



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

November 17, 2006

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

Administrative Order NSL-5493

Re: Rinewalt Well No. 8
3-4-22S-37E
Lea County

Dear Mr. Bruce:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS06-25452551**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on September 11, 2006, on behalf of Apache Corporation (Apache),

(b) copy of "Co-operative Well Agreement (for the Rinewalt #8 Well)" executed by Apache, and

(c) the Division's records pertinent to your request.

Apache has requested to drill its Rinewalt Well No. 8 at an unorthodox Blinebry, Tubb and Drinkard oil well location, 1290 feet from the North line and 2580 feet from the West line (Unit 3) of Section 4, Township 22 South, Range 37 East, N.M.P.M., in Lea County, New Mexico. Lot 3 (NE/4 NW/4 equivalent) of irregular Section 4 will be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit in the Blinebry Oil and Gas Pool (6660), the Tubb Oil and Gas Pool (60240) and the Drinkard Pool (19190).

This location is governed, as to the Blinebry and the Tubb, by the Special Rules and Regulations for the Blinebry Oil and Gas Pool, and the Special Rules and Regulations for the Tubb Oil and Gas Pool, respectively, as adopted by Order R-8170, effective March 28, 1986, and as to the Drinkard, by Statewide Rule 104.B, all of which provide that a well shall be located at least 330 feet from any unit boundary. The proposed location is approximately 30 feet and 60 feet, respectively, from the northern and eastern unit boundaries.

Your application on behalf of Apache has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

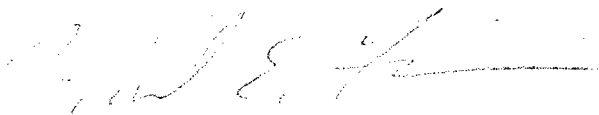
It is our understanding that this location is being requested because Apache's geologic interpretation indicates that the well can tap into stranded reserves located on the margins of existing spacing units that cannot be effectively drained by wells located at standard locations.

We also understand, based on a recital in the above-referenced Cooperative Well Agreement, that Apache owns 100% of the working interest in entire NE/4 equivalent and E/2 NW/4 equivalent of irregular Section 4, Township 22S, Range 37E, including all units towards which this location encroaches, as well as the unit that will be dedicated to this well. Accordingly, no notice of this application is required.

Pursuant to the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox well location is hereby approved.

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

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs