

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



November 17, 2009

Apache Corporation
Attn: Mr. Kevin Mayes
6120 S. Yale, Suite 1500
Tulsa, OK 74136

Administrative Order NSL-5914-B

Re: J.R. Phillips Well No. 10
API No. 30-025-39148
1110 feet FNL and 1240 feet FEL
Unit A, Section 1-20S-36E
Lea County, New Mexico

Dear Mr. Mayes:

Reference is made to the following:

(a) your application (**administrative application reference No. pKAA09-32032788**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on November 16, 2009, and

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

Apache Corporation [OGRID 873] (Apache) has requested to complete the above-referenced well at an unorthodox oil well location in the Drinkard formation, described above in the caption of this letter. The NE/4 NE/4 of Section 1 will be dedicated to this well in order to form a standard 40-acre wildcat Drinkard oil spacing unit. This unit is governed by statewide Rule 15.9.A, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the southern and western unit boundaries.

Your application has been duly filed under the provisions of Division Rules 15.13 and 4.12.A(2).

It is our understanding that you are seeking this location in order to utilize an existing wellbore which was originally drilled to another formation pursuant to Administrative Orders NSL-5914 and NSL-5914-A.



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

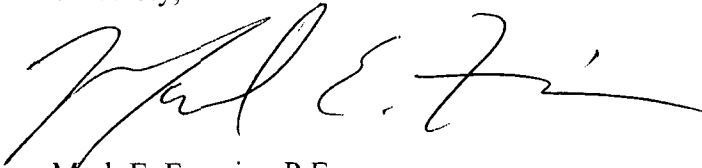
Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

In addition to your request for approval of this unorthodox location in the Drinkard formation, you have also requested approval for this location in the Tubb formation. Since this area is within one mile of the West Mounument-Tubb Gas Pool (96968), which is spaced on 160 acres, with 660-foot setbacks from unit boundaries, this location is orthodox if the well tests as a gas well. If this well tests as an oil well in the Tubb, it will be necessary that it either be assigned to an existing Tubb pool, or be designated as a wildcat Tubb oil well. In either case, NSL approval would be required, and you are not authorized to produce this well from the Tubb as an oil well unless and until this order is amended to approve this location in the Tubb.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9.

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 flourish at the end.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs