

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**CASE NO. 12986
ORDER NO. R-11949**

**APPLICATION OF APACHE CORPORATION FOR AN UNORTHODOX OIL
WELL LOCATION, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 23, 2003, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 1st day of May, 2003, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The N/2 NE/4 of Section 32, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico, being a standard 80-acre lay-down oil spacing and proration unit in both the Hobbs-Lower Blinebry (31650) and Hobbs-Drinkard (31730) Pools, is currently dedicated to Apache Corporation's dually completed State "A" Well No. 5 (API No. 30-025-23116), located at a standard oil well location for both zones 660 feet from the North and East lines (Unit A) of Section 32.

(3) Apache Corporation, as applicant in this case, is seeking an exception to the well location requirements of the "*Special Rules and Regulations for the Hobbs-Drinkard Pool*" and the "*Special Rules and Regulations for the Hobbs-Lower Blinebry Pool*" for its existing (spud on May 26, 2002) State "A" Well No. 6 (API No. 30-025-35304), located at an unorthodox infill oil well location for both zones 990 feet from the North line and 1817 feet from the East line (Unit B) of Section 32.

(4) The special pool rules for the Hobbs-Drinkard Pool, as promulgated by Division Order No. R-3811, as amended, and the special pool rules for the Hobbs-Lower Blinebry Pool,

as promulgated by Division Order No. R-9696, as amended, both require standard 80-acre spacing, with wells to be located within 150 feet of the center of either quarter-quarter section or lot in the unit. Neither pool rule limits the number of wells within a proration unit.

(5) The applicant originally filed an administrative application on December 10, 2002 (***administrative application reference No. pKRV0-234438285***) seeking approval of the unorthodox location for its State "A" Well No. 6 within the Hobbs-Lower Blinebry Pool. Review of this administrative application found that the State "A" Well No. 6 had been drilled by Apache Corporation to a total depth of 7,150 feet and completed in the Hobbs-Drinkard Pool in mid-2002 without a location exception within the existing 80-acre unit. The Division set this matter to hearing.

(6) Until the time Apache Corporation was notified by the Division by letter dated December 16, 2002 that its administrative application had been set for hearing, its personnel were under the mistaken assumption that the well was located at a standard Drinkard oil well location within a 40-acre oil spacing and proration unit pursuant to Division Rule 104.B (1).

(7) Testimony at the hearing indicates that the Drinkard production from this well is currently non-commercial and the operator intends to set a bridge plug above the Drinkard interval and recompleat in the Lower Blinebry interval.

(8) No offset mineral interest owner or interested party appeared at the hearing in opposition to this application.

(9) Approval of the unorthodox infill oil location affords the applicant the opportunity to produce its just and equitable share of oil from both pools, will prevent economic loss caused by the drilling of unnecessary wells, and will prevent waste and protect correlative rights.

(10) Prior to drilling additional wells in New Mexico, Apache Corporation should conduct extensive research to determine: (i) the pool or pools its proposed well is to target and penetrate; and (ii) the applicable rules governing these pools including well spacing and well location requirements. Subsequently, Apache Corporation should drill its well in conformance with the applicable pool rules or obtain any necessary exceptions.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Apache Corporation, is hereby granted an exception to the well location requirements of the "*Special Rules and Regulations for the Hobbs-Drinkard Pool*" and the "*Special Rules and Regulations for the Hobbs-Lower Blinebry Pool*" for its existing State "A" Well No. 6 (**API No. 30-025-35304**), located at an unorthodox oil well location for both

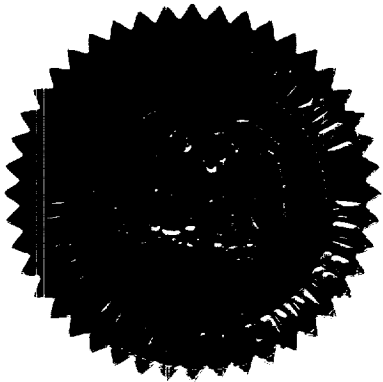
the Hobbs-Lower Blinebry (**31650**) and Hobbs-Drinkard (**31730**) Pools 990 feet from the North line and 1817 feet from the East line (Unit B) of Section 32 Township 18 South, Range 38 East, NMPM, Lea County, New Mexico.

(2) This well is an infill well in both intervals to Apache Corporation's State "A" Well No. 5 (**API No. 30-025-23116**), located at a standard oil well location for both zones 660 feet from the North and East lines (Unit A) of Section 32.

(3) Production attributed to the Lower Blinebry and Drinkard from both the State "A" Wells No. 5 and 6 will be dedicated to the existing standard 80-acre lay-down oil spacing and proration unit comprising the N/2 NE/4 of Section 32.

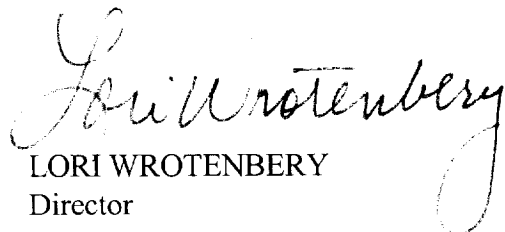
(4) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director