



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

May 24, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

Apache Corporation
c/o **James Bruce**
P. O. Box 1056
Santa Fe, New Mexico 87504

Administrative Order NSL-5059 (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pSEM0-412644078*) dated May 4, 2004 on behalf of the operator Apache Corporation; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Apache Corporation's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising Lot 13 (Unit M) of Irregular Section 3, Township 21 South, Range 37 East, NMPM, Penrose Skelly (Grayburg) Pool (50350), Lea County, New Mexico.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

This 40-acre Grayburg unit is currently dedicated to Apache Corporation's Livingston Well No. 14 (API No. 30-025-28671) located at a standard oil well location 3500 feet from the South line and 367 feet from the West line of Irregular Section 3.

It is the Division's understanding that such unorthodox location is necessitated for geologic and engineering reasons in that this location is approximately equidistance to other offsetting Penrose Skelly (Grayburg) oil producers. The proposed infill oil well location will enable Apache Corporation to further develop and deplete the Grayburg reserves within the immediate area that might not otherwise be recovered.

By the authority granted me under the provisions of Division Rule 104.F (2), the following described well to be drilled at an unorthodox "infill" oil well location within Lot 13 (Unit M) of Irregular Section 3 is hereby approved:

Livingston Well No. 18
2845' FSL & 1075' FWL.

Further, both the existing Livingston Well No. 14 and the proposed Livingston Well No. 18 are to be simultaneously dedicated to the subject 40-acre unit.

Sincerely,

Michael E. Stogner
Engineer/Hearing Officer

MS/mes

cc: New Mexico Oil Conservation Division – Hobbs