



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jon Goldstein
Cabinet Secretary

Jim Noel
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



February 22, 2010

Chevron USA, Inc.
Attn: Scott Ingram
15 Smith Rd.
Midland, TX 79705

Administrative Order NSL-3867-A

**Re: State AN Well No. 11
API No. 30-025-34097
900 FNL and 1440 FEL
Unit B, Section 7-18S-35E
Lea County, New Mexico**

Dear Mr. Ingram:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW10-05040133**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on February 19, 2010, and

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

Chevron USA, Inc. (Chevron) has requested to re-complete the above-referenced well as a directional well in the Blinebry formation. The well's surface location is described in the caption of this letter. Re-completion in the Blinebry is proposed at an unorthodox bottom hole location 881 feet from the North line and 1425 feet from the East line (Unit B) of Section 7, Township 18 South, Range 35 East, in Lea County, New Mexico. The NW/4 NE/4 of Section 7 will be dedicated to this well in order to form a standard 40-acre, more or less, oil spacing and proration unit in the Vacuum-Blinebry Pool (61850).

Spacing in this pool is governed by statewide Rule 15.9, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. The proposed bottom hole location for this well is less than 330 feet from the eastern unit boundary.

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



It is our understanding that you are seeking this location in order to utilize and existing wellbore.

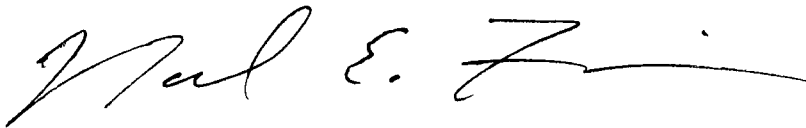
It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

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". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark E. Fesmire, P.E.
Acting Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office – Santa Fe