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**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](mailto:jamesbruc@aol.com)

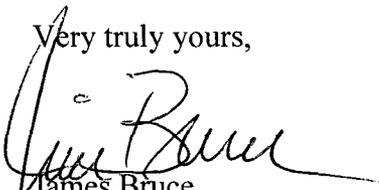
July 22, 2008

Florene Davidson  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of Apache Corporation, are an original and one copy of two applications for simultaneous dedication, together with proposed advertisements. The advertisements have also been e-mailed to the Division. Please set these matters for the August 21, 2008 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for Apache Corporation

PERSONS NOTIFIED OF APPLICATIONS

OXY USA WTP Limited Partnership

Devon Energy Production Company, L.P.

Marathon Oil Company

Yates Petroleum Corporation

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF APACHE CORPORATION FOR  
AN EXCEPTION TO DIVISION ORDER NOS. R-9922-E  
AND R-12121 TO PERMIT A THIRD WELL ON A WELL  
UNIT, EDDY COUNTY, NEW MEXICO.

Case No. 14176

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APPLICATION

Apache Corporation applies for an order approving a third well in the Indian Basin-Upper Pennsylvanian Associated Pool (the "Associated Pool") in a well unit comprised of the W $\frac{1}{2}$  of Section 36, Township 21 South, Range 23 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is an interest owner in and the operator of the W $\frac{1}{2}$  of Section 36, comprising 320 acres, which is dedicated, in the Associated Pool to (i) the Lowe State Well No. 5, located 1650 feet from the south line and 2450 feet from the west line, and (ii) the Lowe State Well No. 6, located 660 feet from the south line and 990 feet from the west line.

2. Under Division Order No. R-9922, as amended, the Associated Pool has special rules providing for (i) 320 acre spacing, (ii) four wells per well unit, with two wells per quarter section, (iii) wells to be located no closer than 660 feet to a quarter section line nor closer than 330 feet to a quarter-quarter section line, (iv) an oil allowable of 1400 barrels of oil per day, and (v) a gas:oil ratio of 7000 cubic feet of gas per barrel of oil.

3. Division Order No. R-9922-E contracted the Indian Basin-Upper Pennsylvanian Gas Pool to delete the W $\frac{1}{2}$  of Section 36, and expanded the Associated Pool to include the W $\frac{1}{2}$  of Section 36. The order also provided that only one well in the Associated Pool shall be allowed per quarter section in the W $\frac{1}{2}$  of Section 36 (and other lands not involved in this application). **Order No. R-9922-E, Ordering Paragraph (9).**

4. Division Order No. R-12121 granted an exception to Order No. R-9922-E to allow the Lowe State Well Nos. 5 and 6 to be located in the same quarter section, but also provided that no additional well shall be drilled, recompleted, or produced in the Associated Pool in the W $\frac{1}{2}$  of Section 36 while the Lowe State Well Nos. 5 and 6 are being produced. **Order No. R-12121, Ordering Paragraph (2).**

5. Applicant proposes to drill the Lowe State Well No. 7, at a location 660 feet from the north line and 730 feet from the west line of Section 36, and complete it in the Associated Pool. The W $\frac{1}{2}$  of Section 36 will be simultaneously dedicated to the Lowe State Well Nos. 5, 6, and 7. Thus, applicant requests an exception to the provisions of Order Nos. R-9922-E and R-12121 to allow a third well in the Associated Pool in the W $\frac{1}{2}$  of Section 36.

6. The Lowe State Well No. 7 will produce reserves that will not be recovered by the Lowe State Well Nos. 5 and 6.

7. The granting of this application will prevent waste and protect correlative rights.

**WHEREFORE**, applicant requests that, after notice and hearing, the Division enter its order granting the relief requested above.

Respectfully submitted,



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James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Apache Corporation

### Proposed Advertisement

**Case No. 14176 : Application of Apache Corporation for an exception to Division Order Nos. R-9922-E and R-12121 to permit a third well on a well unit, Eddy County, New Mexico.** Applicant seeks an exception to Division Order Nos. R-9922-E and R-12121 to allow it to drill, complete, and produce the Lowe State Well No. 7, as an infill well in an existing 320 acre spacing unit in the Indian Basin-Upper Pennsylvanian Associated Pool comprised of the W/2 of Section 36, Township 21 South, Range 23 East, N.M.P.M., at an orthodox location in the NW/4NW/4 (Unit D) of Section 36. Applicant further seeks to simultaneously dedicate production from the Indian Basin-Upper Pennsylvanian Associated Pool in the W/2 of Section 36 to the proposed Lowe State Well No. 7 and to the existing (i) Lowe State Well No. 5, located 1650 feet from the south line and 2450 feet from the west line, and (ii) Lowe State Well No. 6, located 660 feet from the south line and 990 feet from the west line, of Section 36. The unit is located approximately 13-1/2 miles southwest of Seven Rivers, New Mexico.