

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

August 31, 2007

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

Administrative Order NSL-5684

Re: Lockhart A-17 Well No. 22
A-17-21S-37E
Lea County

Dear Mr. Bruce:

Reference is made to the following:

- (a) your application (**administrative application reference No. pTDS07-21849942**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on August 6, 2007, on behalf of Apache Corporation (Apache),
- (b) copy of "Cooperative Well Agreement (for the Lockhart A-17 #22 Well)" between Apache, Chevron U.S.A. Inc. and Campbell & Hedrick,
- (c) copy of cover letter reflecting approval of the Cooperative Well Agreement by the United States Bureau of Land Management, and
- (d) the Division's records pertinent to your request.

Apache has requested to drill its Lockhart A-17 Well No. 22 at an unorthodox Blinebry, Tubb and Drinkard oil well location, 1190 feet from the North line and 1310 feet from the East line (Unit A) of Section 17, Township 21 South, Range 37 East, N.M.P.M., in Lea County, New Mexico. The NE/4 NE/4 of Section 17 will be dedicated to this well in order to form a standard 40-acre spacing and proration unit in the North Eunice Blinebry-Tubb-Drinkard Pool (22900).

This location is governed by Rule 2 of the Special Rules and Regulations for the North Eunice Blinebry-Tubb-Drinkard Pool, as adopted by Order R-8539, and amended by Order R-8539-A and R-8541-B, effective September 24, 1990, which provides that a well shall be located

at least 330 feet from any unit boundary. The proposed location is approximately 10 feet and 130 feet, respectively from the western and southern unit boundaries.

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

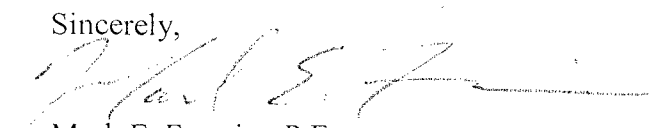
It is our understanding that this location is being requested because Apache's geologic interpretation indicates that the well can tap into stranded reserves located on the margins of existing spacing units that cannot be effectively drained by wells located at standard locations.

We also understand that the parties to the cooperative well agreement filed with this application collectively own 100% of the working interest in all of the 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
United States Bureau of Land Management - Carlsbad