



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

February 27, 2008

Mr. James Bruce
P.O. Box 1056
Santa Fe, NM 87504

Administrative Order NSL-5790

**Re: Apache Corporation
State 36 Well No. 1
Unit N, Section 36-22S-37E
Lea County**

Dear Mr. Bruce:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-02932250**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Apache Corporation, on January 28, 2008, and

(b) the Division's records pertinent to this request.

Apache Corporation (Apache) has requested to drill the above-referenced well at an unorthodox oil well location, 640 feet from the South line and 1460 feet from the West line (Unit N) of Section 36, Township 22 South, Range 37 East, N.M.P.M., in Lea County, New Mexico. The SE/4 SW/4 of Section 36 will be dedicated to this well in order to form a standard 40-acre spacing unit in the Fusselman (Silurian) formation, and in the Blinebry, Tubb and Drinkard formations. This is a wildcat location in the Fusselman, and accordingly is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary.

In the Blinebry, Tubb and Drunkard formations, it is in Blinebry Oil and Gas Pool (74280), the Tubb Oil and Gas Pool (86440) and the South Brunson-Drinkard/Abo Pool (7900), respectively.

Spacing in the Blinebry Oil and Gas Pool is governed by the Special Rules and Regulation for the Blinebry Oil and Gas Pool, as provided in Order R-8170 issued on March 28, 1986. Spacing in the Tubb Oil and Gas Pool is governed by the Special Rules and Regulation for the Tubb Oil and Gas Pool, as provided in Order R-8170 issued on March 28, 1986. Spacing in the South Brunson-Drinkard/Abo Pool is governed by statewide Rule 104.B(1). All of these applicable rules provide for 40-acre oil units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the western unit boundary.

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 you are seeking this location because your geologic interpretation indicates that it is the most favorable location for completing an economic well in the Fusselman formation, and, as to the other formations, in order to use the same wellbore.

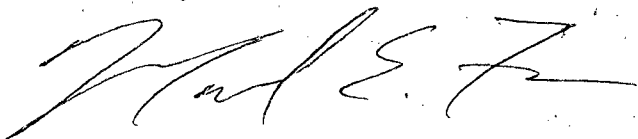
It is also understood that notice of this application to offsetting operators or owners is unnecessary because of common ownership.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a stylized, cursive script.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
United States Bureau of Land Management - Carlsbad