



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

March 28, 2005

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-5032-A

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-508741305*) on behalf of the operator, Apache Corporation ("Apache"), submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe on February 21, 2005; and (ii) the Division's records in Santa Fe, including the files on Division Administrative Order NSL-5032 (SD) and in Division Case No. 13256, resulting in the issuance of Order No. R-12190 on August 12, 2004: all concerning Apache Corporation's request to include the San Andres formation within the well bore of its existing Hawk "B-1" Well No. 37 (API No. 30-025-36686), located at an unorthodox oil well location 2590 feet from the South line and 1310 feet from the East line (Unit I) of Section 9, Township 21 South, Range 37 East, NMPM, East Hare-San Andres Pool (96601), Lea County, New Mexico.

By Division Administrative Order NSL-5032 (SD), dated March 31, 2004, Apache received authorization to drill and complete its Hawk "B-1" Well No. 37 at an unorthodox infill oil well location within an existing 40-acre oil spacing and proration unit in the Penrose Skelly (Grayburg) Pool (50350) comprising the NE/4 SE/4 (Unit I) of Section 9. Division Administrative Order NSL-5032 (SD) also contained provisions for the distribution of proceeds attributed to Penrose Skelly (Grayburg) oil production from the Hawk "B-1" Well No. 37 be allocated in the following manner:

- (a) 64.32% to be attributed to the subject Hawk "B-1" federal lease (U. S. government lease No. NM-90161) comprising the 958.25-acre area in Lea County, New Mexico comprising the SW/4 NE/4 and NW/4 SW/4 of Section 13, Township 20 South, Range 37 East, NMPM; Lot 1 of Section 30, Township 20 South, Range 38 East, NMPM; and Lots 3 and 6 of Section 4, the NE/4 SE/4 and S/2 SE/4 of Section 6; the E/2 SW/4 and SE/4 of Section 8; and the E/2 NW/4 and S/2 of Section 9, all in Township 21 South, Range 37 East, NMPM; and
- (b) 35.68% attributed to the offsetting Southland Royalty "A" fee lease comprising the SE/4 SW/4, NE/4 SE/4, and S/2 SE/4 of Irregular Section 4, and the NE/4 of Section 9, all in Township 21 South, Range 37 East, NMPM.

The immediate 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.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described Hawk "B-1" Well No. 37 also located at an unorthodox oil well location within the East Hare-San Andres Pool is hereby approved.

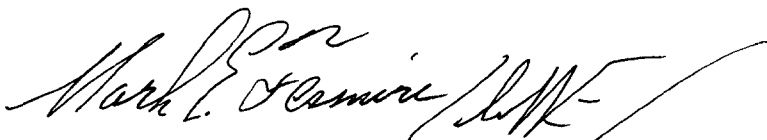
For the Division's production reporting, prorationing, and well spacing purposes, San Andres oil production from this well is to be dedicated to the NE/4 SE/4 (Unit I) of Section 9, being the initial well within a standard 40-acre oil spacing and proration unit in the East Hare-San Andres Pool.

HOWEVER, the distribution of proceeds from East Hare-San Andres oil production from Apache's above-described Hawk "B-1" Well No. 37 are to be allocated in the following manner:

- (a) 64.32% to be attributed to the subject Hawk "B-1" federal lease (U. S. government lease No. NM-90161) located in Section 9; and
- (b) 35.68% attributed to the offsetting Southland Royalty "A" fee lease also located in Section 9.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MES/ms

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad
U. S. Bureau of Land Management - Roswell
Files: NSL-5032 (SD)