



Chevron USA, Inc.
Mid Continent / Alaska Business Unit
Rangely Asset
100 Chevron Road
Rangely, CO 81648

Diane L Peterson
Regulatory Specialist
(970) 675-3842

February 14, 2012

State of Colorado
Oil and Gas Conservation Commission
1120 Lincoln Street
Denver, Colorado 80203

Re: **Rangely Weber Sand Unit, Emerald 95X, Emerald 97X and Emerald 98X a, Bottomhole Location Exception Request under Rule 318 d (3).**

Dear Mr. Neslin:

Pursuant to Rule 318(c), Chevron U.S.A. Inc. ("Chevron"), as Unit operator of the Rangely Weber Sand Unit, requests a Bottomhole setback exception for our new well, the three Emerald wells will be drilling to the Weber Sands to approximately 6,800 feet in depth with proposed bottomhole locations within the 600 foot setback from the unit boundary required under Rule 318(d)(3). The offset leaseholder has been informed of the location of this well and their proposed bottom hole locations. Copies of the notification letters and request for waivers are attached.

The pertinent portion of Rule 318(d)(3) provides:

In a unit operation, approved by federal or state authorities, the rules herein set forth shall not apply except that no well in excess of two thousand five hundred (2,500) feet in depth shall be located less than six hundred (600) feet from the exterior or interior (if there be one) boundary of the unit area

The Emerald 95X proposed to be drilled as follows:

Legal Surface Location: 1524 FNL 776 FWL (SW NW) Section 36, T2N, R103W, 6th PM
Depth: 6,638 feet
Formation: Weber sand
Proposed bottom hole location 300 feet *inside* the unit boundary
Legal BHL: 1284 FNL 287 FWL (NW NW) Section 36, T2N, R103W, 6th

PMThe Emerald 97X proposed to be drilled as follows:

Legal Surface Location: 2339 FNL 2613 FEL (SW NE) Section 26, T2N, R103W, 6th PM
Depth: 6,705 feet
Formation: Weber sand
Proposed bottom hole location 330 feet *inside* the unit boundary
Legal BHL: 2599 FNL 1635 FWL (SE NW) Section 26, T2N, R103W, 6th PM

The Emerald 98X proposed to be drilled as follows:

Legal Surface Location: 2351 FNL 2586 FEL (SW NE) Section 26, T2N, R103W, 6th PM
Depth: 6,705 feet
Formation: 380 feet *inside* the unit boundary
Legal BHL: 1659 FSL 1967 FWL (NE SW) Section 26, T2N, R103W, 6th PM

This well will be drilled directionally from an approved surface location to this bottom hole locations, which is a viable 20-acre locations based on the dimensions of the reservoir outline defined by -1150' SS. The Rangely Field was originally developed on 40-acre spacing, and as such, the unit as defined in 1957 did not conform to the oil-water contact. The Field was subsequently approved for 20 acre spacing. Because of recent activity in the West flank of the Field, both in the drilling of 20 acre producers and injectors, recoverable oil in the this area of the field appears to have been underestimated. In addition, production history

studies of the water and CO2 flood indicate oil may have migrated back to the edges of the reservoir as the peripheral water drive moved updip with flood evolution.

Chevron's opinion is that based on performance of the new 20-acre wells, new locations are needed to bound the injection within the Unit, prevent waste, and efficiently recover the reserves within this portion of the Unit. The reservoir was originally a solution gas drive reservoir with minimal water encroachment (limited aquifer), and the remaining reserves would be mobilized by the injection (water and CO2) within the Unit.

Please note that the lease holders directly adjacent to the boundary are:

- *Chevron Oil Company, PO Box 2100, Houston Texas 77252*
- *Asamera Oil Inc, PO Box 118 Denver, CO 80201*
- *General Crude Oil Co., PO Box 2252, Houston Texas 77001*
- *Pogo Producing Company PO Box 2211, Denver, CO 80201*
- *ConocoPhillips, PO Box 1967, Houston Texas 77521*

Your approval is requested for an exception to Rule 318(d)(3)'s 600' setback from the unit boundary for the bottomhole locations for the Emerald 95X, 97X and Emerald 98X.

Thank you for your consideration. Please let me know if I can answer any questions or provide more information.

Sincerely,

Diane L Peterson
Regulatory Specialist
Chevron USA Inc.

Enclosure:
Emerald 95X, 97X and 98X Directional drilling plans
Emerald 95X, 97X and 98X Plats
Copies of offset lease holders notification letters