

ABOVE THIS LINE FOR DIVISION USE ONLY

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



Cherwon USA, Inc  
C.L. Hardy #10  
5906  
5906

**ADMINISTRATIVE APPLICATION CHECKLIST**

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

[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.

Casey R. Mobley  
Print or Type Name

Signature

Project Manager / Geologist  
Title

8/08/2008  
Date

Casey.Mobley@chevron.com  
e-mail Address



Casey R. Mobley  
Project Manager / Geologist

North America Upstream  
Midcontinent Business Unit  
11111 S. Wilcrest, Rm S-1037  
Houston, Texas 77099  
Tel (281) 561-4830  
Fax (281) 561-3576  
Casey.Mobley@chevron.com

August 8, 2008

Request for Administrative Approval of  
Unorthodox Oil Well Location

Mr. Mark E. Fesmire  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Chevron respectfully requests administrative approval of an unorthodox oil well location for the following well:

**C.L. Hardy #10**  
1310' FSL & 330' FWL, SW/4 SW/4 of  
Section 20, T21S, R37E, Unit Letter M  
Lea County, New Mexico

The proposed well will be an infill producer in the Penrose Skelly, Grayburg Pool [Pool Code 50350], which is an oil pool spaced on 40 acres. This well is a continuation of our 6 year infill drilling in the same Pool. Chevron's technical analysis of the reservoir still supports the contention that typical Grayburg wells cannot drain 40 acres.

The SW/4 SW/4 of Section 20 will be simultaneously dedicated in the Penrose Skelly, Grayburg Pool to the proposed well and to the C.L. Hardy #4, pursuant to Statewide Rule 104.B(1). The C.L. Hardy #4 was drilled in 1959 and was re-completed as a Penrose Skelly, Grayburg producer in 2003.

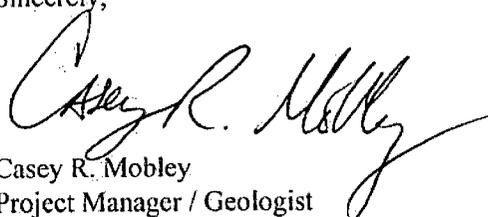
This application is based on geological and engineering analysis. The analysis and justification for this request is attached as Exhibit 1, along with other supporting documentation. There are eight wells that have produced the Grayburg formation in the SW/4 of Section 20. The proposed well will be located in the approximate western center point of those wells and 330' off the lease line. Based on drainage calculations, Chevron believes that drilling the infill well will recover reserves that would not be recovered by existing Grayburg producers.

A land plat highlighting the proposed well's location is attached as Exhibit 2. The SW/4 of Section 20 is covered by a single fee lease and has common royalty and working interest ownerships. For that reason and the proposed location of the infill well, there are no adversely affected interest owners and no one has been notified of this application.

August 8, 2008  
Page 2

If you have any questions concerning this application or need additional information, please contact me by phone at (281) 561-4830 or by email at [Casey.Mobley@chevron.com](mailto:Casey.Mobley@chevron.com). If I am not available, you can also reach Meilin Du by phone at (281) 561-3654 or by email at [meilin.du@chevron.com](mailto:meilin.du@chevron.com). Thank you for consideration of this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Casey R. Mobley". The signature is written in a cursive style with a large, sweeping initial 'C'.

Casey R. Mobley  
Project Manager / Geologist

Attachments

cc: NMOCD District I – Hobbs, NM  
Ed Van Rect  
Meilin Du  
Well File

**NOTIFICATION LIST**

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

**C.L. Hardy #10**  
1310' FSL & 330' FWL  
Section 20, T21S, R37E, Unit Letter M  
Lea County, New Mexico

**Offset Operators, Working Interest Owners, SW/4 Section 20:**

1. Chevron U.S.A. Inc. Operator/100% WI  
11111 S. Wilcrest  
Houston, TX 77099

## EXHIBIT 1

### ENGINEERING AND GEOLOGICAL JUSTIFICATION

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

**C.L. Hardy #10**

1310' FSL & 330' FWL

Section 20, T21S, R37E, Unit Letter M

Lea County, New Mexico

**PRIMARY OBJECTIVE: GRAYBURG**

**SUPPORTING DATA:**

1. Chevron U.S.A. Inc. (Chevron) is the operator of the proposed C.L. Hardy #10 well (Exhibit 3). The proposed total depth is 4300' in the top of the San Andres formation.
2. The completion will be in the Penrose Skelly, Grayburg Oil Pool and the proposed location encroaches toward the following wells (Exhibit 4).

Operator	Well	API #	Location	Formation	Cum-Prod		Current Prod		Status
					MBO	MMCF	BOPD	MCFPD	
Chevron	C L Hardy #1	30025066840000	20N 21S 37E	Grayburg	42	0	0	0	Inactive
Chevron	C L Hardy #2	30025066850003	20N 21S 37E	Grayburg	8	439	1	186	Oil
Chevron	C L Hardy #3	30025066860005	20K 21S 37E	Grayburg	21	487	4	156	Oil
Chevron	C L Hardy #5	30025067050004	20L 21S 37E	Grayburg	16	421	4	151	Oil
Chevron	C L Hardy #4	30025066870002	20M 21S 37E	Grayburg	8	358	5	154	Oil
Chevron	C L Hardy #6	30025367400000	20K 21S 37E	Grayburg	16	258	7	136	Oil
Chevron	C L Hardy #7	30025378330000	20L 21S 37E	Grayburg	8	167	11	221	Oil
Chevron	C L Hardy #8	30025383380000	20N 21S 37E	Grayburg	6	95	11	269	Oil

3. The proposed C.L. Hardy #10 unorthodox Grayburg location is based primarily on drainage considerations:
  - a. Grayburg Reservoir

The Grayburg is a series of alternating subtidal and supratidal dolomites with the subtidal rock having porosity and hydrocarbons while the supratidal rock is tight. The Grayburg depositional environments varied rapidly so that many porous and tight intervals are not continuous from well to well on 40-acre spacing. Tight dolomite and/or anhydrite intervals within the Grayburg create vertical and horizontal flow barriers between different zones of porosity. Additionally, average porosity of the Grayburg is less than 10%, and the average permeability is less than 1

millidarcy. For all of these reasons, Grayburg wells are not usually capable of draining a 40-acre proration unit.

The reservoir was also analyzed by mapping the Hydrocarbon Pore Volume (HCPV) (Exhibit 5). HCPV is the product of feet of net pay (h) times average porosity ( $\phi$ ) times oil saturation ( $S_o$ ). The attached map is the arithmetic product of grids interpreted from those values. The values were obtained as follows:

1. Net pay was read from either modern neutron-density logs or estimated from a map developed from gross pay times net-to-gross ratio (Exhibit 4).
2. Average porosity was calculated from modern well logs using a minimum of 6% crossplot porosity and a maximum of 20%.
3. Oil saturation was calculated from a fractional flow curve using representative water cut values.

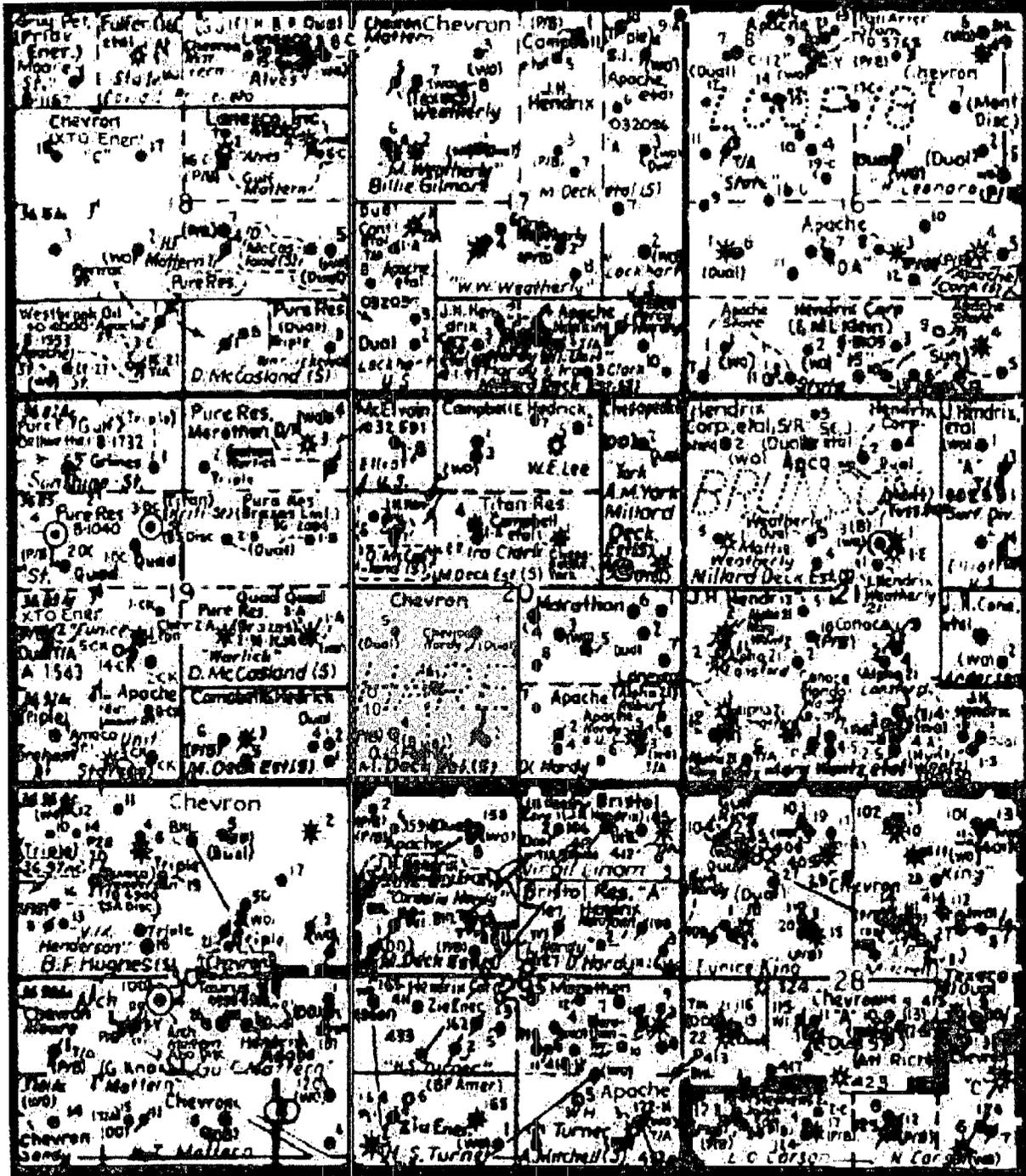
The following table provides drainage areas calculated from the HCPV map and reserves of the offsetting wells.

Operator	Well	API #	Location	Formation	Drainage Acres	EUR	
						MBO	MMCF
Chevron	C L Hardy #1	30025066840000	20N 21S 37E	Grayburg	6	42	0
Chevron	C L Hardy #2	30025066850003	20N 21S 37E	Grayburg	1	9	684
Chevron	C L Hardy #3	30025066860005	20K 21S 37E	Grayburg	3	23	579
Chevron	C L Hardy #4	30025067050004	20M 21S 37E	Grayburg	2	13	494
Chevron	C L Hardy #5	30025066870002	20L 21S 37E	Grayburg	3	20	847
Chevron	C L Hardy #6	30025367400000	20K 21S 37E	Grayburg	4	26	416
Chevron	C L Hardy #7	30025378330000	20L 21S 37E	Grayburg	3	18	324
Chevron	C L Hardy #8	30025383380000	20N 21S 37E	Grayburg	3	22	483

As seen above, the average drainage area of the offsetting locations is only 4 acres, and additional reserves can be recovered by drilling the proposed infill well at an approximate equidistant location from the existing offsetting producers. Reserves for the proposed location were calculated using the HCPV map, a 6 acre drainage area, and a 15% recovery factor. The results are as follows:

Operator	Well	Location	HCPV	Drainage Acres	EUR	
					MBO	MMCF
Chevron	C L Hardy #10	20-M	14.1	3	22	478

4. The SW/4 of Section 20 is covered by a single fee lease which has common royalty and working interest ownerships. Chevron is the operator and 100% working interest owner of the Grayburg wells toward which the proposed well will encroach. Therefore, there are no offset interest owners or adversely affected parties to notify of this application.
5. The proposed C.L. Hardy #10 will share a 40-acre proration unit and will be simultaneously dedicated with the C.L. Hardy #4, pursuant to Statewide Rule 104.B(1), as a Penrose Skelly, Grayburg producer in Section 20, Unit Letter K.
6. Approval of this application will allow for the recovery of oil and gas reserves which would not otherwise be recovered.



**Chevron USA Inc.**

C. L. Hardy #4  
 660 FSL & 660 FWL, Unit M  
 C. L. Hardy #10 (proposed)  
 1310 FSL & 330 FWL, Unit M

Section 20, T21S-R37E  
 Lea County, New Mexico

C. L. Hardy Lease

40 Acre Proration Unit

Scale: 1"=2000' Approx.

State of New Mexico

DISTRICT I  
1625 N. FRENCH DR., HOBBS, NM 88240

Energy, Minerals and Natural Resources Department

Form C-102

DISTRICT II  
1301 W. GRAND AVENUE, ARTESIA, NM 88210

OIL CONSERVATION DIVISION  
1220 SOUTH ST. FRANCIS DR.  
Santa Fe, New Mexico 87505

Revised October 12, 2005  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

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

DISTRICT IV  
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name C.L. HARDY	Well Number 10
OGRID No.	Operator Name CHEVRON USA INC.	Elevation 3495'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	20	21-S	37-E		1310	SOUTH	330	WEST	LEA

Bottom Hole Location If Different From Surface

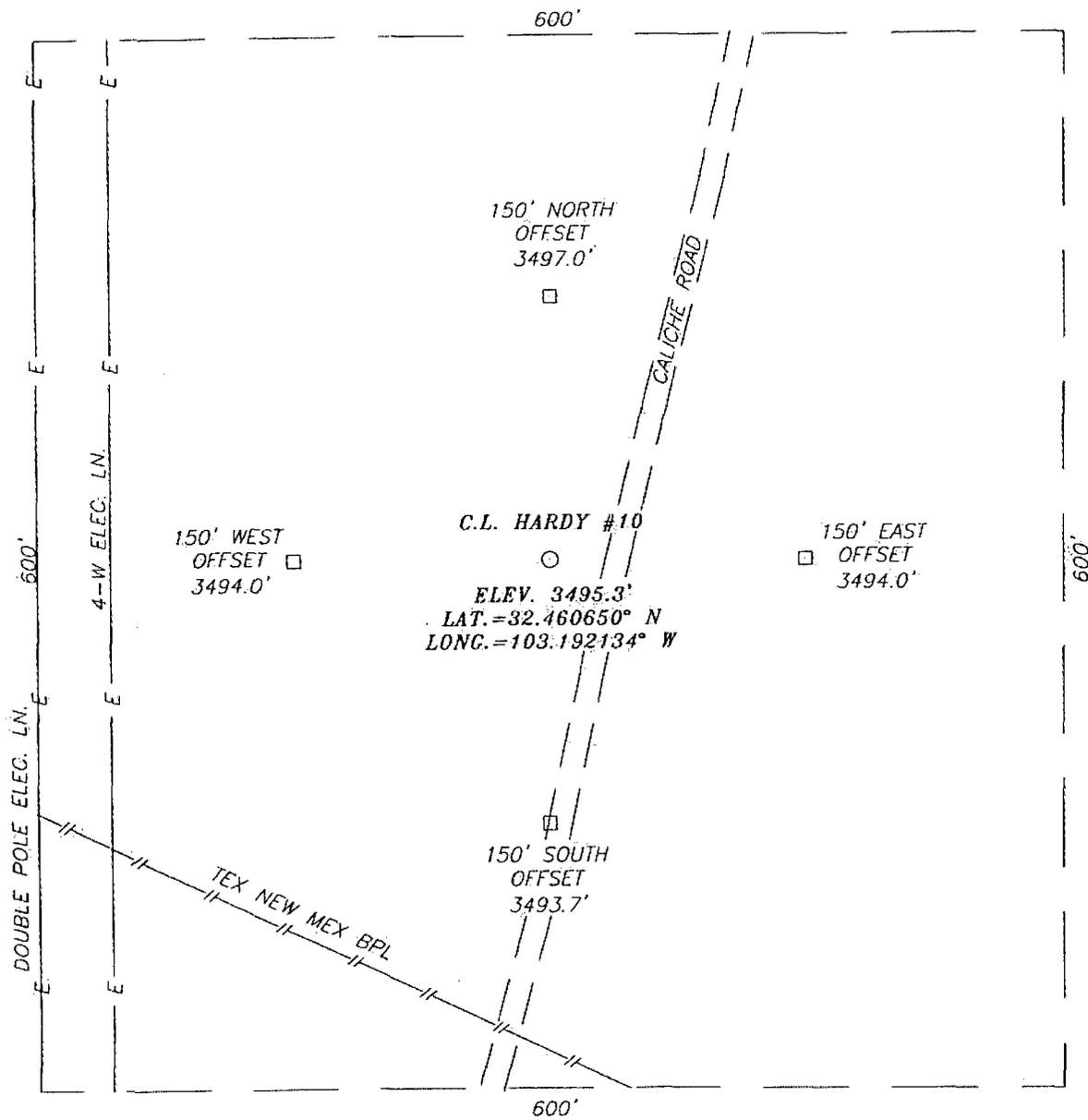
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

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

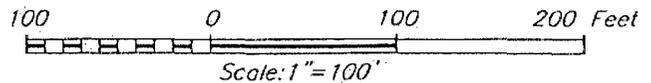
<p>330'</p> <p>1310'</p> <p>GEODETIC COORDINATES NAD 27 NME Y=533179.4 N X=851995.7 E LAT.=32.460650' N LONG.=103.192134' W</p>	<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p>
	<p><b>SURVEYOR CERTIFICATION</b></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 Surveyed: 10/18/08</p> <p>Signature &amp; Seal of Professional Surveyor: </p> <p>Certificate No. RONALD EIDSON 3239</p>

SECTION 20, TOWNSHIP 21 SOUTH, RANGE 37 EAST, N.M.P.M.,  
LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM INTERSECTION ST. HWY. #8 AND CO. RD. #E33 (TURNER), GO NORTH ON CO. RD. #E33 APPROX. 1.15 MILES. TURN LEFT AND GO WEST APPROX. 1.0 MILES. VEER RIGHT AND GO NORTH APPROX. 0.1 MILE. THIS LOCATION IS APPROX. 50 FEET LEFT.



CHEVRON USA INC.

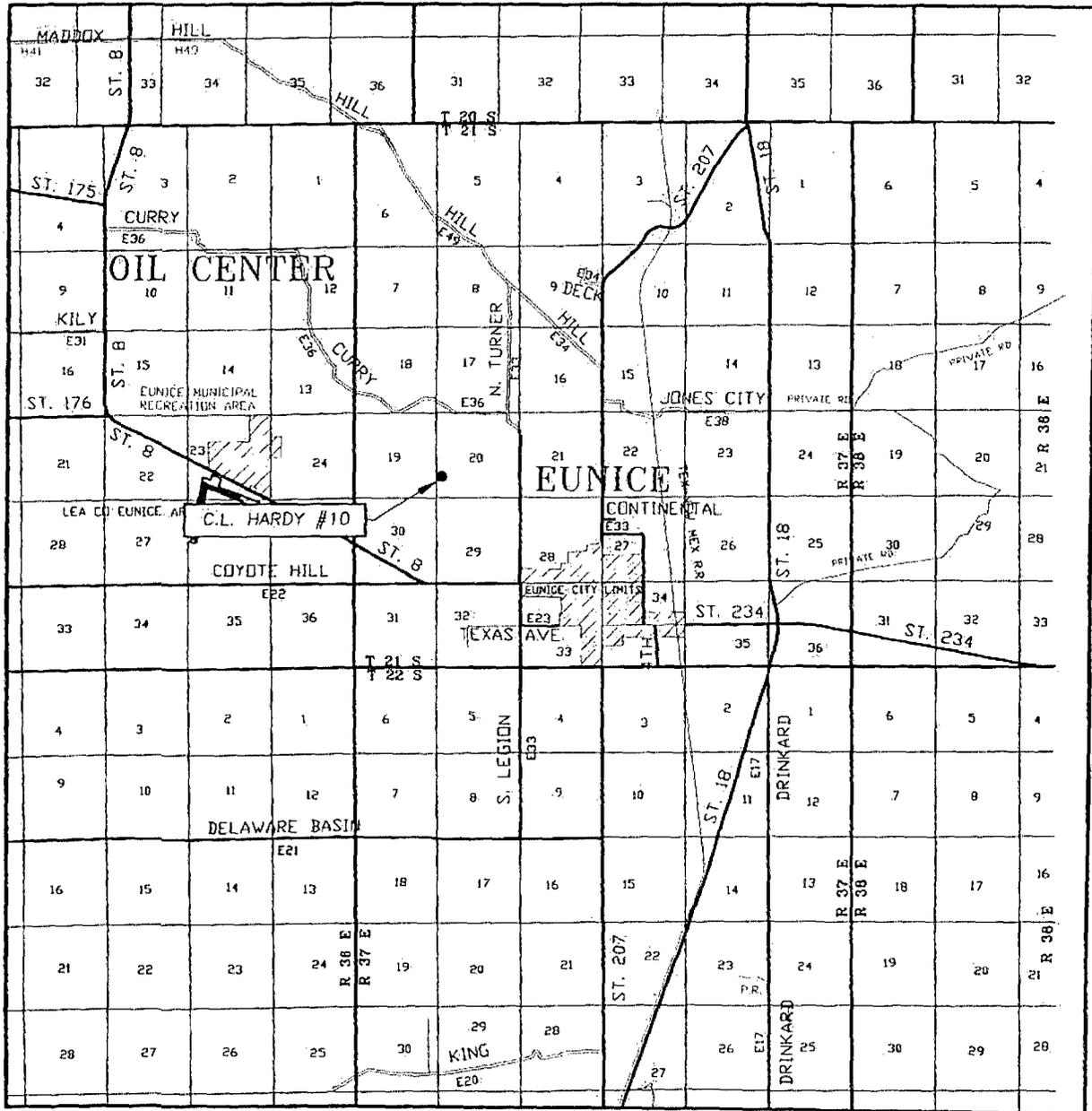
C.L. HARDY #10 WELL  
LOCATED 1310 FEET FROM THE SOUTH LINE  
AND 330 FEET FROM THE WEST LINE OF SECTION 20,  
TOWNSHIP 21 SOUTH, RANGE 37 EAST, N.M.P.M.,  
LEA COUNTY, NEW MEXICO.



PROVIDING SURVEYING SERVICES  
SINCE 1946.  
**JOHN WEST SURVEYING COMPANY**  
412 N. DAL PASO  
HOBBS, N.M. 88240  
(505) 393-3117

Survey Date: 7/18/08	Sheet 1 of 1 Sheets
W.O. Number: 08.11.1151	Dr. By: LA
Date: 7/29/08	08111151
	Scale: 1" = 100'

# VICINITY MAP



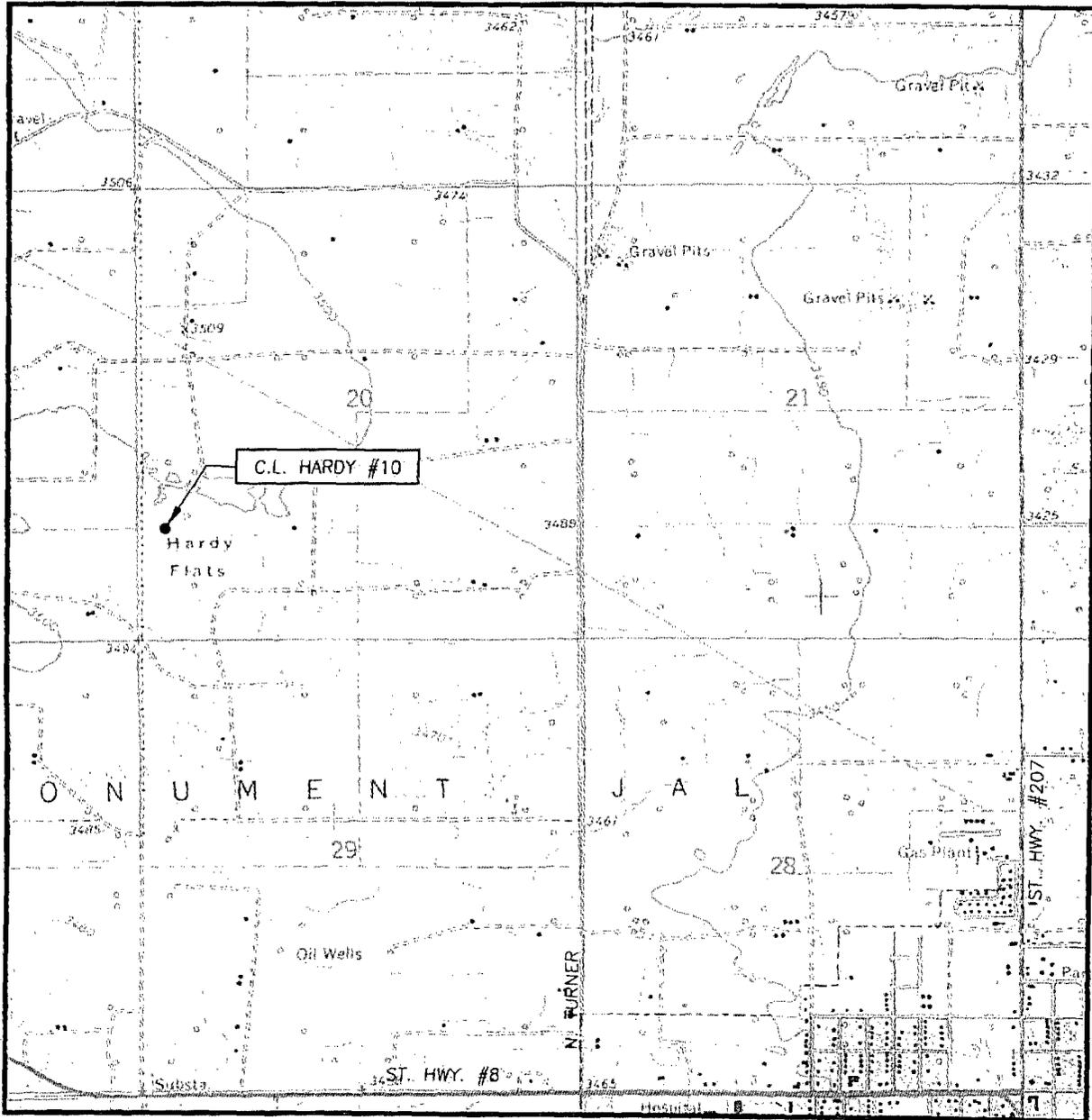
SCALE: 1" = 2 MILES

SEC. 20 TWP. 21-S RGE. 37-E  
 SURVEY N.M.P.M.  
 COUNTY LEA STATE NEW MEXICO  
 DESCRIPTION 1310' FSL & 330' FWL  
 ELEVATION 3495'  
 OPERATOR CHEVRON U.S.A. INC.  
 LEASE C.L. HARDY



PROVIDING SURVEYING SERVICES  
 SINCE 1946  
**JOHN WEST SURVEYING COMPANY**  
 412 N. DAL PASO  
 HOBBS, N.M. 88240  
 (505) 393-3117

# LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:  
EUNICE, N.M. - 10'

SEC. 20 TWP. 21-S RGE. 37-E

SURVEY \_\_\_\_\_ N.M.P.M. \_\_\_\_\_

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 1310' FSL & 330' FWL

ELEVATION 3495'

OPERATOR CHEVRON USA INC.

LEASE C.L. HARDY

U.S.G.S. TOPOGRAPHIC MAP

EUNICE, N.M.

PROVIDING SURVEYING SERVICES  
SINCE 1946  
**JOHN WEST SURVEYING COMPANY**  
412 N. DAL PASO  
HOBBS, N.M. 88240  
(505) 393-3117

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

State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
Revised June 10, 2003

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

OIL CONSERVATION DIVISION

Submit to District Office

Exhibit 3.1

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

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

AMENDED REPORT

District IV  
1220 South St. Francis Dr., Santa Fe, NM  
87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number		<sup>2</sup> Pool Code 50360		<sup>3</sup> Pool Name Penrose Skelly; Grayburg	
<sup>4</sup> Property Code		<sup>5</sup> Property Name C L Hardy			<sup>6</sup> Well Number 10
<sup>7</sup> OGRID No. 4323		<sup>8</sup> Operator Name Chevron U.S.A., Inc.			<sup>9</sup> Elevation 3495'

<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
M	20	21S	37E		1310	South	330	West	Lea

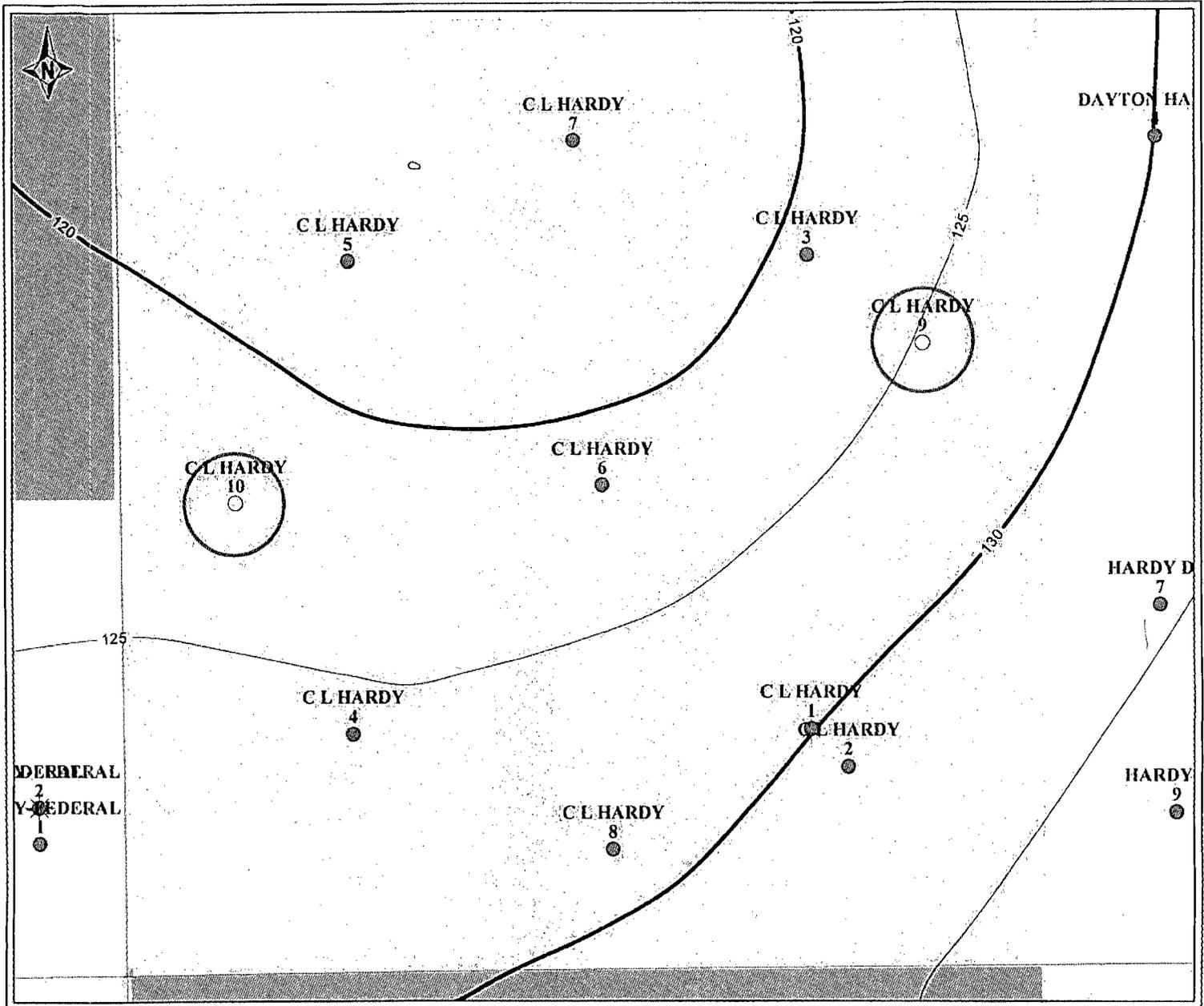
<sup>11</sup> Bottom Hole Location If Different From Surface

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></p> <p><b>OPERATOR CERTIFICATION</b></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></p> <p>Signature <u>Casey R. Mobley</u></p> <p>Printed Name <u>Geologist</u></p> <p>Title <u>August 8, 2008</u></p>



PETRA 9/7/2008 11:37:54 AM



**Chevron U.S.A. Inc.**

**EXHIBIT 4**

**PENROSE-SKELLY FIELD C.L. HARDY #10**

Sec 20, T21S-R37E, Lea Co., New Mexico

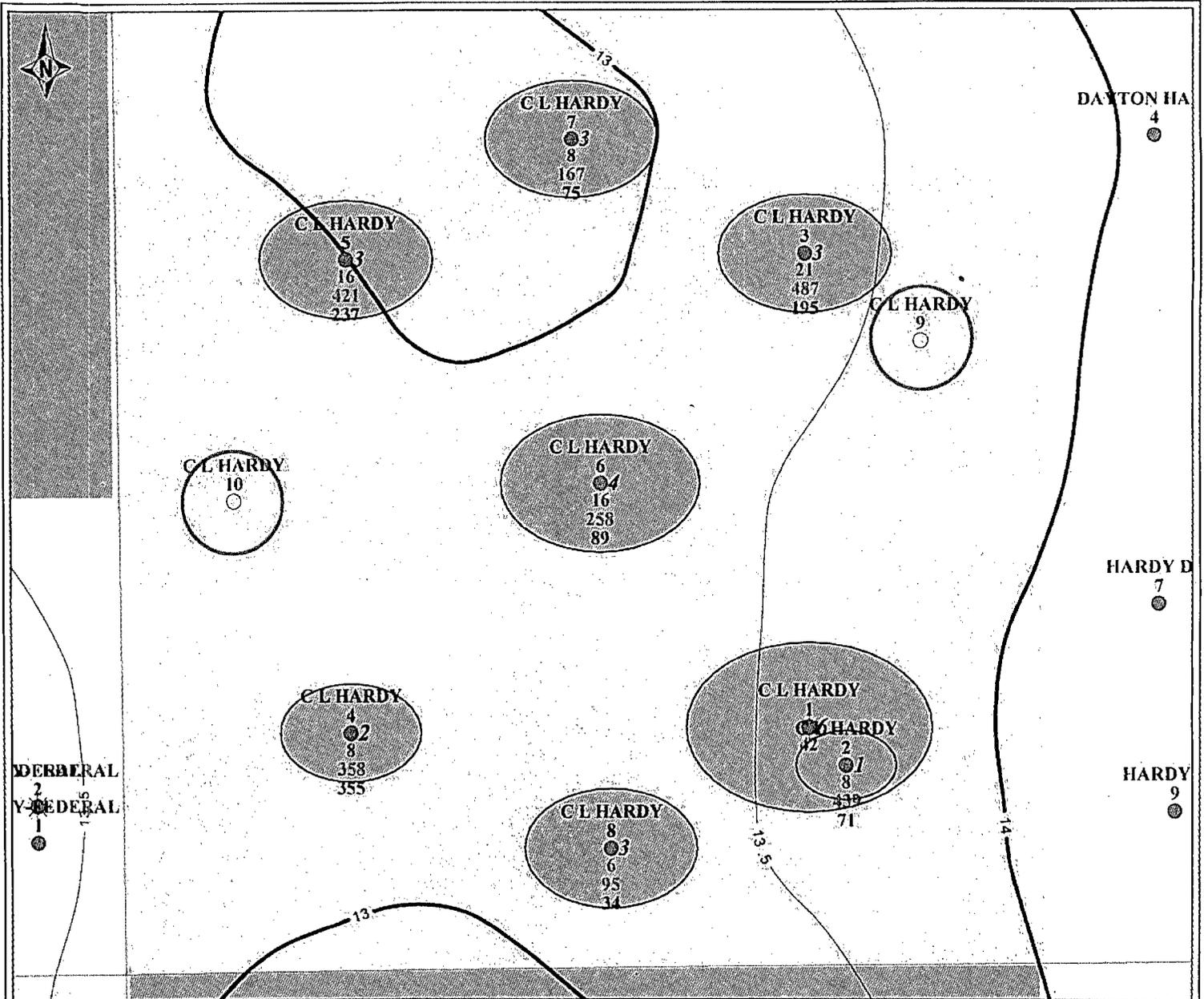
Grayburg Net Pay CI=5' [GR<40, Por>6%]

**POSTED WELL DATA**

Well Name  
Well Number



August 7, 2008



PETRA 8/7/2008 11:31:40 AM



**Chevron U.S.A. Inc.**

**EXHIBIT 5**

**PENROSE-SKELLY FIELD C.L. HARDY #10**

Sec 20, T21S-R37E, Lea Co., New Mexico

Grayburg HCPV CI=0.5 & EUR - Drainage

**POSTED WELL DATA**

Well Name  
Well Number

⊗ GRBG Drained Area

Grayburg Cum Oil Prod (MBO)  
Grayburg Cum Gas Prod (MMCF)  
Grayburg Cum Water Prod (MBO)



August 7, 2008

**Brooks, David K., EMNRD**

---

**From:** Brooks, David K., EMNRD  
**Sent:** Wednesday, September 17, 2008 8:39 AM  
**To:** 'Casey.Mobley@chevron.com'  
**Subject:** C.L. Hardy #10 NSL application

Dear Mr. Mobley

I received the NSL applications for the Eunice King, and for the CL Hardy No. 9 and 10 at the same time.

The CL Hardy #9 is at a standard location, and accordingly that application was cancelled. Both the Eunice King and CL Hardy #10 had diagonal notice issues, as I recall. On the Eunice King, I received additional proof of notice, and that application will be ripe tomorrow, 9/18, when the 20-day period has expired for the new notice.

On the CL Hardy #10, however, I am not finding either a supplemental proof of notice, or other title information to indicate that supplemental notice would be unnecessary. I will need this by September 26. Otherwise, I will assume you are not proceeding with this application at this time, and will close the file.

Sincerely

David K. Brooks  
Legal Examiner  
505-476-3450

**Brooks, David K., EMNRD**

---

**From:** Mobley, Casey R. [Casey.Mobley@chevron.com]  
**Sent:** Monday, September 22, 2008 5:36 AM  
**To:** Brooks, David K., EMNRD  
**Cc:** Baca, James (JMEB)  
**Subject:** RE: C.L. Hardy #10 NSL application

David,

Thank you for notifying me on the status of the below-mentioned NSL applications. My land representative and I will work to provide the appropriate information for the C.L. Hardy #10 well location as soon as possible. My apologies for responding so late to your email; we have been out of the office due to Hurricane Ike since Sept. 11. We will get you the necessary paperwork ASAP.

Thanks again,

Casey

**Casey R. Mobley**  
Geologist

New Mexico Asset Development  
MidContinent SBU  
Chevron North American Exploration and Production  
11111 S. Wilcrest Dr., S1037  
Houston, TX 77099  
(281) 561-4830

---

**From:** Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]  
**Sent:** Wednesday, September 17, 2008 10:39 AM  
**To:** Mobley, Casey R.  
**Subject:** C.L. Hardy #10 NSL application

Dear Mr. Mobley

I received the NSL applications for the Eunice King, and for the CL Hardy No. 9 and 10 at the same time.

The CL Hardy #9 is at a standard location, and accordingly that application was cancelled. Both the Eunice King and CL Hardy #10 had diagonal notice issues, as I recall. On the Eunice King, I received additional proof of notice, and that application will be ripe tomorrow, 9/18, when the 20-day period has expired for the new notice.

On the CL Hardy #10, however, I am not finding either a supplemental proof of notice, or other title information to indicate that supplemental notice would be unnecessary. I will need this by September 26. Otherwise, I will assume you are not proceeding with this application at this time, and will close the file.

Sincerely

David K. Brooks

9/22/2008

Legal Examiner  
505-476-3450

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**Brooks, David K., EMNRD**

---

**From:** Baca, James (JMEB) [JMEB@chevron.com]  
**Sent:** Tuesday, September 23, 2008 11:53 AM  
**To:** Brooks, David K., EMNRD  
**Cc:** Mobley, Casey R.; Du, Meilin; Morris, Thomas D (ThomasMorris); Beckham, Denise (DKBE); Howell, Mike (MAHO)  
**Subject:** FW: NSL Application, CL Hardy #10; Offset Operator Notice; NE1/4SE1/4 Sec. 19,T-21-S, R-37-E, Lea County, NM  
**Attachments:** hlhardy#10.tif

Dear Mr. Brooks;

Per your request, attached is our 20 day offset operator notice packet to working interest owners in the NE1/4SE1/4 of captioned Section 19 in connection with our pending application to drill the C. L. Hardy #10 well. The notice was sent today (Sept 23, 2008) to the affected working interest owners. I have attached a copy of the packet for your information. A hard copy packet was sent today to Mr. Fesmire at the OCD. Thanks again for your assistance in this regard.

James E. Baca, CPL  
Staff Land Representative  
Midcontinent Alaska  
Chevron North America  
Exploration and Production Company  
New Mexico Asset Development  
11111 S. Wilcrest, Room S-1212-A  
Houston, Texas 77099  
Tel 281 561 3605  
Fax 866 887 5130  
jmeb@chevron.com

---

**From:** Mobley, Casey R.  
**Sent:** Tuesday, August 26, 2008 2:43 PM  
**To:** Baca, James (JMEB)  
**Subject:** FW: NSL Application, CL Hardy #10

FYI

**Casey R. Mobley**  
Geologist

New Mexico Asset Development  
MidContinent SBU  
Chevron North American Exploration and Production  
11111 S. Wilcrest Dr., S1037  
Houston, TX 77099  
(281) 561-4830

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**From:** Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]  
**Sent:** Tuesday, August 26, 2008 12:41 PM

9/25/2008

**To:** Mobley, Casey R.  
**Subject:** RE: NSL Application, CL Hardy #10

Dear Mr. Mobley

I apologize for taking so long to review these applications, after I promised to expedite them.

Unfortunately there is a problem. Applying OCD's definition of "adjoining spacing units" [Rule 7.A(3)], the proposed location encroaches not only toward the NW SW of Section 20 (which you have told us has common ownership with the SW SW), but also towards the NE SE of Section 19, for which you have furnished no ownership information. This encroachment exists because the diagonal distance from the proposed location to the common unit corner is less than would be the case if the well were located at the closed standard location.

Accordingly, in order to process this application, we will require ownership information for the NE SE of 19, and, if ownership is not common, either notice to, or waivers from, the working interest owners in that unit.

Sincerely

David K. Brooks  
Legal Examiner  
505-476-3450

---

**From:** Mobley, Casey R. [mailto:Casey.Mobley@chevron.com]  
**Sent:** Thursday, August 07, 2008 1:11 PM  
**To:** Brooks, David K., EMNRD  
**Subject:** NSL Application, CL Hardy #10

David,

Here is one of the nonstandard location applications that we discussed on the phone for your review. Thanks again for your willingness to accomodate our shortened timeline. Please don't hesitate to call or email if you have any questions, concerns, or comments.

Sincerely,

Casey

<<CL Hardy #10\_NMOCD\_NSL Application Packet.pdf>>

**Casey R. Mobley**  
Geologist

New Mexico Asset Development  
MidContinent SBU  
Chevron North American Exploration and Production  
11111 S. Wilcrest Dr., S1037  
Houston, TX 77099  
(281) 561-4830

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9/25/2008

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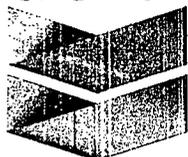
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**Chevron**



Ken

James E. Baca  
Staff Land  
Representative  
Land Department  
New Mexico Asset  
Development

**Chevron North America  
Exploration and Production  
Company  
MidContinent Alaska BU**  
11111 S. Wilcrest  
Houston, Texas 77099  
Tel 281-561-3605  
Fax 866-887-5130  
jmeb@chevron.com

September 23, 2008

+ 20 days =

Monday  
10/13/08

Six Aeches Co.  
Attn: Land Dept.  
P. O. Box 481  
Midland, Texas 79702

Dear Sir or Madam:

Chevron U.S.A. Inc. has filed an application with the New Mexico Oil Conservation Division seeking an unorthodox oil well location for the C. L. Hardy #10 located 1,310' FSL, & 330' FWL, SW1/4SW1/4, Unit Letter M, of Section 20, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico. A copy of the application is enclosed. If you object to the application, you must notify the Division in writing no later than 20 days from the date of this letter (the Division's address is 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505). Failure to object will preclude you from contesting this matter at a later date. The director may approve the unorthodox location upon receipt of waivers from all the affected persons or if no affected person has filed an objection within the 20-day period.

If you have no objection to this unorthodox well location, please sign in the space provided below and return one copy to my attention at the fax number or address shown in the letterhead.

Sincerely,

James E. Baca, CPL  
Enclosure

cc: Mr. Mark Fesmire, P.E., Director, Oil Conservation Division

**SIX AECHES CO. HAS NO OBJECTION TO THE UNORTHODOX WELL LOCATION DESCRIBED ABOVE.**

AGREED TO AND ACCEPTED THIS 9<sup>th</sup> DAY OF October, 2008

Six Aeches Co.

By: Kenneth A. Hedrick  
Printed Name: Kenneth A. Hedrick  
Title: Director

**Six Aeches Co.**  
**P.O. Box 481**  
**Midland, TX 79702**  
**(432) 684-4393 Office (432) 682-7570 Fax**  
**KHedrick@VectorExploration.com**

RECEIVED  
2008 OCT 14 PM 3 00

October 8, 2008

New Mexico Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

Attn: Mr. David K. Brooks  
Mr. Mark E. Fesmire

Re: Chevron U.S.A. Application for Unorthodox Oil Well Location  
C.L. Hardy #10, 1310' FSL & 330' FWL SW SW of Unit M,  
Section 20-T21S-R27E, Lea County, New Mexico

Gentlemen:

Six Aeches Co. owns a working interest in an adjoining spacing unit described as the NE SE of Sec 19-T21S-R37E, Lea County, New Mexico. The referenced location encroaches on this spacing unit.

Six Aeches Co. objects to Chevron U.S.A's captioned application and reserves its right to contest this matter at a later date.

Respectfully,  
SIX AECHES CO.



Kenneth A. Hedrick  
Director

Cc OF Hedrick in Midland

RECEIVED

2008 OCT 17 AM 11 51

**Six Aeches Co.**

**P.O. Box 481**

**Midland, TX 79702**

**(432) 684-4393 Office (432) 682-7570 Fax**

**KHedrick@VectorExploration.com**

October 14, 2008

New Mexico Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

Attn: Mr. David K. Brooks  
Mr. Mark E. Fesmire

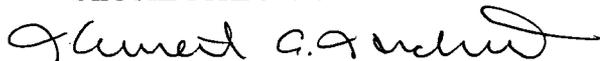
Re: Chevron U.S.A. Application for Unorthodox Oil Well Location  
C.L. Hardy #10, 1310' FSL & 330' FWL SW SW of Unit M,  
Section 20-T21S-R27E, Lea County, New Mexico

Gentlemen:

On October 8<sup>th</sup>, 2008 I mailed the New Mexico Oil Conservation Division a letter objecting to Chevron U.S.A.'s captioned application (copy enclosed). After contacting Mr. James Baca at Chevron on October 9<sup>th</sup>, Six Aeches Co does hereby withdraw our objection and we now support Chevron's application.

Should anyone have any further questions I can be contacted at (405)-340-5373.

Respectfully,  
SIX AECHES CO.



Kenneth A. Hedrick  
Director

Cc OF Hedrick in Midland

**Baca, James (JMEB)**

---

**From:** Mobley, Casey R.  
**Sent:** Tuesday, August 26, 2008 2:43 PM  
**To:** Baca, James (JMEB)  
**Subject:** FW: NSL Application, CL Hardy #10

FYI

**Casey R. Mobley**

Geologist

New Mexico Asset Development  
MidContinent SBU  
Chevron North American Exploration and Production  
11111 S. Wilcrest Dr., S1037  
Houston, TX 77099  
(281) 561-4830

---

**From:** Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]  
**Sent:** Tuesday, August 26, 2008 12:41 PM  
**To:** Mobley, Casey R.  
**Subject:** RE: NSL Application, CL Hardy #10

Dear Mr. Mobley

I apologize for taking so long to review these applications, after I promised to expedite them.

Unfortunately there is a problem. Applying OCD's definition of "adjoining spacing units" [Rule 7.A(3)], the proposed location encroaches not only toward the NW SW of Section 20 (which you have told us has common ownership with the SW SW), but also towards the NE SE of Section 19, for which you have furnished no ownership information. This encroachment exists because the diagonal distance from the proposed location to the common unit corner is less than would be the case if the well were located at the closed standard location.

Accordingly, in order to process this application, we will require ownership information for the NE SE of 19, and, if ownership is not common, either notice to, or waivers from, the working interest owners in that unit.

Sincerely

David K. Brooks  
Legal Examiner  
505-476-3450

---

**From:** Mobley, Casey R. [mailto:Casey.Mobley@chevron.com]  
**Sent:** Thursday, August 07, 2008 1:11 PM  
**To:** Brooks, David K., EMNRD  
**Subject:** NSL Application, CL Hardy #10

Date: 09-22-2008

**Working Interest Ownership Grayburg Rights:  
NE1/4SE1/4 Section 19, T-21-S, R-37-E,  
Lea County, New Mexico**

<b>OWNER NAME - WI%</b>	<b>%WI</b>
CHEVRON MIDCONTINENT LP	0.60742100
DANIEL L VEIRS	0.00187600
JOHN R HENDRIX CORP	0.09040850
MICHAEL L KLEIN	0.09040850
RONNIE H WESTBROOK	0.00093800
CAMPBELL EST PTP	0.01976024
SIX AECHES CO	0.03125000
W SCOTT CAMPBELL ESTATE	0.03293776
BRAZOS LTD PTP	0.12500000
Total	1.0000000000

WORKING INTEREST OWNERS ADDRESS LIST

NE1/4SE1/4 of Section 19, T-21-S, R-37-E, Lea County, New Mexico

Brazos LTD PTP  
P.O. Box 911  
Breckenridge, Texas 76424

Campbell EST PTP  
P.O. Box 2503  
Midland, Texas 79702  
Attn: W. Scott Campbell

Chevron MidContinent LP  
P.O. Box 36366  
Houston, Texas 77236

Daniel L. Veirs  
1209 W. Cuthbert Avenue  
Midland, Texas 79701

John H. Hendrix Corp.  
P.O. Box 3040  
Midland, Texas 79702

Michael L. Klein  
500 W. Texas, Suite 1230  
Midland, Texas 79701

Ronnie H. Westbrook  
P.O. Box 3171  
Midland, Texas 79702

Six Aeches Co.  
P.O. Box 481  
Midland, Texas 79702

W. Scott Campbell Estate  
P.O. Box 11086  
Midland, Texas 79702  
Attn: Austen Campbell & Janet Campbell



Casey R. Mobley  
Project Manager / Geologist

North America Upstream  
Midcontinent Business Unit  
11111 S. Wilcrest, Rm S-1037  
Houston, Texas 77099  
Tel (281) 561-4830  
Fax (281) 561-3576  
Casey.Mobley@chevron.com

August 8, 2008

Request for Administrative Approval of  
Unorthodox Oil Well Location

Mr. Mark E. Fesmire  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Chevron respectfully requests administrative approval of an unorthodox oil well location for the following well:

**C.L. Hardy #10**  
1310' FSL & 330' FWL, SW/4 SW/4 of  
Section 20, T21S, R37E, Unit Letter M  
Lea County, New Mexico

The proposed well will be an infill producer in the Penrose Skelly, Grayburg Pool [Pool Code 50350], which is an oil pool spaced on 40 acres. This well is a continuation of our 6 year infill drilling in the same Pool. Chevron's technical analysis of the reservoir still supports the contention that typical Grayburg wells cannot drain 40 acres.

The SW/4 SW/4 of Section 20 will be simultaneously dedicated in the Penrose Skelly, Grayburg Pool to the proposed well and to the C.L. Hardy #4, pursuant to Statewide Rule 104.B(1). The C.L. Hardy #4 was drilled in 1959 and was re-completed as a Penrose Skelly, Grayburg producer in 2003.

This application is based on geological and engineering analysis. The analysis and justification for this request is attached as Exhibit 1, along with other supporting documentation. There are eight wells that have produced the Grayburg formation in the SW/4 of Section 20. The proposed well will be located in the approximate western center point of those wells and 330' off the lease line. Based on drainage calculations, Chevron believes that drilling the infill well will recover reserves that would not be recovered by existing Grayburg producers.

A land plat highlighting the proposed well's location is attached as Exhibit 2. The SW/4 of Section 20 is covered by a single fee lease and has common royalty and working interest ownerships. For that reason and the proposed location of the infill well, there are no adversely affected interest owners and no one has been notified of this application.

**Brooks, David K., EMNRD**

---

**From:** Mobley, Casey R. [Casey.Mobley@chevron.com]  
**Sent:** Thursday, October 16, 2008 7:32 AM  
**To:** Brooks, David K., EMNRD  
**Cc:** Baca, James (JMEB); khedrick@vectorexploration.com  
**Subject:** FW: C L Hardy #10, Unit M 20-21S-37E, Lea Cty, NM  
**Attachments:** Ltr2 to OCD REMOVING Obj for Unorth Locn.pdf; Chevron Ltr - Executed.pdf

David,

Florene Davidson of the NMOCD contacted me today to schedule a hearing for the C.L. Hardy #10 location that was objected by Six Aeches (see below). Chevron and Six Aeches has reached an agreement regarding this location and Six Aeches and Six Aeches has retracted their objection, and there is no longer a need to schedule a hearing. Attached are supporting documents for your use. Please don't hesitate to contact either James Baca (281-561-3605) or myself if you have any questions or concerns regarding this matter.

Thanks in advance for your time and attention.

Sincerely,

Casey

**Casey R. Mobley**

Geologist

New Mexico Asset Development  
MidContinent SBU  
Chevron North American Exploration and Production  
11111 S. Wilcrest Dr., S1037  
Houston, TX 77099  
(281) 561-4830

---

**From:** Baca, James (JMEB)  
**Sent:** Wednesday, October 15, 2008 12:37 PM  
**To:** Mobley, Casey R.  
**Subject:** FW: C L Hardy #10, Unit M 20-21S-37E, Lea Cty, NM

fyi

---

**From:** Ken Hedrick [mailto:khedrick@vectorexploration.com]  
**Sent:** Wednesday, October 15, 2008 12:04 PM  
**To:** Baca, James (JMEB)  
**Cc:** 'Campbell and Hedrick'  
**Subject:** RE: C L Hardy #10, Unit M 20-21S-37E, Lea Cty, NM

James  
Attached is:

10/21/2008

1 A copy of Six Aeches' letter to the OCD withdrawing our objection.

1 An executed copy of your letter dated September 23<sup>rd</sup>.

I can forward a well info requirement sheet anytime. Please advise.

Thanks and Best of Luck,  
Ken Hedrick  
Director for Six Aeches  
President of Vector Exploration, Inc.  
405.340.5373 wk  
405.570.9646 cell

---

**From:** Baca, James (JMEB) [mailto:JMEB@chevron.com]  
**Sent:** Thursday, October 09, 2008 8:49 AM  
**To:** Ken Hedrick  
**Cc:** Campbell and Hedrick  
**Subject:** RE: C L Hardy #10, Unit M 20-21S-37E, Lea Cty, NM

Ken: This is not a problem. We plan to drill the C.L. Hardy #10 on next year's drilling program which begins sometime in March of 2009. Thanks for your help.

---

**From:** Ken Hedrick [mailto:khedrick@vectorexploration.com]  
**Sent:** Wednesday, October 08, 2008 12:14 PM  
**To:** Baca, James (JMEB)  
**Cc:** 'Campbell and Hedrick'  
**Subject:** C L Hardy #10, Unit M 20-21S-37E, Lea Cty, NM

Mr. Baca

My name is Ken Hedrick and I represent Six Aeches Co. and Campbell & Hedrick.

I was given a letter (package) from you regarding Chevron's application for an unorthodox well location for the C.L. Hardy #10 located 1310' FSL & 330' FWL, SW SW Unit M, Sec 20-T21S-R37E, Lea Cty, NM.

Six Aeches is requesting well information on the C.L. Hardy #10 (in a timely manner). If Chevron is agreeable, please advise and Six Aeches Co will execute your letter dated September 23<sup>rd</sup>.

Should you have any questions contact me anytime.  
Thank you for your consideration in this matter.

Cordially,

Kenneth A. Hedrick  
Director for Six Aeches  
President of Vector Exploration, Inc.  
405.340.5373 wk  
405.570.9646 cell

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10/21/2008

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