January 20, 1998

Chevron U.S.A., Inc.
P. O. Box 1150
Midland, Texas 79702
Attention: John H. Saenz

Administrative Order NSL-3935(SD)

Dear Mr. Saenz:

Reference is made to the following: (i) Chevron U.S.A., Inc.'s ("Chevron") original application to the Division, dated December 23, 1997; (ii) the Division's initial response to said application by letter from Mr. Michael E. Stogner dated January 8, 1998; (iii) Mr. John H. Saenz's response dated January 19, 1998; and, (vi) the records of the Division in Santa Fe: all concerning Chevron's request for an unorthodox Eumont Gas well location in an existing non-standard 320-acre gas spacing and proration unit ("GPU") for the Eumont Gas Pool comprising the S/2 of Section 24, Township 21 South, Range 36 East, NMPM, Lea County, New Mexico. Said GPU was initially established by Division Administrative Order NSP-152, dated June 15, 1955, and was later reinstated by the Division on August 16, 1996.

Eumont gas production from said GPU is currently simultaneously dedicated to the:

(1)   H. T. Mattern (NCT-A) Well No. 1 (**API No. 30-025-12738**), located 330 feet from the South line and 2310 feet from the East line (Unit O) of said Section 24, which was "grand-fathered" in as a standard Eumont gas well location for the subject 320-acre GPU pursuant to **Rule 2(b)** of the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Eumont Gas Pool,*" as promulgated by Division Order No. R-8170, dated March 28, 1986; and,

(2)   H. T. Mattern (NCT-A) Well No. 2 (**API No, 30-025-04769**), located at a standard gas well location 1650 feet from the South and East lines (Unit J) of said Section 24;

(3)   H. T. Mattern (NCT-A) Well No. 5 (**API No. 30-025-31013**), located at a standard Eumont gas well location 660 feet from the South line and 990 feet from the West line (Unit M) of said Section 24.