



INTER-OFFICE MEMO

DATE: November 14, 2000

TO: Mike Cavanaugh *WMC*

FROM: Mark McClelland *MGM*

RE: D&E: State A No. 6
Hobbs (Drinkard) Field
NW4 NE4, Sec. 32, T18S, R38E, Lea County, NM

Attached for your review and approval is the drilling and completion AFE for the State A No. 6. The risked ROR for this project is 18% with an AFIT PV(12) of \$84M and a PVR of 1.13. Risked net reserves are 116 MBOE resulting in a \$5.48/BOE finding cost. Apache owns a 100% WI, 87.5% NRI in the State A lease. Total well cost is \$638M.

The State A lease is productive from the Grayburg/San Andres, Blinebry (upper and lower) and Drinkard. Of the five wells drilled on the 80 acre lease, three have been unitized into the North Hobbs Grayburg/San Andres waterflood. Of the two remaining wells, the State A No. 4 is temporarily abandoned in the Paddock (6.8 MBO, high water cut) and upper Blinebry (309 MBO). The State A No. 5 is a dual completion producing from the Drinkard and lower Blinebry with squeezed upper Blinebry perms (305 MBO). It is proposed to drill the No. 6 to develop Drinkard and lower (Blinebry) reserves on the west half of the 80 acre State A lease. A cooperative leaseline injection project is planned to waterflood the upper Blinebry.

Drinkard production from the State A No. 5 totals 44 MBO x 3310 MMCF, with a current flowing rate of 1 BOPD x 156 MCFD. Lower Blinebry production in the No. 5 totals 9 MBO x 1359 MMCF, with a current pumping rate of 3 BOPD x 185 MCFD. Decline rates are essentially flat.

Project economics are based on a Drinkard completion (only) with initial rates of 5 BOPD x 500 MCFD. Oil is forecasted to decline to 2.5 BOPD in 6 months, with an ultimate recovery of 7.5 MBO. Gas is forecasted to decline to 250 MCFD in 6 months, with an ultimate recovery of 750 MMCF. Additional targets in the lower Blinebry and Tubb give the proposed No. 6 substantial upside.

MGM

Distribution:

Complete package: Kate Humphrey, Mark McClelland, Lela Cooper

Memo only: Mario Moreno, Doug O'Neil, Dwayne Schultz, John Polasek, Glenn Otness, Janet Romano, John Hale (Midland), Dennis Bickford

AFE's: Vicki Springsteen, Cheryl Stout

DRILLING - TANGIBLE MATERIAL COSTS

ACCT	DESCRIPTION						BUDGET	SUPPLEMENT	TOTAL WELL COST
71006	CONDUCTOR CSG	Size	16"	Feet	40	@ 62.50	2,500		2,500
71019	INTERMEDIATE CSG	Size	8 5/8"	Feet	3800	@ 8.65	32,870		32,870
71024	LINER HANGERS						0		0
71025	LINERS - DRILLING OR PRODUCTION			Feet	0	@ 0.00	0		0
71050	SURFACE CSG	Size	13 3/8"	Feet	380	@ 19.40	7,372		7,372
71058	WELLHEAD ASSEMBLY						3,000		3,000
SUB-TOTAL TANGIBLE MATERIAL COSTS							45,742	0	45,742
SUB-TOTAL INTANGIBLE COSTS (PAGE 1)							299,200	0	299,200
GRAND TOTAL							344,942	0	344,942
LESS OUTSIDE INTERESTS							0	0	0
TOTAL NET COSTS							344,942	0	344,942

PREPARED BY	<i>Dennis Bickford</i>	11/18/00
	Dennis Bickford	DATE
APPROVED BY	<i>W.M. Cavanaugh</i>	11/14/00
	W. M. Cavanaugh	DATE
APPROVED BY		
	Dwayne Schultz	DATE
APPROVED BY		
		DATE
APPROVED BY		
		DATE

A.	GROSS ORIGINAL AFE AMOUNT	344,942
B.	APACHE ORIGINAL NET AFE AMOUNT	344,942
C.	NET ASSET TRANSFERS	
D.	TOTAL ORIGINAL NET AFE (LINE B PLUS LINE C)	344,942
E.	GROSS SUPPLEMENTS	0
F.	APACHE TOTAL NET AFE AMOUNT	344,942
	IN BUDGET	NOT IN BUDGET

COMPANY	WORKING INTEREST	APPROVED BY	DATE

COMMENTS: _____



COMPLETION AFE
ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENSE

PROPERTY NO. 31210301	<input checked="" type="checkbox"/> EMS <input type="checkbox"/> ITS	AFE NO. W01-0038	-C
COUNTY/STATE Lea/New Mexico	DISTRICT Southern	DATE 11/02/00	
LEASE NAME State "A"	WELL NO. 6	FIELD Hobbs Drinkard	
PROSPECT/LEASE #	LEGAL / ZIP CODE Sec. 32, T-18S-R-38E	<input type="checkbox"/> EXPLORATION	
OPERATOR Apache Corporation	APACHE WI 100.000000%	<input checked="" type="checkbox"/> DEVELOPMENT	
OBJECTIVE Drinkard		<input type="checkbox"/> PUD	
FOCUS AREA	API #		
ESTIMATED PROJECT START DATE	ESTIMATED PROJECT COMPLETION DATE		
DESCRIPTION Drill Straight hole to 7150' 660' FNL X 1980' FEL			

COMPLETION - INTANGIBLE DEVELOPMENT COSTS

ACCT	DESCRIPTION	BUDGET	SUPPLEMENT	TOTAL WELL COST
70002	AIR TRANSPORTATION	0		0
70003	BITS, COREHEADS AND REAMERS	0		0
70004	CASING CREWS INCL CD MACHINE	3,800		3,800
70005	CATERING AND GROCERIES	0		0
70006	CEMENT AND CEMENTING SERVICES	10,500		10,500
70009	COMPANY LABOR	0		0
70011	COMPANY SUPERVISION	5,000		5,000
70012	COMPANY VEHICLE EXPENSE	500		500
70019	CONTRACT DRILLING - DAYWORK/TURKEY	10,500		10,500
70020	CONTRACT DRILLING - FOOTAGE	0		0
70017	CONTRACT LABOR	7,500		7,500
70021	CONTRACT SUPERVISION	0		0
70022	DIRECTIONAL TOOLS	0		0
70025	DRILLING FLUIDS	0		0
65506	DRILLING OVERHEAD	0		0
70059	DRY HOLE PLUGGING	0		0
70031	EQUIPMENT RENTAL	4,500		4,500
70033	FILTRATION	0		0
70034	FORMATION STIMULATION	91,000		91,000
70035	FORMATION TESTING	3,500		3,500
70037	FUEL AND POWER	0		0
70039	GEOLOGICAL AND ENGINEERING	0		0
70040	GRAVEL PACK SERVICES	0		0
70045	INSURANCE	0		0
70046	LAND AND SITE RECLAMATION	0		0
70047	LEGAL AND CURATIVE	0		0
70049	LOGGING	4,500		4,500
70050	MARINE TRANSPORTATION	0		0
70054	OTHER INTANGIBLE	2,500		2,500
70064	RIG MOBILIZATION	0		0
70065	ROADS AND SITE PREPARATION	0		0
70069	SNUBBING/COIL TUBING UNIT	0		0
70073	TAX ON EQUIPMENT	0		0
70074	TRUCKING AND HAULING	3,500		3,500
70075	TUBING CONVEY PERFORMING	0		0
70076	TUBULAR INSPECTIONS	0		0
70077	WATER	8,000		8,000
70078	WELLSITE LOSS AND DAMAGES	0		0
	SUB-TOTAL INTANGIBLE DEVELOPMENT COSTS	155,300	0	155,300

COMPLETION - TANGIBLE MATERIAL COSTS

ACCT	DESCRIPTION	BUDGET	SUPPLEMENT	TOTAL WELL COST
71024	LINER HANGERS	0		0
71025	LINERS - DRILLING OR PRODUCTION	0		0
71032	OTHER SUBSURFACE EQUIPMENT	5,000		5,000
71040	PROD. CSG Size 5 1/2 Feet 7150 @ 6.25	44,688		44,688
71048	SUCKER RODS	10,000		10,000
71053	TUBING	16,800		16,800
71056	WELLHEAD ASSEMBLY	2,050		2,050
	SUB-TOTAL TANGIBLE MATERIAL COSTS	78,538	0	78,538
	SUB-TOTAL INTANGIBLE COSTS (PAGE 1)	155,300	0	155,300
	GRAND TOTAL	233,838	0	233,838
	LESS OUTSIDE INTERESTS	0	0	0
	TOTAL NET COSTS	233,838	0	233,838

PREPARED BY	<i>Bryan Chambless</i>	DATE
APPROVED BY	<i>W.M. Cavanaugh</i>	4/14/00
APPROVED BY	<i>Dwayne Schultz</i>	DATE
APPROVED BY		DATE
APPROVED BY		DATE

A.	GROSS ORIGINAL AFE AMOUNT	233,838
B.	APACHE ORIGINAL NET AFE AMOUNT	233,838
C.	NET ASSET TRANSFERS	
D.	TOTAL ORIGINAL NET AFE (LINE B PLUS LINE C)	233,838
E.	GROSS SUPPLEMENTS	0
F.	APACHE TOTAL NET AFE AMOUNT	233,838
	IN BUDGET	NOT IN BUDGET

COMPANY	WORKING INTEREST	APPROVED BY	DATE

COMMENTS: _____



EQUIPMENT AFE
ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

PROPERTY NO.	31210301	<input checked="" type="checkbox"/> EMS	<input type="checkbox"/> ITS	AFE NO.	W01-0038	-E
COUNTY/STATE	Lea/New Mexico	DISTRICT	Southern	DATE	11/02/00	
LEASE NAME	State "A"	WELL NO.	6	FIELD	Hobbs Drinkard	
PROSPECT/LEASE #		LEGAL / ZIP CODE	Sec. 32, T-18S-R-38E		<input type="checkbox"/> EXPLORATION <input checked="" type="checkbox"/> DEVELOPMENT <input type="checkbox"/> PUD	
OPERATOR	Apache Corporation	APACHE WI	100.000000%			
OBJECTIVE	Drinkard					
FOCUS AREA		API #				
ESTIMATED PROJECT START DATE			ESTIMATED PROJECT COMPLETION DATE			
DESCRIPTION	Drill Straight hole to 7150'					
	660' FNL X 1980' FEL					

EQUIPMENT - TANGIBLE MATERIAL COSTS

ACCT	DESCRIPTION	BUDGET	SUPPLEMENT	TOTAL WELL COST
71001	ARTIFICIAL LIFT EQUIPMENT	41,000		41,000
71005	COMPRESSOR STATIONS	0		0
71008	DEHYDRATION / AMINE UNITS	0		0
71012	FLOW LINES TO BATTERY	3,100		3,100
71017	HIGH PRESSURE KNOCK-OUT	0		0
71007	ONSHORE PLATFORM	0		0
71033	OTHER SURFACE EQUIPMENT	8,000		8,000
71039	PRIME MOVER	2,500		2,500
71043	PUMPS	0		0
71045	SALES LINE	0		0
71046	SEPARATORS	4,600		4,600
71051	TANK BATTERY	0		0
71052	TREATORS	0		0
	SUB-TOTAL TANGIBLE MATERIAL COSTS	59,200	0	59,200
	GRAND TOTAL	59,200	0	59,200
	LESS OUTSIDE INTERESTS	0	0	0
	TOTAL NET COSTS	59,200	0	59,200

PREPARED BY	<i>Bryan Chambliss</i>	DATE
APPROVED BY	<i>W M Covorau</i>	11/14/00
APPROVED BY		DATE
APPROVED BY		DATE
APPROVED BY		DATE

A.	GROSS ORIGINAL AFE AMOUNT	59,200
B.	APACHE ORIGINAL NET AFE AMOUNT	59,200
C.	NET ASSET TRANSFERS	
D.	TOTAL ORIGINAL NET AFE (LINE B PLUS LINE C)	59,200
E.	GROSS SUPPLEMENTS	0
F.	APACHE TOTAL NET AFE AMOUNT	59,200
	IN BUDGET	NOT IN BUDGET

COMPANY	WORKING INTEREST	APPROVED BY	DATE

COMMENTS: _____



**DRILLING AND COMPLETION AF
ESTIMATE OF COSTS AND AUTHORIZATION FOR L . . . IRE**

PROPERTY NO. 31210301	<input checked="" type="checkbox"/> EMS <input type="checkbox"/> ITS	AFE NO. W01-0038
COUNTY/STATE Lea/New Mexico	DISTRICT Southern	DATE 11/02/00
LEASE NAME State "A"	WELL NO. 6	FIELD Hobbs Drinkard
PROSPECT/LEASE #	LEGAL / ZIP CODE Sec. 32, T-18S-R-38E	<input type="checkbox"/> EXPLORATION <input checked="" type="checkbox"/> DEVELOPMENT <input type="checkbox"/> PUD
OPERATOR Apache Corporation	APACHE WI 100.000000%	
OBJECTIVE Drinkard	API #	
FOCUS AREA		
ESTIMATED PROJECT START DATE	ESTIMATED PROJECT COMPLETION DATE	
DESCRIPTION Drill Straight hole to 7150'		
660' FNL X 1980' FEL		

INTANGIBLE DEVELOPMENT COSTS

ACCT	DESCRIPTION	BUDGET	SUPPLEMENT	TOTAL WELL COST
70002	AIR TRANSPORTATION	0	0	0
70003	BITS, COREHEADS AND REAMERS	20,000	0	20,000
70004	CASING CREWS	8,200	0	8,200
70005	CATERING AND GROCERIES	0	0	0
70006	CEMENT AND CEMENTING SERVICES	35,000	0	35,000
70009	COMPANY LABOR	0	0	0
70011	COMPANY SUPERVISION	6,200	0	6,200
70012	COMPANY VEHICLE EXPENSE	1,400	0	1,400
70019	CONTRACT DRILLING - DAYWORK/TURNKEY	142,500	0	142,500
70020	CONTRACT DRILLING - FOOTAGE	0	0	0
70017	CONTRACT LABOR	10,500	0	10,500
70021	CONTRACT SUPERVISION	12,000	0	12,000
70022	DIRECTIONAL TOOLS	0	0	0
70025	DRILLING FLUIDS	12,000	0	12,000
65506	DRILLING OVERHEAD	0	0	0
70059	DRY HOLE PLUGGING	0	0	0
70031	EQUIPMENT RENTAL	10,500	0	10,500
70033	FILTRATION	0	0	0
70034	FORMATION STIMULATION	91,000	0	91,000
70035	FORMATION TESTING	3,500	0	3,500
70037	FUEL AND POWER	0	0	0
70039	GEOLOGICAL AND ENGINEERING	0	0	0
70040	GRAVEL PACK SERVICES	0	0	0
70045	INSURANCE	0	0	0
70046	LAND AND SITE RECLAMATION	6,000	0	6,000
70047	LEGAL AND CURATIVE	1,000	0	1,000
70049	LOGGING	18,000	0	16,000
70050	MARINE TRANSPORTATION	0	0	0
70054	OTHER INTANGIBLE	5,500	0	5,500
70064	RIG MOBILIZATION	15,000	0	15,000
70065	ROADS AND SITE PREPARATION	15,000	0	15,000
70069	SNUBBING/COIL TUBING UNIT	0	0	0
70073	TAX ON EQUIPMENT	0	0	0
70074	TRUCKING AND HAULING	7,000	0	7,000
70075	TUBING CONVEY PERFORATING	0	0	0
70076	TUBULAR INSPECTIONS	2,200	0	2,200
70077	WATER	28,000	0	28,000
70078	WELLSITE LOSS AND DAMAGES	6,000	0	6,000
	SUB-TOTAL INTANGIBLE DEVELOPMENT COSTS	454,500	0	454,500

TANGIBLE MATERIAL COSTS

ACCT	DESCRIPTION	BUDGET	SUPPLEMENT	TOTAL WELL COST
71001	ARTIFICIAL LIFT EQUIPMENT	41,000	0	41,000
71005	COMPRESSOR STATIONS	0	0	0
71006	CONDUCTOR CASING	2,500	0	2,500
71008	DEHYDRATION / AMINE UNITS	0	0	0
71012	FLOW LINES TO BATTERY	3,100	0	3,100
71017	HIGH PRESSURE KNOCK-OUT	0	0	0
71019	INTERMEDIATE CASING	32,870	0	32,870
71024	LINER HANGERS	0	0	0
71025	LINERS - DRILLING OR PRODUCTION	0	0	0
71007	ONSHORE PLATFORM	0	0	0
71032	OTHER SUBSURFACE EQUIPMENT	5,000	0	5,000
71033	OTHER SURFACE EQUIPMENT	8,000	0	8,000
71039	PRIME MOVER	2,500	0	2,500
71040	PRODUCTION CASING	44,688	0	44,688
71043	PUMPS	0	0	0
71045	SALES LINE	0	0	0
71046	SEPARATORS	4,600	0	4,600
71048	SUCKER RODS	10,000	0	10,000
71050	SURFACE CASING	7,372	0	7,372
71051	TANK BATTERY	0	0	0
71052	TREATORS	0	0	0
71053	TUBING	16,800	0	16,800
71056	WELLHEAD ASSEMBLY	5,050	0	5,050
	SUB-TOTAL TANGIBLE MATERIAL COSTS	183,480	0	183,480
	SUB-TOTAL INTANGIBLE COSTS (PAGE 1)	454,500	0	454,500
	GRAND TOTAL	637,980	0	637,980
	LESS OUTSIDE INTERESTS	0	0	0
	TOTAL NET COSTS	637,980	0	637,980

PREPARED BY	<i>Dennis Bickford</i> Dennis Bickford	11/18/00 DATE
APPROVED BY	<i>W.M. Cavanaugh</i> W. M. Cavanaugh	11/14/00 DATE
APPROVED BY	<i>Dwayne Schultz</i> Dwayne Schultz	DATE
APPROVED BY		DATE
APPROVED BY		DATE

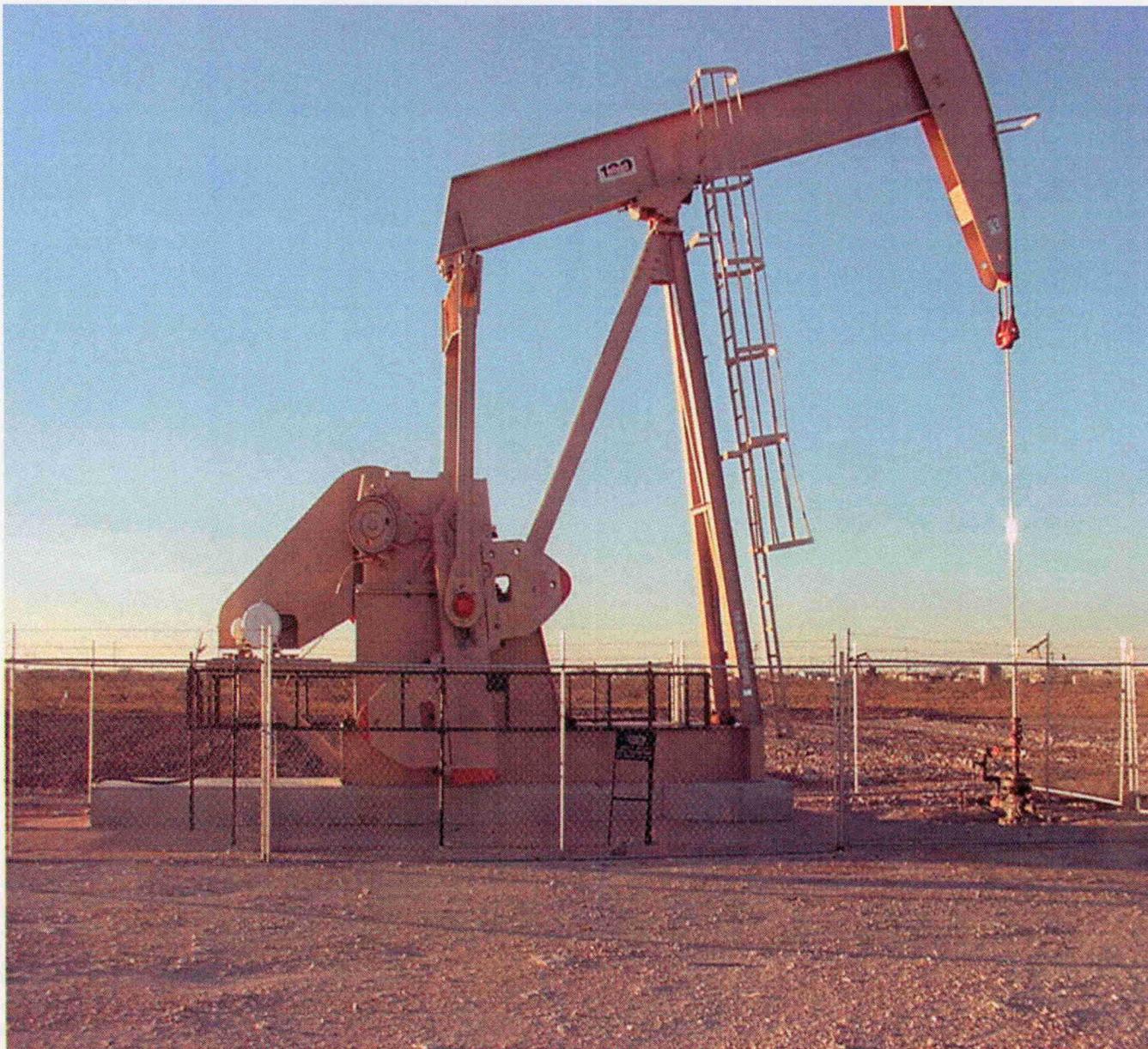
A.	GROSS ORIGINAL AFE AMOUNT	637,980
B.	APACHE ORIGINAL NET AFE AMOUNT	637,980
C.	NET ASSET TRANSFERS	
D.	TOTAL ORIGINAL NET AFE (LINE B PLUS LINE C)	637,980
E.	GROSS SUPPLEMENTS	0
F.	APACHE TOTAL NET AFE AMOUNT	637,980
	IN BUDGET	NOT IN BUDGET

COMPANY	WORKING INTEREST	APPROVED BY	DATE

COMMENTS:



This is a picture of the well sign for the Apache State A # 6 showing the location of the well.



This a picture of the pumping unit on the State A # 6 looking from north to south.



This is a picture of the Apache owned State A # 4 (tan unit) along with the Oxy owned North Hobbs Unit # 32-313 pumping unit both of these wells are just to the west and north of the State A tank Btry.



This picture was a little closer look at the Apache #4 well and the OXY # 32-313 well that are located on the west side of the tank Btry.

We have to remember that the reason they could not drill the State A # 6 at 660 from north line and 1980 from the east line is because the State A tank Btry. is located exactly at that spot.



This is a picture of the State A tank Btry. that is located 660' FNL- 1980 FEL. The picture was taken as I stood next to the wellhead of the State A # 6. I was looking back toward the north when I took the picture. The State A # 6 is located 990' FNL and 1817' FEL.



This picture shows some of the meter runs and gas pipelines in the area just on the north side of the State A tank Btry



This is a picture of the large Playa lakebed that is on the east side of State A tank Btry. It is about 300 feet away from the tank Btry



Another look at the lakebed that is just on the east side of the State A Btry explaining why they did not move to the east to drill the well.