



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

October 27, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Apache Corporation
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Administrative Order NSL-5126 (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your initial application (*administrative application reference No. pSEM0-426648428*) dated September 22, 2004 on behalf of the operator Apache Corporation; (ii) the New Mexico Oil Conservation Division's ("Division") response by letter from Mr. Michael E. Stogner, Engineer/Hearing Officer with the Division in Santa Fe, on September 23, 2004 **denying** this application; (iii) your re-submittal of an amended form of this application on October 26, 2004; and (ii) the Division's records in Santa Fe: all concerning Apache Corporation's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the NW/4 SE/4 (Unit J) of Section 16, Township 21 South, Range 37 East, NMPM, Penrose Skelly (Grayburg) Pool (**50350**), Lea County, New Mexico.

This amended application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

This 40-acre Grayburg unit is currently dedicated to Apache Corporation's State "DA" Well No. 8 (API No. **30-025-35765**), located at a standard oil well location 1980 feet from the South line and 2200 feet from the East line of Section 16.

It is the Division's understanding that such unorthodox location is necessitated for geologic and engineering reasons in that this location is approximately equidistance to other offsetting Penrose Skelly (Grayburg) oil producers. The proposed infill oil well location will enable Apache Corporation to further develop and deplete the Grayburg reserves within the immediate area that might not otherwise be recovered.

By the authority granted me under the provisions of Division Rule 104.F (2), the following described well to be drilled at an unorthodox "infill" oil well location within the NW/4 SE/4 (Unit J) of Section 16 is hereby approved:

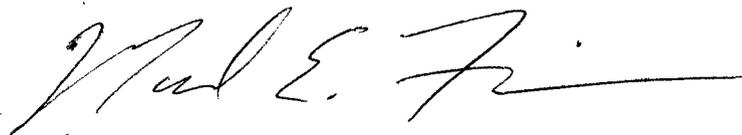
**State "DA" Well No. 10
2310' FSL & 1550' FEL
(API No. 30-025-36786).**

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Further, both the existing State "DA" Well No. 8 and the proposed State "DA" Well No. 10 are to be simultaneously dedicated to the subject 40-acre unit.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/mes

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