OCD-ARTESIA

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JUN 18 2010
NMOCD ARTESIA

Form 3160-5
(August 2007)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No 1004-0137
Expires July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

***SUBMIT IN TRIPLICATE** – Other instructions on page 2.*

5 Lease Serial No NM-98122	
6 If Indian, Allottee or Tribe Name N/A	
7 If Unit of CA/Agreement, Name and/or No N/A	
1 Type of Well ☑ Oil Well ☐ Gas Well ☐ Other	8 Well Name and No SKELLY UNIT #939
2 Name of Operator CHEVRON U.S.A. INC.	9 API Well No 30-015-32598
3a Address 15 SMITH ROAD MIDLAND, TEXAS 79705	3b Phone No *(include area code)* 432-687-7375
	10 Field and Pool or Exploratory Area FREN PADDOCK (YESO)
4 Location of Well *(Footage, Sec , T.R.M , or Survey Description)* SEC 21, T-17S, R-31E, 330' FNL, & 330' FEL	11 Country or Parish, State EDDY COUNTY, NEW MEXICO

12 CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☑ Notice of Intent	☐ Acidize	☑ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Subsequent Report	☐ Casing Repair	☐ New Construction	☐ Recomplete	☐ Other
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
☐ Final Abandonment Notice	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

13 Describe Proposed or Completed Operation Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones Attach the Bond under which the work will be performed or provide the Bond No on file with BLM/BIA Required subsequent reports must be filed within 30 days following completion of the involved operations If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

CHEVRON U S.A. INC INTENDS TO DEEPEN THE SUBJECT WELL. CHEVRON RESPECTFULLY REQUESTS A 1 YEAR APPROVAL.

PLEASE FIND ATTACHED, THE DEEPENING PROCEDURE, DEEPENING PROGRAM, COMPLETION PROCEDURE, AND CLOSED LOOP INFORMATION FOR THE NMOCD.

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

Deepening Operations will be conducted by WSI Operating Agent for Chevron

14 I hereby certify that the foregoing is true and correct Name *(Printed/Typed)*
DENISE PINKERTON

Title REGULATORY SPECIALIST

Signature Denise Pinkerton

Date 05/10/2010

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

APPROVED
JUN 16 2010
/s/ Chris Walls
BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

Approved by

Title

Date

Conditions of approval, if any, are attached Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon

Office

Title 18 U S C Section 1001 and Title 43 U S C Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

(Instructions on page 2)

SKELLY UNIT #939 DEEPENING PROGRAM

1. **Estimated Tops of Important Geologic Markers**
Yeso Group +/- 5050'

2. **Estimated Depths of Anticipated Fresh Water, Oil, and Gas**
Yeso Group +/- 5050'

This deepening originates in the Yeso and will finish at the base of the Yeso. The entire Yeso group is an oil and gas bearing interval.

3. **Casing Program**

Hole Size	Interval	OD Casing	Weight	Grade*	Jt./Condition	Burst/collapse/tensio
4-3/4"	5202' – 6750'	4"	11.3#	L-80 or P-110	ULT-FJ/New	3.98/4.09/3.21 (L80) 5.47/5.23/4.25 (P110)

** Due to casing shortages, either L-80 or P-110 will be run. The exact grade is unknown at time of requesting permit.

NOTE: CHEVRON USA INC REQUESTS A VARIANCE TO THE 0.422" STAND OFF RULE BETWEEN CASING AND WELLBORE.

4. **Cement Program**
4" Liner: Class C, 120 sxs, yield 1.37. 150' minimum tie back to production casing.

NOTE: CHEVRON USA INC REQUESTS A VARIANCE TO THE LINER TOP FLUID ENTRY OR PRESSURE TEST BECAUSE THE DEEPENED WELL WILL BE COMPLETED IN THE SAME ZONE AS THE CURRENT PERFS AND THE ENTIRE INTERVAL IS RECOGNIZED BY THE OCD AS ONE INTERVAL (YESO). AS PER ONSHORE ORDER NO. 2 SECT III: REQUIREMENTS, PART B. CASING AND CEMENTING REQUIREMENTS, SUBPART b. "NO TEST SHALL BE REQUIRED FOR LINERS THAT DO NOT INCORPORATE OR NEED A SEAL MECHANISM." CHEVRON USA INC BELIEVES WE MEET THE CRITERIA TO NOT BE REQUIRED TESTING THE LINER TOP BECAUSE THERE IS NO NEED FOR A SEAL MECHANISM.

See COA

NOTE: CHEVRON USA INC REQUESTS A VARIANCE TO THE 200' MINIMUM TIE BACK TO THE PRODUCTION CASING BECAUSE THE LOWEST PERFORATION IS AT 5172'. THE 150' WILL ALLOW US TO NOT COVER EXISTING PERFORATIONS.

5. **Minimum Specifications for Pressure Control**
The BOP equipment will be a 3000 psi double ram type manually operated preventer. This equipment will be nipple up to a 7-1/16" 3K flange. The pipe rams are located above blind rams. There is no choke or kill manifold. The BOP is tested to 500 psi prior to drilling new formation. Access to the annulus will be through the valves on the 5-1/2" casing head.

6. **Types and Characteristics of the Proposed Mud System**
This well will drilled from end of the existing 5-1/2" casing to TD with 2% KCl.

7. **Auxillary Well Control and Monitoring Equipment**
   A. A full opening drill pipe-stabbing valve with proper drill pipe connections will be on the rig floor at all times.

8. **Logging, Testing, and Coring Program**

A. The electric logging program will consist of GR, Spectral Gr, Dual Spaced Neutron, CSNG Log and will be run from TD to 5-1/2" production casing shoe.
B. No drill stem tests.
C. No conventional coring anticipated.
D. Further testing procedures will be determined after the 4" liner has been cemented at TD, based on drill shows and log evaluation.

9. Abnormal Conditions, Pressure, Temperatures, and Potential Hazards

No abnormal pressures or temperatures are anticipated. The estimated bottomhole temperature at TD is 110 degrees and the estimated maximum bottomhole pressure is 2800 psig. The drilling starts in the Yeso and ends in the Yeso. The section of Yeso being drilled has very low permeability (less than 1 md).

10. Anticipated Starting Date and Duration of Operations

There will be no road or location work required as this is an existing well location. Once commenced, drilling operations should be finished in approximately 14 days. If the well is productive, an additional 30 days will be required for completion and testing before a decision is made.

11. Centralizer Program

Fixed blade stabilizer subs will be utilized in the casing string to insure adequate isolation and seal throughout the wellbore. These stabilizer subs are positive fixed blade type. These subs will actually be screwed into the casing string. A diagram of the fixed blade stabilizer sub is located at the end of this program.

The standard location of the stabilizers will be the following:

Shoe Location
Guide shoe, 1 jt casing, stabilizer sub, float collar, 1 jt casing, stabilizer sub

Perf Interval Location – between perf intervals
Stabilizer sub, 1 jt casing, stabilizer sub

Top of Liner Location
DV tool, 1 jt casing, stabilizer sub, 1 jt casing, stabilizer sub

12. Summary Drilling and Completion Program

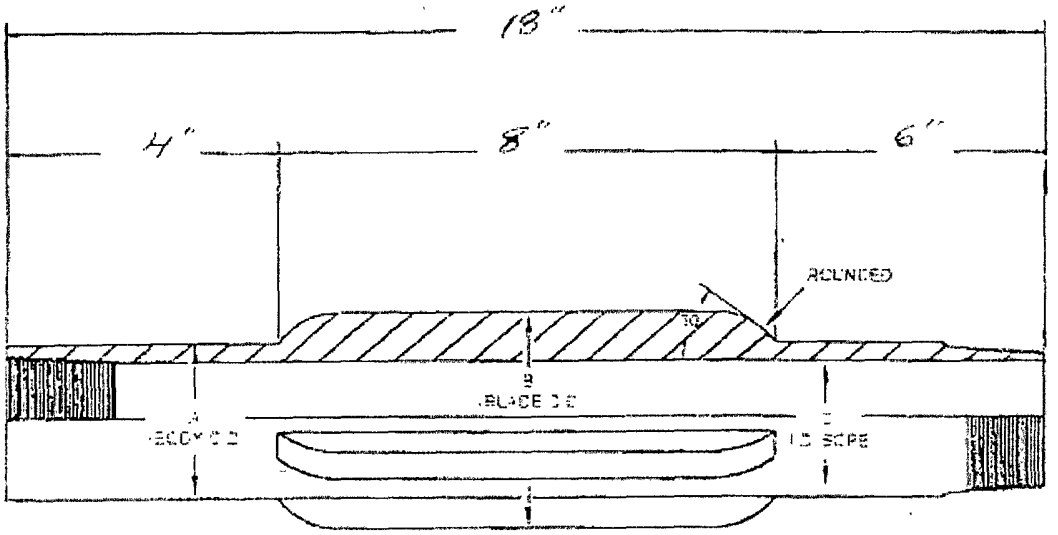
Deepening Procedure

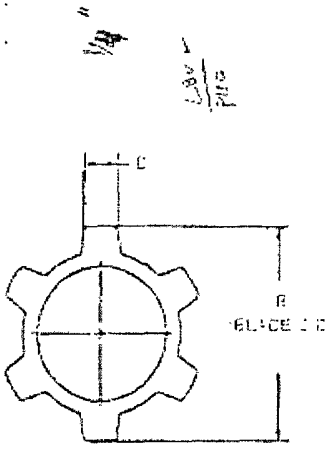
1. MIRU rig.
2. Sqz upper Yeso w/ +/- 400 sx of Class C neat. Drill out squeeze.
3. PU 4-3/4" bit and drill 4-3/4" hole from 5360' to 6750'.
4. POOH w/ bit and drillstring.
5. RIH w/ logs and log from TD to 4800'.
6. RIH w/ 4", 11.3# casing. See section 11 for general centralizer program.
7. Cement casing from TD to 5202' w/ 120 sxs Class C cmt. Drop plug and open DV tool. Circ cmt off DV tool. Drop plug to close DV tool.
8. PU workstring and RIH and drill out DV tool. POOH and LD workstring.
9. RDMO rig.

Completion Procedure

1. MIRU rig.
2. RIH/ w/ perforating guns and perforate Yeso from 6350 – 6550 w/ 2 spf, 30 holes.
3. Acidize w/ 2500 gals of 15% HCl. Frac zone w/ 179,800 # of sand. Set plug at 6300'.
4. RIH w/ perforating guns and perforate Yeso from 6050' – 6250'.
5. Acidize w/ 2500 gals of 15% HCl. Frac zone w/ 179,800 # of sand. Set plug at 6000'.
6. RIH w/ perforating guns and perforate Yeso from 5750' – 5950'.
7. Acidize w/ 2500 gals of 15% HCl. Frac zone w/ 179,800 # of sand.
8. RIH and drill out plug at 6000' and 6300'.
9. RIH and cut or back off 4" casing at 5202'. POOH w/ 4" casing. Leave 4" liner from 5202' to 6750' (TD).
10. RIH w/ tbg and locate end of tbg at 5100'.
11. RIH w/ rods and pump.
12. RDMO rig.

Centralizer Diagram





SIZE	A	B	C	D	E	F	G	DRIFT
4" x 4 3/4 11.6#	4.050	4.750	3.347"	3/4"				3.303"

RAY OIL TOOL CO	
CENTRALIZED INTERCASING	
CLIENT	Concho Res
WELL NAME & NO.	
CASING	4" P-105 11.6#
MATERIAL	4 3/4 x 3 1/4 x 18" Blades

Skelly Unit 939
Chevron USA Inc.
30-015-32598
June 9, 2010
Conditions of Approval

1. Work to be complete within 1 year.
2. Surface disturbance beyond the existing pad requires prior approval.
3. Closed loop system to be used.
4. H2S monitoring equipment should be onsite for personnel protection from surrounding oil operations. Operator should not encounter H2S while deepening.
5. BOP to be tested to **1000 psi** based on BHP expected.
6. Variance for stand-off of less than 0.422" is approved due to NMOCD classifying the formations in this area as the Yeso group.
7. Variance approved for a minimum tie back of 150'. When plugged, cement plug will be required across this tie back and across squeezed perforations.
8. Variance for not testing seal also approved based on NMOCD classification of formations in this area as the Yeso group.
9. If cement does not circulate to DV tool, the appropriate BLM office is to be notified.
10. Test casing as per Onshore Order 2.III.B.1.h.
11. Subsequent sundry detailing work and current well test data are to be submitted when work is complete.

CRW 060910