

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



October 22, 2008
Administrative Order NSL-5906

Chevron U.S.A. Inc.
11111 S. Wilcrest, Rm S-1037
Houston, TX 77099

Chevron's NSL Application: C.L. Hardy Well No. 10

1310' FSL & 330' FWL, SW/4 SW/4 of S-20, T-21 S, R-37 E, Unit M, NMPM,
Lea County, New Mexico
Penrose Skelly; Grayburg Pool (50350)

Reference is made to the following:

- (a) Your initial application (*administrative application reference No. pKVR0822640251*) submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on August 13, 2008. On August 26, 2008 OCD asked you notice offset operators and that was done on September 23, 2008 Six Aches Co. objected October 8, 2008 and on October 9, 2008 they withdrew their objection, and
- (b) the Division's records pertinent to this request.

Chevron U.S.A. Inc. (Chevron) has requested authority to drill and complete its C.L. Hardy Well No. 10 at an unorthodox Penrose Skelly; Grayburg oil well, 1310' FSL & 330' FWL, Unit M, S-20 T-21 S, R-37 E, Lea County, New Mexico. The SW/4 SW/4 of Section 20 will be simultaneously dedicated to the proposed well and to the C.L. Hardy Well No.4, pursuant to Statewide Rule 104.B(1). There are eight wells that have produced from the Grayburg formation in the SW/4 of Section 20. The Penrose Skelly; Grayburg Pool (50350) is an oil pool spaced on 40 acres and is a continuation of Chevron's 6 year infill drilling program. The proposed well is located 330 feet off the lease line.

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



It is also our understanding that Chevron (OGRID 4323) is seeking this non-standard location at the Bureau of Land Management's request due to sand dunes.

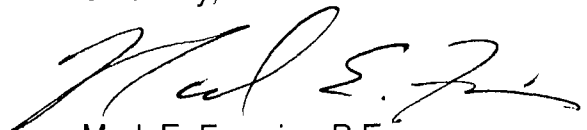
It is also understood that notice of this application to offsetting operators or owners is unnecessary because COG owns 100% of the working interest in the proposed unit and in the offsetting unit towards which this location encroaches.

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

This approval is subject to your being in compliance with all the 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', is written over a horizontal line.

Mark E. Fesmire, P.E.
Division Director

MEF/tw

cc: New Mexico Oil Conservation Division – Hobbs