

DATE IN 8/6/07	SUSPENSE	ENGINEER BROOKS	LOGGED IN 8/6/07	TYPE NSL	APP NO. PTD50721849568
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



Apache
 Hawk B-1 # 58
 5669

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
 [B] ☐ Offset Operators, Leaseholders or Surface Owner
 [C] ☐ Application is One Which Requires Published Legal Notice
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☐ Waivers are Attached

RECEIVED
 2007 AUG 6 PM 1 38

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

James Bruce
 P.O. Box 1056
 Santa Fe, New Mexico 87504

Signature

Attorney for Applicant
 Title Date

jamesbruc@aol.com
 e-mail Address

8/6/07

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

August 6, 2007

Hand Delivered

Mark E. Fesmire, P.E.
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Pursuant to Division Rule 104.F(2), Apache Corporation applies for administrative approval of an unorthodox oil well location for the following well:

<u>Well Name:</u>	Hawk B-1 Well No. 58
<u>Well Location:</u>	2620 feet FSL & 1440 feet FEL
<u>Well Unit:</u>	NW¼SE¼ of Section 8, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico

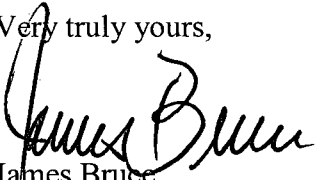
The well will test the Grayburg formation (Penrose Skelly Pool). The pool is developed on statewide rules, with 40 acre spacing, and wells to be located no closer than 330 feet to a quarter-quarter section line.

The application is based on geological and engineering reasons. A complete discussion, with exhibits, is attached as Exhibit A (including a Form C-102). The well is located midway between seven Grayburg wells. The well data shows that wells in both zones drain considerably less than 40 acres. Therefore, the proposed location will recover undrained reserves.

Exhibit B is a land plat. The location encroaches on the Hawk A Lease, which covers (among other lands) the NE¼ of Section 8. The working interest owners in both leases have entered into the Cooperative Well Agreement attached as Exhibit C. Production from the proposed well will be allocated between the two leases as set forth in Exhibit C (52.37% to the Hawk B-1 Lease and 47.63% to Hawk A Lease). Because the interest owners have agreed to the allocation of production, no interest owner has been notified of this application.

Please call me if you need any further information on this matter.

Very truly yours,



James Bruce

Attorney for Apache Corporation

Application of Apache Corporation for administrative
approval of an unorthodox well location:

40 acres – 2620' FSL & 1440' FEL
Section 8, Township 21 South, Range 37 East, NMPPM
Lea County, New Mexico

PRIMARY OBJECTIVE: GRAYBURG

In support:

1. Apache Corporation (Apache) is the operator of the proposed **Hawk B-1 #58 (Exhibit 1)**. The proposed total depth is 4200' to test the Grayburg formation.
2. The proposed location encroaches toward the following wells in the Penrose Skelly; Grayburg Pool (Exhibit 2).

API					Daily	Cum
30-025-	Op.	Well	Loc	Pool	O/G/W	O/G/W
35803	Apache	Hawk A 10	G-08	Penrose Skelly; Grayburg	10/93/79	42/201/161
38021	Apache	Hawk A 20	G-08	Penrose Skelly; Grayburg	27/131/103	5/17/21
35804	Apache	Hawk A 11	H-08	Penrose Skelly; Grayburg	8/42/29	17/94/83
38014	Apache	Hawk B-1 50	I-08	Penrose Skelly; Grayburg	17/89/43	3/21/8
35877	Apache	Hawk B-1 21	I-08	Penrose Skelly; Grayburg	9/62/22	21/123/95
36158	Apache	Hawk B-1 32	I-08	Penrose Skelly; Grayburg	17/220/44	24/136/128
35878	Apache	Hawk B-1 22	J-08	Penrose Skelly; Grayburg	13/160/361	17/223/312

BOPD MBO
MCFPD MMCFG
BWPD MBW

3. The proposed **Hawk B-1 #58** unorthodox Grayburg location at 2620' from south line and 1440' from east line is based on drainage considerations.

a) **Grayburg Reservoir**

The Grayburg is a series of alternating subtidal and supratidal dolomites, with the subtidal rock having porosity and hydrocarbons and the supratidal rock being tight. Average porosity of the Grayburg is less than 10% and average permeability is less than 1 millidarcy. The Grayburg environments varied rapidly so that porous and tight intervals do not necessarily correlate well-to-well. Tight dolomite and/or anhydrite intervals within the Grayburg additionally create vertical hydraulic barriers between different zones of porosity. Grayburg wells are not capable of draining an entire 40 Acre Spacing Unit.

The reservoir was analyzed by mapping hydrocarbon pore volume (SoPhiH) (Exhibit 3). SoPhiH is the product of feet of net pay (H) times

EXHIBIT

A

average porosity (PhiA) times oil saturation (So). The values were obtained as follows:

1. Net Pay was read from modern neutron-density logs from which cross-plotted porosity (XPhi) can be calculated, using a minimum of 5% and a maximum of 20%. Additionally, gamma ray (40 APIU) and water saturation (10% - 50%, using a standard equation with $a=1$ and $m=n=2$) cutoffs were also employed.
2. Average Porosity was calculated for intervals meeting those criteria.
3. Oil Saturation is the additive inverse of water saturation.

The following table provides drainage areas calculated from the SoPhiH map and reserves of the offsetting wells. Values determined from modern logs will have an asterisk after the value; others are estimates from the grid.

Op.	Well	Loc	Reservoir	SoPhiH Ft	Area A	EUR MBO	EUR MMCFG
Apache	Hawk A 10	G-08	Grayburg	5.61*	11	44	450
Apache	Hawk A 20	G-08	Grayburg	5.51*	8	31	264
Apache	Hawk A 11	H-08	Grayburg	4.58	7	22	250
Apache	Hawk B-1 50	I-08	Grayburg	4.94*	12	43	376
Apache	Hawk B-1 21	I-08	Grayburg	4.98	18	62	449
Apache	Hawk B-1 32	I-08	Grayburg	5.28*	13	47	321
Apache	Hawk B-1 22	J-08	Grayburg	5.76	19	75	1311

The intent of the well is to recover reserves that cannot be recovered by the existing wells. The location was placed in the center of the vacant area between the existing wells and then moved due to surface conditions and cultural obstructions.

Reserves for the proposed Hawk B-1 #58 were calculated by planimetry the undrained area of the SoPhiH isopach which lies under a drainage circle (the size of which is the average of the direct offset drainage areas) centered on the proposed location. Any competitive drainage is shared between the proposed well and the existing offset wells. The results are as follows:

WELL	LOC	SoPhiH	AREA A	EUR MBO	EUR MMCFG
Hawk B-1 #58	J-08	5.59	8	31	332

EXHIBIT 1

OK

DISTRICT I

1626 N. FRENCH DR., HOUSTON, TX 77060

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT II

1201 W. GRAND AVENUE, ALBUQUERQUE, NM 87102

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number		Pool Code	Pool Name
Property Code	Property Name HAWK B-1		Well Number 58
OGRID No.	Operator Name APACHE CORPORATION		Elevation 3524'

Surface Location

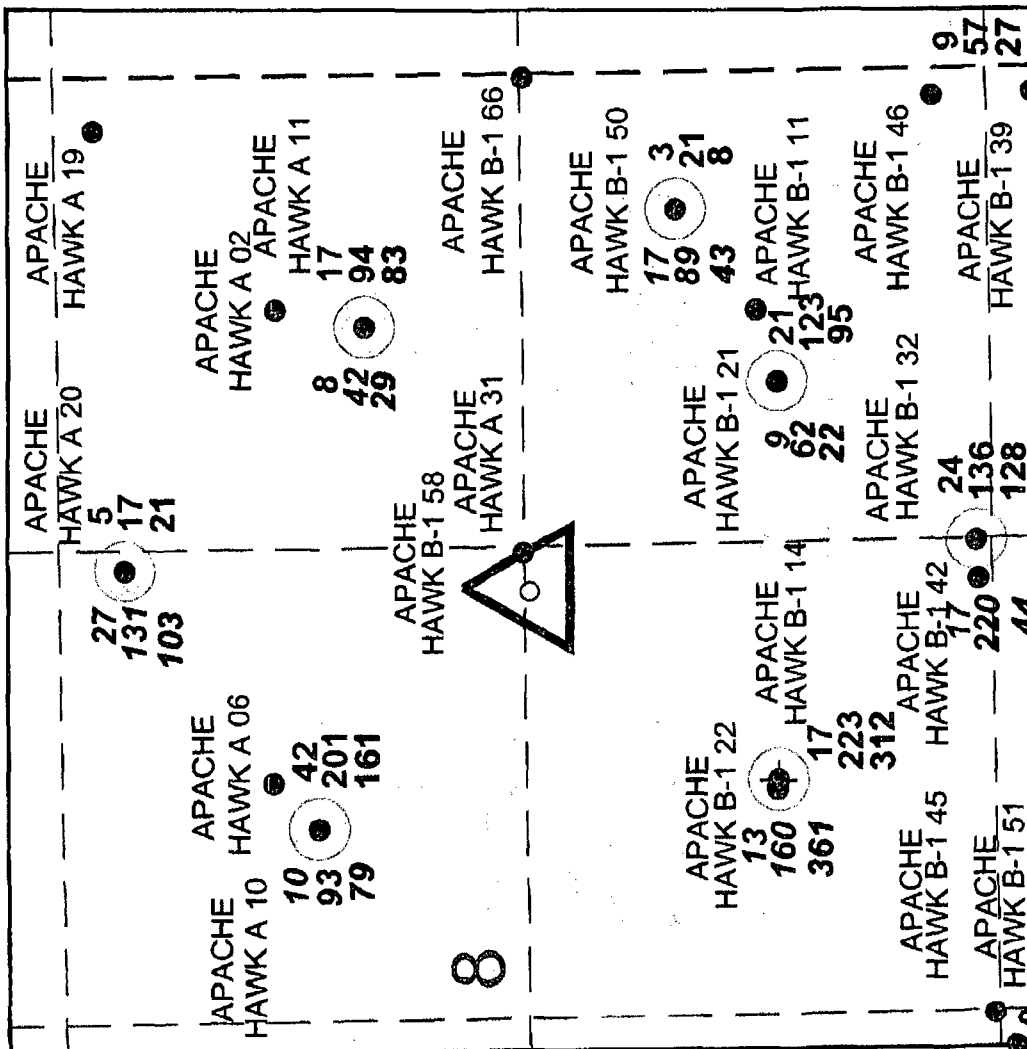
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	8	21-S	37-E		2620	SOUTH	1440	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres		Joint or Infill	Consolidation Code	Order No.					

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=545082.5' N X=855370.7' E</p> <p>LAT.=32.493263° N LONG.=103.180777° W</p>	<p>3534.5' 3522.3'</p> <p>600'</p> <p>3526.3' 3530.8'</p> <p>1440'</p> <p>2620'</p>		<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p>
			<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>MARCH 19, 2007</p> <p>Date Surveyed _____ AR</p> <p>Signature & Seal of Professional Surveyor</p> <p><i>Ronald J. Eulam</i> 3/27/07</p> <p>67.11.0325</p>
			<p>Certificate No. GARY KIMSON 12641</p> <p>RONALD J. EULAM 3259</p>




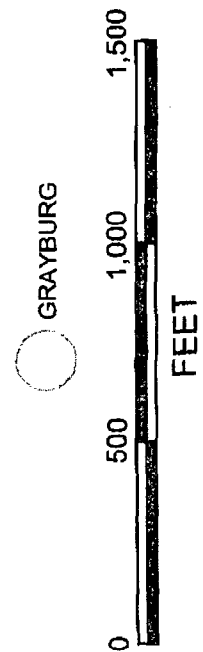
WELL SYMBOLS

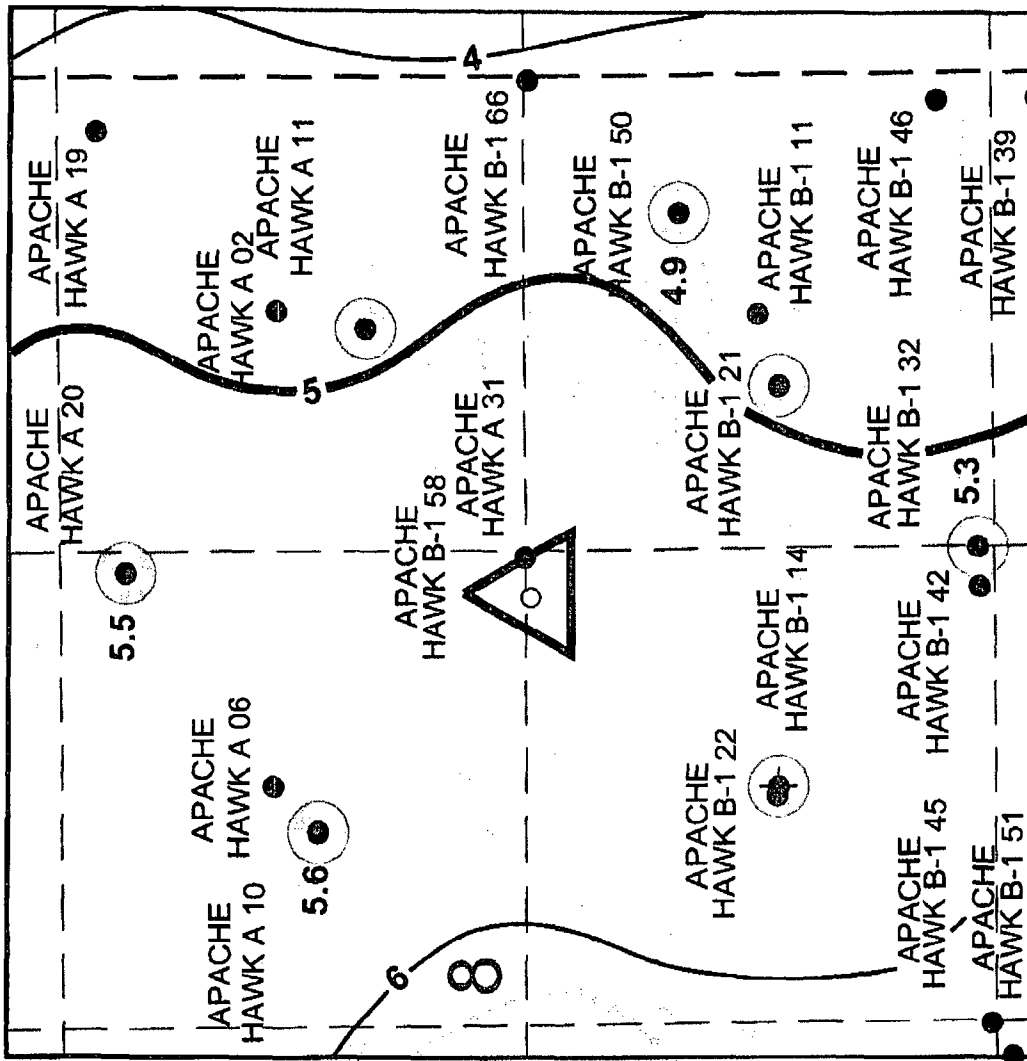
- Location Only
- Oil Well
- ⊙ Gas Well
- ⊖ Dry

POSTED WELL DATA

OPERATOR
WELL LABEL
CURRENT BOPD • MBO
CURRENT MCFD • MMCFG
CURRENT BWPD • MBW

 <p>TWO WARREN PLACE, SUITE 1600 6120 SOUTH YALE TULSA, OKLAHOMA 74136-4224 CENTRAL REGION</p>	
HAWK B-1 58	
SEC B-T21S-R37E LEA COUNTY, NEW MEXICO	
EXHIBIT 2 WELL INFORMATION	
DATE: 4/16/07	DWG: CURTIS GRAYBURG NSL (WELL (EX2))






WELL SYMBOLS

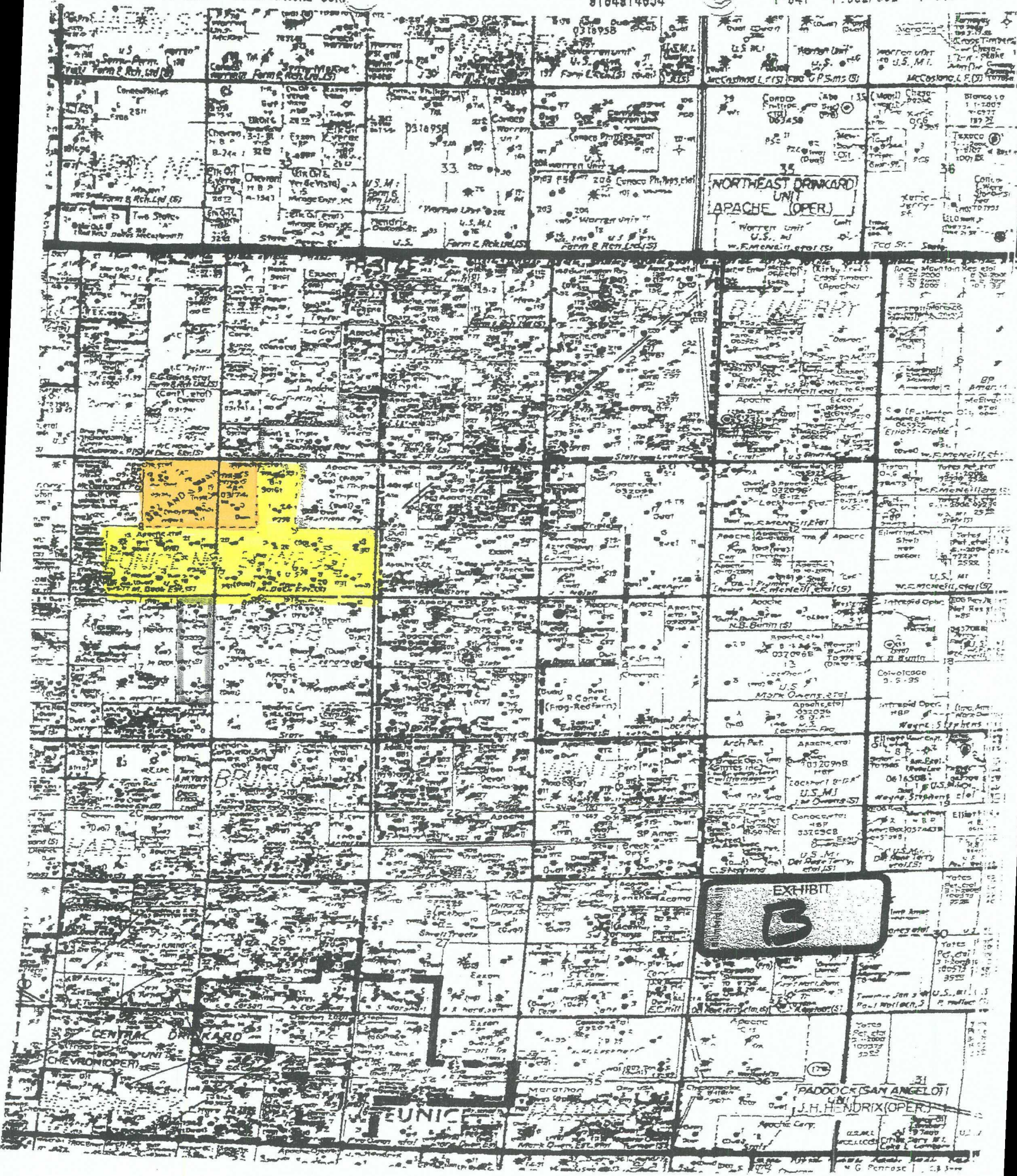
- Location Only
- Oil Well
- ⊙ Gas Well
- ⊖ Dry

POSTED WELL DATA

OPERATOR
WELL LABEL

GRAYBURG SOPHIH ●

 <p>TWO WARREN PLACE, SUITE 1500 6120 SOUTH YALE TULSA, OKLAHOMA 74136-4224</p>	
HAWK B-1 58	
SEC B-T218-R37E LEA COUNTY, NEW MEXICO	
EXHIBIT 3	
GRAYBURG SOPHIH	
DATE: 4/16/07	DWG: CURTIS GRAYBURG NSLWELL (EX3)



COOPERATIVE WELL AGREEMENT
(for the Hawk B-1 # 58 Well)

This Cooperative Well Agreement ("Agreement"), is entered into and is effective as of the 1st day of May, 2007, between **BP AMERICA PRODUCTION COMPANY**, whose address is 501 Westlake Park Blvd., Houston, TX 77079 ("BP"), **CHEVRON U.S.A. INC.**, whose address is 11111 S Wilcrest, Houston, TX 77099 ("Chevron") and **APACHE CORPORATION**, whose address is 6120 South Yale Avenue, Suite 1500, Tulsa, Oklahoma 74136 ("Apache"). BP, Chevron, and Apache are sometimes hereafter referred to individually as "Party" and collectively as "Parties".

W I T N E S S E T H:

WHEREAS, Apache is Operator of the following oil and gas leases in Lea County, New Mexico (hereinafter sometimes collectively referred to as the "Properties"):

1. **Hawk B-1 Lease -**
Lessor: The United States of America NM 90161
Lessee: Estate of Wilbur C. Hawk
Date: March 1, 1958
Description: Insofar and only insofar as same covers the following-described land in Lea County, New Mexico:
Township 21 South, Range 37 East, N.M.P.M.
Section 8: NE/4NW/4SE/4, NW/4NE/4SE/4
2. **Hawk A Lease -**
Lessor: The United States of America NM 031741 (a)
Lessee: Estate of Wilbur C. Hawk
Date: January 1, 1958
Description: Insofar and only insofar as same covers the following-described land in Lea County, New Mexico:
Township 21 South, Range 37 East, N.M.P.M.
Section 8: SE/4SW/4NE/4, SW/4SE/4NE/4

WHEREAS, the Parties each own undivided operating rights in and to the Hawk B-1, and Hawk A Leases, and

WHEREAS, the Parties desire to drill and complete the **Hawk B-1 # 58 Well** ("Cooperative Well") for the production of oil, gas and related hydrocarbons insofar as it covers the Grayburg and San Andres formations at a non-standard location encroaching on the lease line between the Hawk B-1 and Hawk A Leases in NW/4 of Section 9, as described below; and

WHEREAS, the Parties desire to provide for the sharing of production from and the costs of drilling, completing and operating said **Hawk B-1 # 58 Well** as described herein below.

NOW THEREFORE, the Parties hereby agree as follows:

1. **DESIGNATION AND RESPONSIBILITIES OF OPERATOR**

A. Apache is designated as operator ("Operator") of the **Hawk B-1 # 58 Well** for the purposes of this Agreement.

B. Operator shall drill, complete and operate the Cooperative Well for oil and/or gas production from horizons encountered from the surface of the earth down to and including the base of the San Andres Formation as follows:

EXHIBIT

Hawk B-1 # 58 Well:

SURFACE LOCATION:	2620' FSL & 1440' FEL, Sec. 8, T21S-R37E, Lea County, New Mexico,
Planned Total Depth:	4,200 feet, but in no event below the base of The San Andres Formation plus one hundred (150) feet for operational purposes only.

Except as otherwise provided in this Agreement, the Parties agree that all operations, and the rights and obligations of the Parties, with respect to the Cooperative Well shall be governed by the terms and conditions of that certain NMFU Operating Agreement dated September 1, 1989, as amended to date (hereinafter referred to as the "NMFU Operating Agreement"), specifically including, but not limited to, the insurance and indemnification provisions of that Agreement. Solely for purposes of drilling and operating the **Hawk B-1 # 58 Well**, Exhibit A-1 to the NMFU Operating Agreement is amended to cover the **Hawk B-1 # 58 Well** as provided herein. As between the Parties there is and shall be no cross-assignment or other transfer of title to any interests of the Parties in the Properties as a result of this Agreement. This Agreement is merely a contractual arrangement among the Parties to drill, equip, test, operate and produce the Cooperative Well. BP and Chevron shall, at their sole cost and risk, have access to the Cooperative Well location at all reasonable times to inspect or observe operations and to information pertaining to the development and operation of the Cooperative Well. BP and Chevron shall also have the right to audit Operator's books and records relating thereto in accordance with the applicable provisions of Exhibit "C" - Accounting Procedure, attached to the NMFU Operating Agreement. Operator, upon request, shall furnish BP and Chevron copies of all forms or reports filed with governmental agencies, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available to BP and Chevron samples of any cores or cuttings taken from the Cooperative Well. The cost of gathering and furnishing information to BP and Chevron, other than that specified above shall be charged to BP and Chevron.

C. Operator shall establish and maintain a Joint Account for the performance hereof, and shall advance all costs incurred in connection with operating the Cooperative Well and shall charge the Joint Account for all such costs on the basis provided in Exhibit "C" - Accounting Procedure, NMFU Operating Agreement. All charges and credits to the Joint Account for the Cooperative Well shall be borne, and production therefrom will be shared, including but not limited to charges, credits and production associated with recompletions of the Cooperative Well to horizons shallower than the San Andres formation, by the below named Parties in the percentage shown opposite their name as follows:

Apache:	50.00%
BP	25.00%
Chevron	25.00%

All other operations conducted or wells drilled on the lands described above not related to the Cooperative Well, will not be affected by this Agreement.

If any provision of Exhibit "C" - Accounting Procedure is inconsistent with any provision in this Agreement, the provisions of this Agreement shall prevail.

2. TERM OF AGREEMENT

This Agreement shall remain in full force and effect so long as such Cooperative Well continues to produce oil or gas or both, and for an additional period of ninety (90) days from cessation of all production; provided, however, if, prior to the expiration of such additional period, the Parties are engaged in drilling or reworking operations to restore production from the Cooperative Well hereunder, this Agreement shall continue in force until such operations have been completed, with no cessation of more than sixty (60) consecutive days, and if production results there from, this Agreement shall continue in force as provided herein. Upon cessation of the production of oil or gas or both, Operator shall plug and abandon the Cooperative Well in accordance with all rules and regulations of all governmental agencies having jurisdiction over the premises at the cost, risk, and expense of the Parties, and shall salvage all equipment in and on the

well for the account of the Party(ies) that initially paid for said equipment. The termination of this Agreement shall not relieve any of the parties from any liability which has accrued hereunder prior to the date of such termination.

Notwithstanding anything to the contrary contained elsewhere in this Agreement, if the actual drilling operations for the Cooperative Well are not commenced on or before January 31, 2008, then this Agreement shall immediately terminate and shall have no further force and effect.

3. **NON-PARTNERSHIP ELECTION**

A. Under no circumstances shall this Agreement be construed as creating a partnership, mining partnership or an association for profit between or among the Parties hereto. The liability of the Parties shall be several and not joint or collective. Each Party shall be liable only for the costs incurred and the risks assumed by each respective Party in connection with the performance of this Agreement.

B. Notwithstanding any provisions herein that the right and liabilities of the Parties hereunder are several and not joint or collective or that this Agreement and the operations hereunder shall not constitute a partnership, if for Federal income tax purposes this Agreement and the operations hereunder are regarded as a partnership, then each of the parties hereto hereby elects to be excluded from the application of all the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, as permitted and authorized by Section 761 of said Code and the regulation promulgated thereunder. Apache is authorized and directed to execute on behalf of each of the Parties hereto such evidence of this election as may be required by the Secretary of the Treasury of the United State or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the date required by Federal Regulations 1.761-2. Should there be any requirement that each party hereto further evidence this election, each Party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. Each Party hereto further agrees not to give any notices or take any other action inconsistent with election made hereby. If any present or future income tax laws of the state or states in which the property covered by this Agreement is located, or any future income tax law of the United States, contain, or shall hereafter contain, provisions similar to those contained in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, under which an election similar to that provided by Section 761 of Subchapter K is permitted, each of the parties hereby makes such election or agrees to make such election as may be permitted by such laws. In making this election, each of the Parties hereto hereby states that the income derived by it from the operations under this Agreement can be adequately determined without the computation of the partnership taxable income.

4. **TRANSFER OF INTEREST**

If any instrument purporting to effectuate the sale, assignment, or transfer of any interest of a Party in or to the Hawk B-1 Lease or the Hawk A Lease does not expressly provide that such sale, assignment or transfer is made and accepted subject to this Agreement, the purported sale, assignment or transfer of any such interest shall be void.

5. **CLAIMS AND LAWSUITS**

A. If any Party is sued on an alleged cause of action arising out of operations covered by this Agreement, it shall give prompt written notice of the suit to the other party.

B. Operator may settle any single damage claim or suit arising from operations hereunder for any settlement amount not exceeding Thirty-Five Thousand Dollars (\$35,000), provided such payment is in complete settlement of such claim or suit.

C. If the amount required for settlement exceeds the amount hereinabove set out, Operator shall give notice to BP and Chevron of its intent to settle for such higher amount, and if BP and Chevron agree to such higher amount, Operator may settle such claim or suit for such higher amount.

D. If, in Operator's opinion, such claim or suit is not amenable to or susceptible of settlement, Operator may upon the written consent of the Parties hereto supervise the administration of said claim or suit employing Operator's staff attorneys or other attorneys as it may see fit to do so, provided that the settlement limitations set forth in paragraph 5B shall apply, inclusive of costs and attorney fees incurred by Operator. The fees and expenses of settlement and handling such claim or suit shall be charged to the Joint Account, provided no charge shall be made for services performed by the staff attorneys for either Party.

6. TAKING PRODUCTION IN KIND

Each Party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Cooperative Well, exclusive of production which may be used in development and producing operations and in preparing and treating oil and gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any Party of its proportionate share of the production shall be borne by such Party. Any Party taking its share of production in kind shall be required to pay only for its proportionate share of such part of Operator's surface facilities which it uses. In the event one or more Parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines which on a day-to-day basis for any reason are not exactly equal to a Party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the Parties shall be in accordance with the Gas Balancing Agreement attached to the NMFU Operating Agreement.

In the event any Party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil produced from the Cooperative Well, Operator shall have the right, subject to the revocation at will by the Party owning it, but not the obligation, to purchase such oil or sell it to others at any time and from time to time, for the account of the non-taking Party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil not previously delivered to a purchaser. Any purchase or sale by Operator of any other Party's share of oil shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

7. PRODUCTION ALLOCATION AND BURDENS ADMINISTRATION

All royalties, overriding royalty interests, production payments, or similar lease burdens encumbering the Properties which are created and existing as of the effective date hereof are defined as the Existing Burdens. Solely for the payment of such Existing Burdens, all oil, gas and related hydrocarbons produced from or allocated to the Cooperative Well shall be allocated to the Properties as follows:

Hawk B-1 Lease	52.37%
Hawk A Lease	47.63%

Each Party shall account for and administer its share of the Existing Burdens attributable to the Hawk B-1 Lease and the Hawk A Lease based on such Party's operating rights in said lease(s) insofar and only insofar as to the formation(s) being produced from the Cooperative Well. Further, each Party shall indemnify and hold harmless each other Parties for the payment of its share of such Existing Burdens.

Acceptance of the payment of such Existing Burdens by the owners thereof shall never be construed as approval or ratification of a pooling, unitization, or communitization of the Hawk B-1 Lease and the Hawk A Lease.

8. MEASUREMENT

Subject to the provisions of Paragraph 6, all oil produced from the Cooperative Well will be measured in accordance with the standard metering practice accepted by the Bureau of Land Management. The method used shall be checked for accuracy at least once every month. All gas

separated from such oil shall be metered or determined from well test before delivery to the gas purchaser.

9. **TITLE**

This Agreement is not intended as a conveyance of any interest whatsoever in real property owned or controlled by the Parties, but is merely a contractual arrangement between the Parties to operate the Cooperative Well and share the production and costs thereof.

10. **NOTICES**

A. All notices authorized or required by this Agreement, unless otherwise specifically provided, shall be deemed to have been given when it is received by the Party to whom addressed if it is given in writing by Certified Mail, Return Receipt Requested, or telegram, postage or charges prepaid, and addressed to the parties to whom the notice is given at the addresses listed above.

B. Each Party shall have the right to change its address at any time and from time to time by giving written notice thereof to the other Parties.

11. **PRE-COMMENCEMENT APPROVALS**

Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual drilling operations for the Cooperative Well until this Agreement, and the operations contemplated hereunder, has been approved by the Authorized Officers of the Bureau of Land Management, and the New Mexico Oil Conversation Division. Operator shall be solely responsible for obtaining such approvals. All costs, expenses, and fees associated with obtaining such approvals shall be billed and accounted for pursuant to 1.C. of this Agreement.

This Agreement is freely assignable and shall extend to and be binding on the successors and assigns of the Parties hereto.

This Agreement may be executed in any number of counterparts, each of which shall be considered as an original for all purposes.

IN WITNESS WHEREOF, the parties have caused the execution of this instrument to be effective on the date first above written

APACHE CORPORATION

By: John Swain
Printed Name: John Swain
Title: Attorney-in-Fact

MS

BP AMERICA PRODUCTION COMPANY

By: E M Sierra
Printed Name: E.M. Sierra
Title: Attorney-in-Fact

EGB
jbt

CHEVRON U.S.A. INC.

By: _____
Printed Name: _____
Title: _____

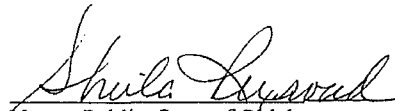
BUREAU OF LAND MANAGEMENT

By: _____
Printed Name: _____
Title: _____

STATE OF OKLAHOMA §
 §
COUNTY OF TULSA §

This instrument was acknowledged before me this 3 day of May, 2007, by John Swain as Attorney-in-Fact Central Region, of Apache Corporation, a Delaware corporation, on behalf of said corporation.

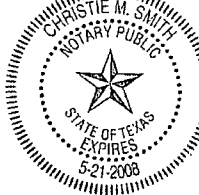
My Commission Expires  OFFICIAL SEAL
SHEILA REXROAD
TULSA COUNTY
Comm. Exp. 08-24-2008

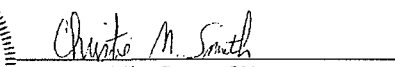

Notary Public, State of Oklahoma

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me this 17 day of May, 2007, by E.M. Sierra, At in fact of BP America Production Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires: 5-21-2008




Notary Public, State of Texas

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me this ____ day of _____, 2007, by _____ of Chevron U.S.A. Inc., a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public, State of Texas

STATE OF NEW MEXICO §
 §
COUNTY OF LEA §

This instrument was acknowledged before me this ____ day of _____, 2007, by _____, Authorized Officer of the Bureau of Land Management on behalf of the Bureau of Land Management.

My Commission Expires: _____

Notary Public, State of New Mexico

separated from such oil shall be metered or determined from well test before delivery to the gas purchaser.

9. **TITLE**

This Agreement is not intended as a conveyance of any interest whatsoever in real property owned or controlled by the Parties, but is merely a contractual arrangement between the Parties to operate the Cooperative Well and share the production and costs thereof.

10. **NOTICES**

A. All notices authorized or required by this Agreement, unless otherwise specifically provided, shall be deemed to have been given when it is received by the Party to whom addressed if it is given in writing by Certified Mail, Return Receipt Requested, or telegram, postage or charges prepaid, and addressed to the parties to whom the notice is given at the addresses listed above.

B. Each Party shall have the right to change its address at any time and from time to time by giving written notice thereof to the other Parties.

11. **PRE-COMMENCEMENT APPROVALS**

Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual drilling operations for the Cooperative Well until this Agreement, and the operations contemplated hereunder, has been approved by the Authorized Officers of the Bureau of Land Management, and the New Mexico Oil Conversation Division. Operator shall be solely responsible for obtaining such approvals. All costs, expenses, and fees associated with obtaining such approvals shall be billed and accounted for pursuant to 1.C. of this Agreement.

This Agreement is freely assignable and shall extend to and be binding on the successors and assigns of the Parties hereto.

This Agreement may be executed in any number of counterparts, each of which shall be considered as an original for all purposes.

IN WITNESS WHEREOF, the parties have caused the execution of this instrument to be effective on the date first above written

APACHE CORPORATION

BP AMERICA PRODUCTION COMPANY

By: John Swain
Printed Name: John Swain
Title: Attorney-in-Fact

By: _____
Printed Name: _____
Title: _____

CHEVRON U.S.A. INC.

BUREAU OF LAND MANAGEMENT

By: C.D. Frisbie
Printed Name: C.D. Frisbie
Title: Attorney-in-Fact

By: _____
Printed Name: _____
Title: _____

STATE OF OKLAHOMA §
COUNTY OF TULSA §

This instrument was acknowledged before me this 3 day of May, 2007, by John Swain as Attorney-in-Fact Central Region, of Apache Corporation, a Delaware corporation, on behalf of said corporation.

My Commission Expires:  Sheila Rexroad
Notary Public, State of Oklahoma

STATE OF TEXAS §
COUNTY OF HARRIS §

This instrument was acknowledged before me this ____ day of _____, 2007, by _____ of BP America Production Company, a Delaware corporation, on behalf of said corporation.

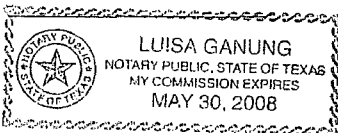
My Commission Expires:

Notary Public, State of Texas

STATE OF TEXAS §
COUNTY OF HARRIS §

This instrument was acknowledged before me this 7 day of JUNE, 2007, by C.D. Friesbie, Attorney-in-Fact of Chevron U.S.A. Inc., a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires:



Luisa Ganung
Notary Public, State of Texas

STATE OF NEW MEXICO §
COUNTY OF LEA §

This instrument was acknowledged before me this ____ day of _____, 2007, by _____, Authorized Officer of the Bureau of Land Management on behalf of the Bureau of Land Management.

My Commission Expires:

Notary Public, State of New Mexico

separated from such oil shall be metered or determined from well test before delivery to the gas purchaser.

9. **TITLE**

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IN WITNESS WHEREOF, the parties have caused the execution of this instrument to be effective on the date first above written

APACHE CORPORATION

BP AMERICA PRODUCTION COMPANY

By: John Swain
Printed Name: John Swain
Title: Attorney-in-Fact

By: _____
Printed Name: _____
Title: _____

CHEVRON U.S.A. INC.

BUREAU OF LAND MANAGEMENT

By: _____
Printed Name: _____
Title: _____

By: _____
Printed Name: _____
Title: _____

RECEIVED
2001 MAY - 4 AM 08:50
BUREAU OF LAND MANAGEMENT
POSTAL OFFICE
Page 35



United States Department of the Interior **RECEIVED**
BUREAU OF LAND MANAGEMENT
ROSWELL FIELD OFFICE
2909 West Second Street
Roswell, New Mexico 88201-2019
MAY 16 2007
TULSA
LAND DEPT.

IN REPLY REFER
NM-118318
3105.2 NM (513)

MAY 10 2007

Apache Corporation
Attn: Mario R. Moreno, Jr.
6120 S. Yale, Suite 1500
Tulsa, OK 74136-4224

Re: Cooperative Well Agreement
Hawk B-1 #58
SE/4 of Section 8, T. 21 S., R. 37 E.
Lea County, New Mexico

Dear Mr. Moreno,

Enclosed is an approved copy of the Cooperative Well Agreement for the Hawk B-1 #58 well located at 2620' FSL, 1440' FEL, Section 8, T. 21 S., R. 37 E., NMPM, Lea County, New Mexico. This agreement includes all oil and/or gas production from horizons encountered from the surface of the earth down to and including the base of the San Andres formation. This agreement has been assigned Contract No. NMNM-118318.

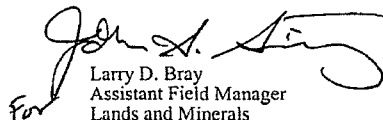
Production and royalties from the referenced well shall be allocated and reported to the Minerals Management Service (MMS) as follows:

Hawk B-1 Lease NM-90161	52.37%
Hawk A Lease LC-031741A	47.63%
Total	100.000%

Please furnish all interested principals with appropriate evidence of this approval.

If you have any questions, please contact Linda Askwig at (505) 627-0237 or the Division of Lands and Minerals at (505) 627-0272.

Sincerely,


Larry D. Bray
Assistant Field Manager
Lands and Minerals

1 Enclosure:
1 - Cooperative Well Agreement

