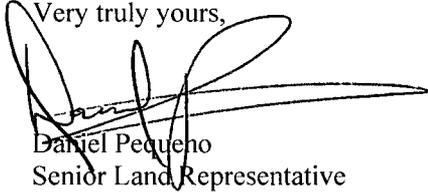
Enclosed for your convenience is the following documentation in support of this application:

- A. Copy of Form C-102 for Well Location and Acreage Dedication plat;
- B. Copy of Notification List for Offset operators, working interest owners & leaseholders;
- C. Exhibit I – Engineering and Geological Justification;
- D. Exhibit II – Plat of the Area & Well Location; and
- E. Copy of Notice Letter dated July 17, 2008 to offset operators, working interest owners, leasehold owners & surface owners;
- F. Original copy of Administrative Application Checklist.

Chevron respectfully requests administrative approval for the unorthodox well location for the proposed Lovington Paddock Unit Well No. 83. as a gas producer.

If you have any technical questions concerning this application, you may call Matthew A. Wasson at (432) 687-7407 the undersigned at (432) 687-7461 for all other questions.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Daniel Pequeno', with a long horizontal stroke extending to the right.

Daniel Pequeno  
Senior Land Representative

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, 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 & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised October 12, 2005  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies  
 AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

<sup>1</sup> API Number 30-025-03792	<sup>2</sup> Pool Code UNDESIGNATED	<sup>3</sup> Pool Name LOVINGTON QUEEN (OIL)
<sup>4</sup> Property Code	<sup>5</sup> Property Name LOVINGTON PADDOCK UNIT	<sup>6</sup> Well Number 83
<sup>7</sup> OGRID No. 241333	<sup>8</sup> Operator Name CHEVRON MIDCONTINENT, L.P.	<sup>9</sup> Elevation

<sup>10</sup> Surface Location

UL or lot no:	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	36	16-S	36-E		1650	SOUTH	2310	WEST	LEA

<sup>11</sup> 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

<sup>12</sup> Dedicated Acres .40	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> 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><sup>16</sup></p>	<p><sup>17</sup> OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Denise Pinkerton</i> 06-19-2008 Signature Date</p> <p>DENISE PINKERTON REGULATORY SPECIALIST Printed Name</p>
	<p><sup>18</sup> SURVEYOR CERTIFICATION</p> <p>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.</p>
	<p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor</p> <p>Certificate Number</p>

**NOTIFICATION LIST**

Application of Chevron U.S.A. Inc. for Administrative Approval of an Unorthodox Gas Well Location:

**State "R" Well No. 6 (Formerly Lovington Paddock Unit Well No. 83)**

1,650' FSL & 2,310' FWL  
Section 36, T-16-S, R-36E, Unit Letter G  
Lea County, New Mexico

**Offset Operators, Working Interest Owners, N/2NE/4 Section 1-T17S-R36E:**

Vanguard Permian LLC  
7700 San Felipe, Suite 485  
Houston, Texas 77063

**Offset Operators, Working Interest Owners, N/2NW/4 Section 1 & NE/4NE/4 Section 2-T17S-R36E:**

Occidental Permian Limited Partnership  
P. O. Box 27570  
Houston, Texas 77227

**Offset Operators, Working Interest Owners, E/2E/2 Section 35-T16S-R36E:**

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

OXY U.S.A. WTP L.P.  
P. O. Box 27570  
Houston, Texas 77227

**Offset Operators, Working Interest Owners, All Section 36-T16S-R36E:**

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

XOG Operating LLC  
P. O. Box 352  
Midland, Texas 79707

Mobil Producing Texas & New Mexico Inc.  
c/o ExxonMobil  
P. O. Box 4707  
Houston, Texas 77210

**Surface Owners for Sections 1 & 35, T17S-R36E & 36-T16S-R36E:**

City of Lovington  
Attn.: City Manager  
214 South Love  
Lovington, New Mexico 88260

State of New Mexico  
Commissioner of Public Lands  
P. O. Box 1148  
Santa Fe, New Mexico 87504-1148

## EXHIBIT 1

### ENGINEERING AND GEOLOGICAL JUSTIFICATION

Application of Chevron U.S.A., Inc. for Administrative Approval of an Unorthodox Gas Well Location:

**Lovington Paddock Unit Well #83 (Proposed re-completion as State "R" Well No. 6)**

1650' FSL & 2310 FWL

Section 36, T16S, R36E, Unit Letter K

Lea County, New Mexico

**PRIMARY OBJECTIVE: QUEEN**

**SUPPORTING DATA:**

1. Chevron U.S.A., Inc. (Chevron) is the operator of the existing well the Lovington Paddock Unit #83 (proposed as State "R" #6). The proposed new completion interval is at a depth of 3930-4050', which is within the Queen Formation.
2. The completion will be in the Lovington-Queen Gas pool and the proposed location will be closer than 660' to the 160-acre quarter section line as required by state regulations.
3. Other wells producing the Queen in the area are below, none of these wells are operated by Chevron:

Well	API #	Location	Cumulative Production		Current Production		Status
			MMCF	MBW	MCFPD	BWPD	
State E Tract 17 #5	30025038380000	Sec 1, T17S, R36E	1,436	156	120	0	Active
State AL COM #1	30025204460000	Sec 14, T17S, R36E	2,164	0	-	-	Inactive
State BL #1	30025254160000	Sec 11, T17S, R36E	166	7.5	-	-	Inactive
State E Tract 18 #17	30025038420000	Sec 1, T17S, R36E	0	0	-	-	Inactive

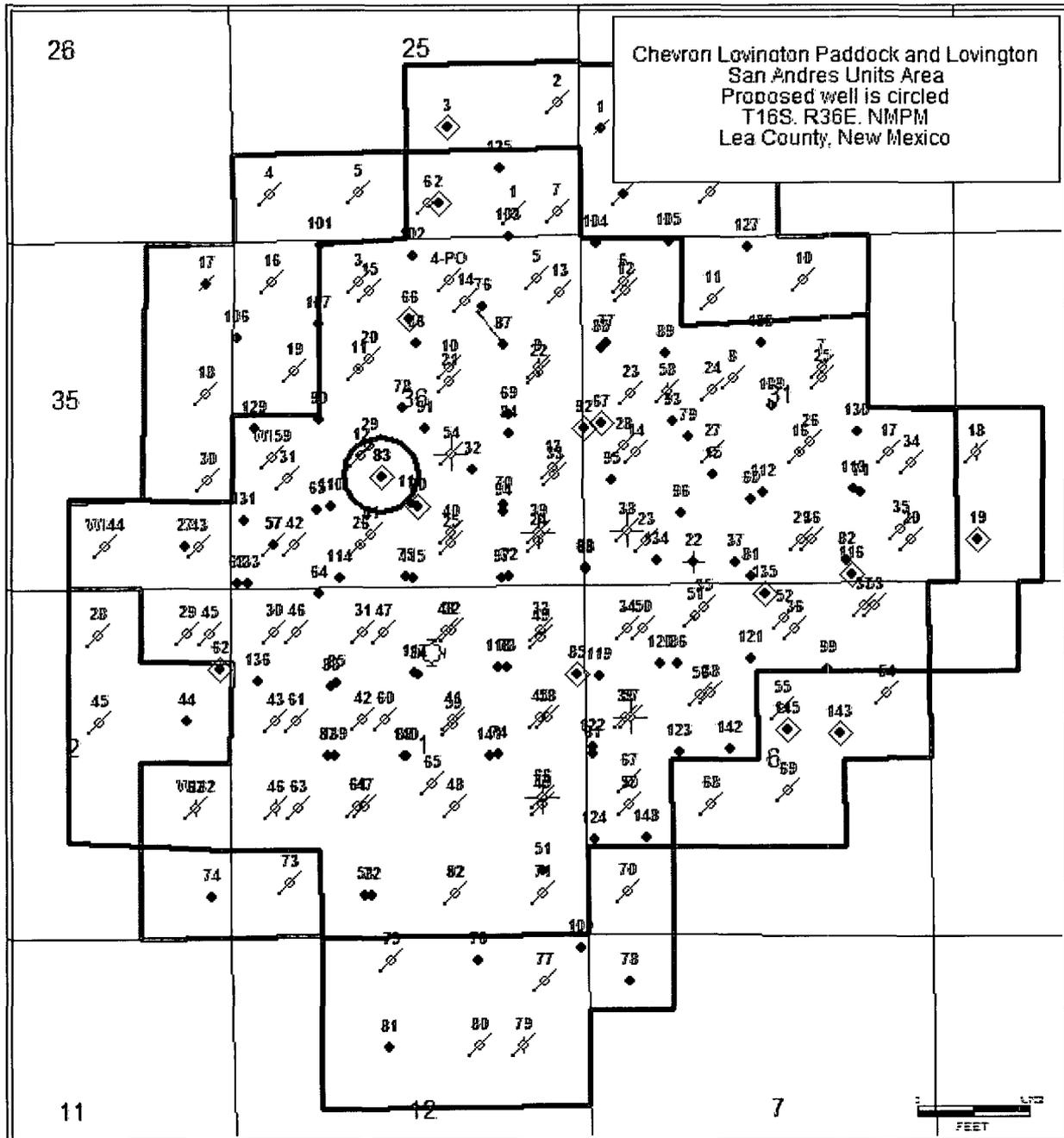
4. The application for the unorthodox Queen location for the proposed **State R #6** well is based primarily on wellbore utilization and land issues:
  - a. Queen Reservoir

The Queen reservoir is a series of alternating intertidal to supratidal dolomites with supratidal sabkha sands. Our main target with this test well will be the productive horizons of the upper Queen in the Lovington area that are producing

out of the supratidal sabkha sands. Porosity in the pay interval ranges from 9-14% with permeability of 50-100 mD.

- b. The subject unit well has been Temporarily Abandoned since 2004. There are no current or future plans to reactivate the well for use in the Lovington Paddock Unit or to utilize the existing wellbore for the Lovington San Andres Unit, which overlies the Lovington Paddock Unit.
- c. Geologic analyses of the other formations overlying the San Andres show the Queen to be the only prospective zone.
- d. The subject unit well will most likely be plugged and abandoned if we do not utilize it for the proposed workover to the Queen formation.
- e. The subject well exists in an area of the field where Chevron has productive rights to the Queen formation. Furthermore, Chevron's Queen lease holdings in the area are concentrated around the subject well. Exhibit II shows the location of the subject unit well and the outlines of Chevron's Lovington Paddock and Lovington San Andres Units.
- f. Engineering analyses show the subject well to have good cement up to 3000' on the production casing, which will yield better chances for a successful completion and isolation from the overlying and underlying formations.

# EXHIBIT II





Daniel Pequeno, CPL/ESA  
Land Representative

MidContinent/Alaska BU  
North American Exploration  
and Production Company  
15 Smith Road, RM-2235  
Midland, Texas 79705  
Tel 432 687 7461  
Fax 432 687 7871  
peqd@chevron.com

July 17, 2008

**RE: APPLICATION FOR ADMINISTRATIVE APPROVAL  
OF AN UNORTHODOX GAS WELL LOCATION  
LEA COUNTY, NEW MEXICO (CHEVRON FILE NO. QLS-090469)**

Attention: Offset Operators and Surface Owners (See attached list)

Ladies and Gentlemen:

For your information as an offset operator and surface owner, Chevron U.S.A., Inc. hereby gives notice of their intent to file an Application for Administrative Approval of an Unorthodox Gas Well Location in Lea County, New Mexico with the State of New Mexico, Commissioner of Public Lands and the New Mexico Oil Conservation Division.

Attached is a copy of the application which is being filed simultaneously with this notification. Exhibit "II" & the Well Location and Acreage Dedication Plat is the map and land description for the State "R" Well No. 6 in relation to your offset operations. If you have any objections to this application, your objection must be filed in writing with the Santa Fe Office of the Oil Conservation Division located at 1220 South Saint Frances Drive, Santa Fe, New Mexico 87505 within 15 days of the date of this letter. If there is no objection, the Commissioner of Public Lands and the Division Director may approve this application.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel Pequeno", written over a horizontal line.

Daniel Pequeno

Enclosure