

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF APACHE CORPORATION FOR APPROVAL
OF ITS GRIZZELL LEASE WATERFLOOD
PROJECT AND TO QUALIFY THIS PROJECT
FOR THE RECOVERED OIL TAX RATE
PURSUANT TO THE "NEW MEXICO
ENHANCED OIL RECOVERY ACT,"
LEA COUNTY, NEW MEXICO**

CASE NO 12785

A P P L I C A T I O N

Comes now APACHE CORPORATION ("Apache"), by its attorneys, Kellahin & Kellahin, and pursuant to the New Mexico "Enhanced Oil Recovery Act" and to Division Rule 701(G) applies to the New Mexico Oil Conservation Division for approval of its Grizzell Lease Waterflood Project and for the recovered oil tax rate for enhanced oil recovery for the expanded use of enhanced oil recovery technology within said pressure maintenance project, an existing EOR project and in support states:

(1) Apache is the current operator of the Grizzell Lease which includes the SE/4 of Section 8, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

(2) Apache proposes to institute waterflood operations for the Grizzell Lease:

(a) by injecting water into the Grayburg formation of the Penrose Skelly Grayburg Pool from its Grizzell Well No. 11, located 1300 feet from the south line and 1139 feet from the east line of Section 8, through a perforated interval from 3580 feet to 3816 feet; and

(b) increasing the recovery from:

Grizzell Well No. 01 (Unit J)
Grizzell Well No. 02 (Unit I)
Grizzell Well No. 03 (Unit O)
Grizzell Well No. 04 (Unit p)

(3) Ultimate primary oil recovery from the Original Project Area has been 413,000 barrels of oil from 4 wells.

(4) The Project is currently producing at 2 BOPD from 1 active producer. Approximately 1450 barrels of oil remain to be recovered under the current mode of operations.

(5) The estimated amount of recoverable oil attributable to a Positive Production Response enhanced oil recovery technology for this Project Area is 100,000 barrels of additional oil.

(6) In accordance with Division Rule 701, Apache has submitted Division Form C-108. **See Exhibit 1 attached.**

(7) In accordance with Division Order R-9708, the following is submitted:

a. Operator's name and address:

Apache Corporation
2000 Post Oak Boulevard Suite 100
Houston, Texas 77056-4400

b. Description of the Project Area:

(1) Plat outlining Project Area:

See Exhibit "A"

(2) Description of the Project Area:

T22S, R37E NMPM
Sec 8: SE/4

(3) Total acres in Project Area:

160 acres, more or less

(4) Name of the subject Pool and formation:

Grayburg formation of
the Penrose Skelly Grayburg Pool

c. Status of operations in the project area:

- (1) N/A
[if unitized, name of unit, date of unit approval
and order number]
- (2) N/A
[if application for unit approval pending supply
date of filing]

d. Method of recovery to be used:

- (1) injected fluids: water
- (2) N/A
[approved water injection for original project
area]
- (3) December 18, 2001
[if project not approved provide date application
was filed]

e. Description of the Project Area:

- (1) a list of producing wells:
Grizzell Wells No. 1, 2, 3, 4
- (2) a list of injection wells:
Grizzell Well No. 11
- (3) Capital cost of additional facilities:

\$40,000
- (4) Total Project Costs:

\$239,700
- (5) Estimated total value of the additional
production that will be recovered as a result of
this Project Area:

An additional 100,000 barrels of oil with a
current undiscounted value of \$490,000 dollars

(6) Anticipated date of commencement of injection:

as soon as possible after
OCD approval, if granted.

(7) the type of fluid to be injected and the anticipated volumes:

water injected at an estimated
rate of 500 to 1000 BWPD

(8) Explanation of changes in technology:

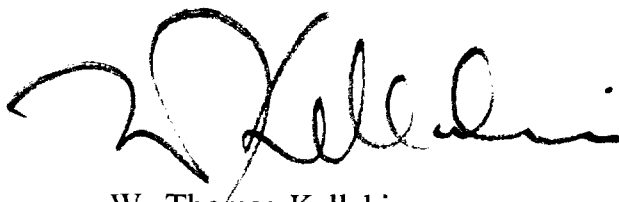
conversion from primary recovery
to secondary (waterflood)
recovery.

f. Production data:

See attached data from project area.

Wherefore, Applicant requests that this application be set for hearing and that after
said hearing, the Division enter its order approving this application.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a large, stylized initial 'W'.

W. Thomas Kellahin
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