



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



March 26, 2009

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

Administrative Order NSL-6016

Re: State S Well No. 12
API No. 30-025
990 feet FNL and 1330 feet FWL
Unit C, Section 15-21S-37E
Lea County, New Mexico

Dear Mr. Mobley:

Reference is made to the following:

(a) your application (**administrative application reference No. pKAA09-06358404**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on March 4, 2009,

(b) supplemental information furnished with your email of March 23, 2009, and

(c) 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, described above in the caption of this letter. The NE/4 NW/4 of Section 15 will be dedicated to this well in order to form a standard 40-acre spacing unit in the Penrose Skelly Grayburg Pool (50350). This pool is governed by statewide Rule 15.9.A, 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 western unit boundary.

Your application has been duly filed under the provisions of Division Rules 15.13 and 4.12.A(2).

It is our understanding that you are seeking this location for engineering reasons, in order to drain reserves that cannot be drained by wells at standard locations.



March 26, 2009

Page 2

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, 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 5.9.

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
New Mexico State Land Office – Santa Fe