

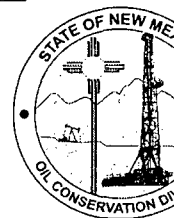
New Mexico Energy, Minerals and Natural Resources Department

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Cabinet Secretary-Designate

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Deputy Cabinet Secretary

Jami Bailey, CPG
Director
Oil Conservation Division



April 7, 2011

Apache Corporation
Attn: Mr. David Catanach
6120 S. Yale, Suite 1500
Tulsa, OK 74136

Administrative Order NSL-6348-A
Administrative Order NSP-1935-B
Administrative Order SD-200409-C

Re: Mark Owen Well No. 1 (API No. 30-025-07037)
Mark Owen Well No. 2 (API No. 30-025-07038)
Mark Owen Well No. 3 (API No. 30-025-07039)
Mark Owen Well No. 5 (API No. 30-025-39558)
Mark Owen Well No. 8 (API No. 30-025-25481)
Mark Owen Well No. 28 (proposed)
Mark Owen Well No. 29 (proposed)
SW/4 of Section 35
Township 21 South, Range 37 East, NMPM,
Lea County, New Mexico

Dear Mr. Catanach:

This order is issued *nunc pro tunc* in place of Administrative Order NSL 6348/NSP 1935-A/ SD 200409-B, which is hereby superseded.

Reference is made to the following:

(a) your administrative non-standard location (NSL) application for approval of non-standard locations for your proposed Mark Owen Wells Nos. 28 and 29 (**administrative application reference No. pTGW11-03836993**), which you submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on February 2, 2011;

(b) your administrative non-standard proration unit (NSP) application for approval of three 40-acre, non-standard gas spacing and proration units in the Blinebry



Oil & Gas Pool and four 40-acre, non-standard gas spacing and proration units in the Tubb Oil & Gas Pool (**administrative application reference No. pTGW11-03853613**), which you submitted on the same date;

(c) your administrative simultaneous dedication (SD) application for dedication of one of your proposed 40-acre Blinebry gas units and two of your proposed 40-acre Tubb gas units to two wells each (**administrative application reference No. pTGW11-03853843**), which you submitted the same date; and

(d) the Division's records pertinent to Apache's request, including the Division's records pertaining to Administrative Order NSP 1935/SD-200409-A.

Non-Standard Proration Unit (NSP) Application:

Apache Corporation [OGRID 873] (Apache) has requested establishment of three non-standard, 40-acre gas spacing and proration units in the Blinebry Oil and Gas (Prorated Gas) Pool (72480) consisting, respectively, of the NW/4 SW/4, SW/4 SW/4 and SE/4 SW/4 of Section 35, Township 21 South, Range 37 East, NMPM, in Lea County, New Mexico.

Spacing in this pool is governed by the Special Rules and Regulations for the Blinebry Oil and Gas Pool, as provided in Order R-8170 issued on March 28, 1986, which provide that standard gas units shall consist of 160 acres. However, establishment of non-standard gas units comprising less than 160 acres is expressly authorized. All of these proposed units are included in an existing 120-acre, non-standard gas spacing unit established by Order NSP-1935.

Apache has also requested establishment of four non-standard 40-acre gas spacing and proration units in the Tubb Oil and Gas (Prorated Gas) Pool (86440) consisting, respectively, of the NE/4 SW/4, NW/4 SW/4, SW/4 SW/4 and SE/4 SW/4 of Section 35, Township 21 South, Range 37 East, NMPM, in Lea County, New Mexico. Spacing in this pool is governed by the Special Rules and Regulations for the Tubb Oil and Gas Pool, as provided in Order R-8170 issued on March 28, 1986, which provide for standard gas proration units of 160 acres. However, establishment of non-standard gas units comprising less than 160 acres is expressly authorized. All of these proposed units are included in an existing standard 160-acre gas spacing unit consisting of the SW/4 of Section 35.

Your NSP application has been duly filed under the provisions of Division Rules 15.11.B(2) and 4.12.A(3).

Your reason for requesting splitting the existing 120-acre gas unit in the Blinebry and the existing 160-acre gas unit in the Tubb is not immediately apparent, since these existing units do not include any Blinebry or Tubb oil wells that need separate acreage dedications. Presumably the intent of the application is to facilitate future increases in gas well density throughout the SW/4 of Section 35. However, as no objection has surfaced, and data submitted in your application tends to indicate that each of these gas wells will drain less than 40 acres, it can reasonably be concluded that increased well density will produce additional gas from within the existing unit, thereby preventing waste without impairing correlative rights.

It is further understood that no notice to owners within the SW/4 of Section 35 is required since ownership of all interest is uniform throughout that quarter section. It is also understood

that due notice of this application has been given to all offsetting operators and owners pursuant to the Division's directive for this application.

Pursuant to the authority of Rule 15.11.B(2) and applicable special pool rules, the three above-described non-standard 40-acre gas spacing and proration units in the Blinebry Oil & Gas Pool, and the four above-described non-standard 40-acre gas spacing and proration units in the Tubb Oil & Gas Pool are hereby approved.

The units so established will be dedicated to the following wells:

Section 35-21S-37E in the Blinebry Oil & Gas Pool

NW/4 SW/4 not dedicated at this time

SW/4 SW/4 Mark Owen No. 2 (API No. 30-025-07038) and Mark Owen No. 28
[See Simultaneous Dedication approval below.]

SE/4 SW/4 Mark Owen No. 3 (API No. 30-025-07039)

Section 35-21S-37E in the Tubb Oil & Gas Pool

NE/4 SW/4 Mark Owen No. 5 (API No. 30-025-39558) and Mark Owen No. 29
[See Simultaneous Dedication approval below.]

NW/4 SW/4 Mark Owen Well No. 1 (API No. 30-025-07037)

SW/4 SW/4 Mark Owen No. 8 (API No. 30-025-25481) and Mark Owen No. 28
[See Simultaneous Dedication approval below.]

SE/4 SW/4 Mark Owen No. 3 (API No. 30-025-07039)

Simultaneous Dedication Application:

Apache has requested approval to simultaneously dedicate the above-described non-standard 40-acre gas spacing and proration units consisting of the SW/4 SW/4 in the Blinebry Oil and Gas Pool to the following wells:

Mark Owen Well No. 2 (API No. 30-025-07038), located 660 feet from the South and West lines (Unit M) of Section 35; and

Mark Owen Well No. 28 (API No. not yet assigned), located 1310 feet from the South line and 467 feet from the West line (Unit M) of Section 35.

It is our understanding that both of these wells are producing as gas wells in the Blinebry.

Apache has further requested approval to simultaneously dedicate the above-described non-standard 40-acre gas spacing and proration unit consisting of the SW/4 SW/4 in the Tubb Oil & Gas Pool to the following wells:

Mark Owen Well No. 8 (API No. 30-025-25481) located 760 feet from the South and West lines (Unit M) of Section 35; and

Mark Owen Well No. 28 (API No. not yet assigned), located 1310 feet from the South line and 467 feet from the West line (Unit M) of Section 35.

It is our understanding that both of these wells are producing as gas wells in the Tubb.

Apache has also requested approval to simultaneously dedicate the above-described non-standard 40-acre gas spacing and proration unit consisting of the NE/4 SW/4 in the Tubb Oil and Gas Pool to the following wells:

Mark Owen No. 5 (API No. 30-025-39558), at surface location 1460 feet from the South line and 1510 feet from the West line (Unit K) of Section 35 and bottom hole location 1376 feet from the South line and 1370 feet from the West line (Unit K) of said section.

Mark Owen Well No. 29 (API No. not yet assigned), located 2173 feet from the South line and 1330 feet from the West line (Unit K) of Section 35.

Your SD application has been duly filed under the provisions of Division Rules 15.11.C and 4.12.A(9).

We understand that you are seeking simultaneous dedication of these non-standard gas units to these wells, respectively, in order to prevent waste by fully developing the gas reserves within these units.

Pursuant to the authority of Rule 15.11.C, the simultaneous dedications described above are approved.

Non-Standard Location (NSL) Application:

Apache has requested to drill the following wells at unorthodox locations in the Blinebry Oil & Gas Pool, the Tubb Oil & Gas Pool and the Drinkard Pool, as follows:

Mark Owen Well No. 28 (API No. not yet assigned), 1310 feet from the South line and 467 feet from the West line (Unit M) of Section 35.

Mark Owen Well No. 29 (API No. not yet assigned), 2173 feet from the South line and 1330 feet from the West line (Unit K) of Section 35.

The SW/4 SW/4 of Section 35 will be dedicated to the Mark Owen Well No. 28 as a non-standard, 40-acre gas spacing and proration unit in the Blinebry and Tubb [see above], and as a standard, 40-acre oil spacing and proration unit in the Drinkard Pool (19190). The NE/4 SW/4 of Section 35 will be dedicated to the Mark Owen Well No. 29 as a standard, 40-acre oil spacing and proration unit in the Blinebry Oil & Gas Pool (Oil) [6660] and in the Drinkard Pool, and as a non-standard, 40-acre gas spacing and proration unit in the Tubb [see above]. The special pool rules applicable to 40-acre oil or gas units in the Blinebry and Tubb and statewide Rule 15.9, applicable to the Drinkard Pool each provide that wells shall be located at least 330 feet from any unit outer boundary. Each of these locations is less than 330 feet from a unit boundary.

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 these locations for engineering reasons, in order to optimize production of reserves within these units.

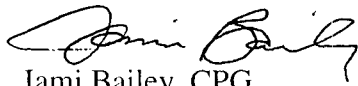
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

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

All approvals herein are subject to Apache being in compliance with 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 "Jami Bailey", is written over the printed name.

Jami Bailey, CPG
Director

JB/db

cc: New Mexico Oil Conservation Division – Hobbs