

Hand B-1 #37

DATE IN 2-21-05	SUSPENSE 3-14-05	ENGINEER MES	LOGGED IN ms	TYPE NSL	PMESD - APP NO. 308741305
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



30-025-36686

I-9-215-37E

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

- [D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

James Bruce		Attorney for Applicant	2/20/05
Print or Type Name	Signature	Title	Date
		jamesbruc@aol.com	
		e-mail Address	

RECEIVED
 FEB 21 2005
 Oil Conservation Division
 1220 S. St. Francis Drive
 Santa Fe, NM 87505

JAMES BRUCE
ATTORNEY AT LAW

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jamesbruc@aol.com

February 21, 2005

Hand Delivered

Michael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Request to Amend Division Administrative Order NSL-5032(SD) to include the San Andres formation

Dear Mr. Stogner:

Pursuant to Division Rule 104.F(2), Apache Corporation applies for administrative approval of an unorthodox oil well location in the San Andres formation for the following well:

<u>Well:</u>	Hawk B-1 Well No. 37
<u>Location:</u>	2590 feet FSL & 1310 feet FEL
<u>Well Unit:</u>	NE¼SE¼ of Section 9, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico

The well was originally drilled to and completed in the Grayburg formation (Penrose Skelly (Grayburg) Pool). The Grayburg unorthodox location was approved by NSL-5032-SD.

The well is in the East Hare-San Andres (Oil) Pool,¹ which is developed on statewide rules, with 40 acre spacing and wells to be located no closer than 330 feet to a quarter-quarter section line.

The application is based on several reasons: (1) the well was drilled to the Grayburg, with a "tail" in the San Andres formation, and thus testing the San Andres will be very economical; and (2) applicant's other San Andres wells in this township indicate that there are San Andres reserves underlying this lease. A complete discussion, with appropriate exhibits, is attached as Exhibit A.

¹ See Division Order No. R-12190.

Applicant has an ongoing program to drill infill Grayburg (and other) wells in this township, and the San Andres, which lies immediately below the Grayburg, can be accessed at a low cost. In some cases it may not be economically feasible to drill a stand alone San Andres well, and completing the wells in both zones makes the wells more economical and extends their lives, thus preventing waste and protecting correlative rights.

Attached as Exhibit B is a land plat, highlighting the proposed well's location. The N $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 9 is covered by U.S. Lease NM 90161 (the Hawk B-1 Lease), and the NE $\frac{1}{4}$ of Section 9 is covered by the "Southland Royalty" fee lease. The operating rights owners in the leases are as follows:

U.S. Lease NM 90161

Apache Corporation
Chevron Texaco Inc.

BP America Production Company

Southland Royalty Lease

Apache Corporation

To allocate well costs and production equitably between the two leases, the operating rights owners have entered into a Cooperative Well Agreement, which was submitted with the original application. The Cooperative Well Agreement has now been amended to include the San Andres formation, as shown on Exhibit C. **Please note that the distribution of proceeds of production from the San Andres formation will be the same as that in the Grayburg formation.**

All interest owners, including the Bureau of Land Management, have approved the Amendment to Cooperative Well Agreement. As a result, notice of this application need not be given to any interest owner.

Please call me if you need any further information on this matter.

Very truly yours,



James Bruce

Attorney for Apache Corporation

Application of Apache Corporation for administrative approval of an unorthodox well location:

40 acres – 2590' FSL & 1310' FEL
Section 9, Township 21 South, Range 37 East, NMPM
Lea County, New Mexico

PRIMARY OBJECTIVE: SAN ANDRES

In support:

1. Apache Corporation (Apache) is the operator of the **Hawk B-1 #37** well. The total depth drilled is 4350' in the San Andres formation. The well is currently perforated in and productive from the Grayburg.
2. The well was drilled in the Penrose Skelly; Grayburg Oil Pool with a "tail" into the San Andres Formation. Administrative Order NSL-5032 was issued for the Grayburg reservoir. Order R-12190 now extends the East Hare San Andres Oil Pool over this location. As to the San Andres reservoir, the location encroaches toward no currently productive San Andres well (**Exhibit 1**).
3. The unorthodox **Hawk B-1 #37** San Andres location of 2590' from south line and 1310' from east line is based upon wellbore availability.
 - a) **Exhibit 2** (San Andres Net Pay) illustrates that sufficient reservoir is present to contain and produce commercial amounts of hydrocarbons.
 - b) Oil production from the San Andres is newly established in the immediate area. Drilling a separate well for these reserves is not economically prudent.
 - c) Volumetrics and reserves for the **Hawk B-1 #37** are:

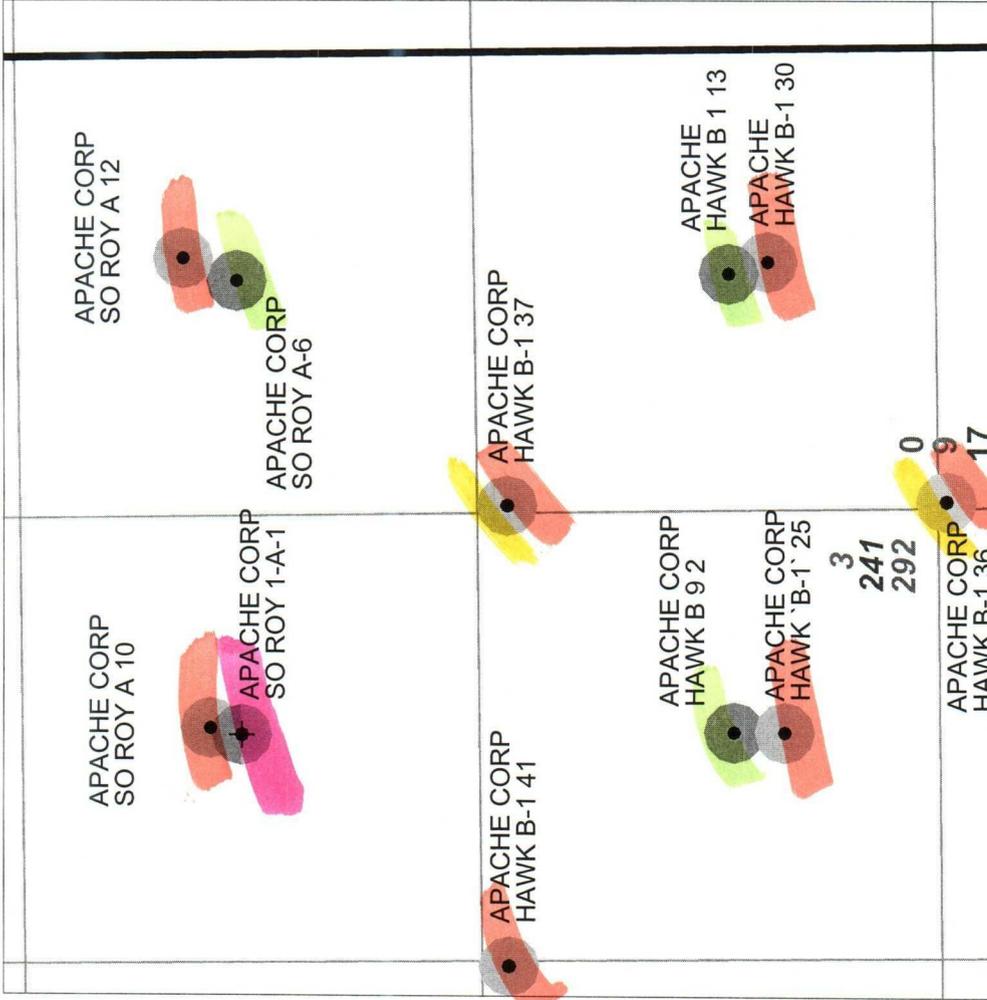
WELL	LOC	AREA A	EUR MBO	EUR MMCFG
Hawk B-1 #37	09-1	40	3	173

4. Notice

- a. Apache will be the operator of all San Andres wells toward which the **Hawk B-1 #37** would encroach. The Hawk Federal Lease covers, among other acreage, the SE/4 Section 9, while the Southland Royalty Lease covers, among other acreage the NE/4 Section 9. Interest ownership (Apache Corp, ChevronTexaco, and BP America Production Co.) for the wellbore in the San Andres Formation is common in the lease. Therefore, there are no adversely affected parties, and no one was notified of this application.



5. Approval of this application will afford the interest owners in this spacing unit an opportunity to recover oil and gas which would not otherwise be recovered. Correlative rights of the offsetting units will be protected by a sharing agreement set forth in a letter agreement.



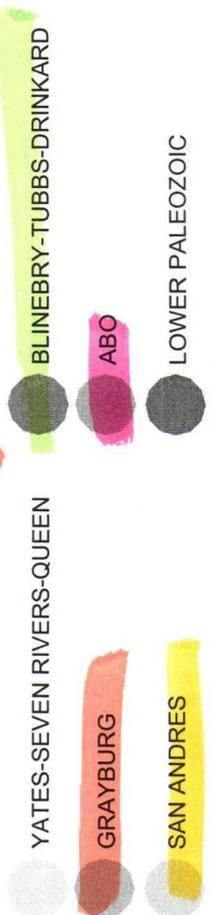
WELL SYMBOLS

- Location Only
- Oil Well
- ☀ Gas Well
- ⊙ Dry

POSTED WELL DATA

CURRENT BOPD ● OPERATOR
CURRENT MCFD ● WELL LABEL
CURRENT BWPD MBO
 MMCFG
 MBW

<p>Apache CORPORATION CENTRAL REGION</p>	<p>TWO WARREN PLACE, SUITE 1500 6120 SOUTH YALE TULSA, OKLAHOMA 74136-4224</p>
<p>HAWK B-1 # 37</p>	
<p>SEC 9-T21 S-R37E LEA COUNTY, NEW MEXICO</p>	
<p>EXHIBIT 1 WELL INFORMATION</p>	
<p>DATE: 5/26/04 DWG: PROD (CURTIS/IODC-NM/2004 SAN ANDRES)</p>	



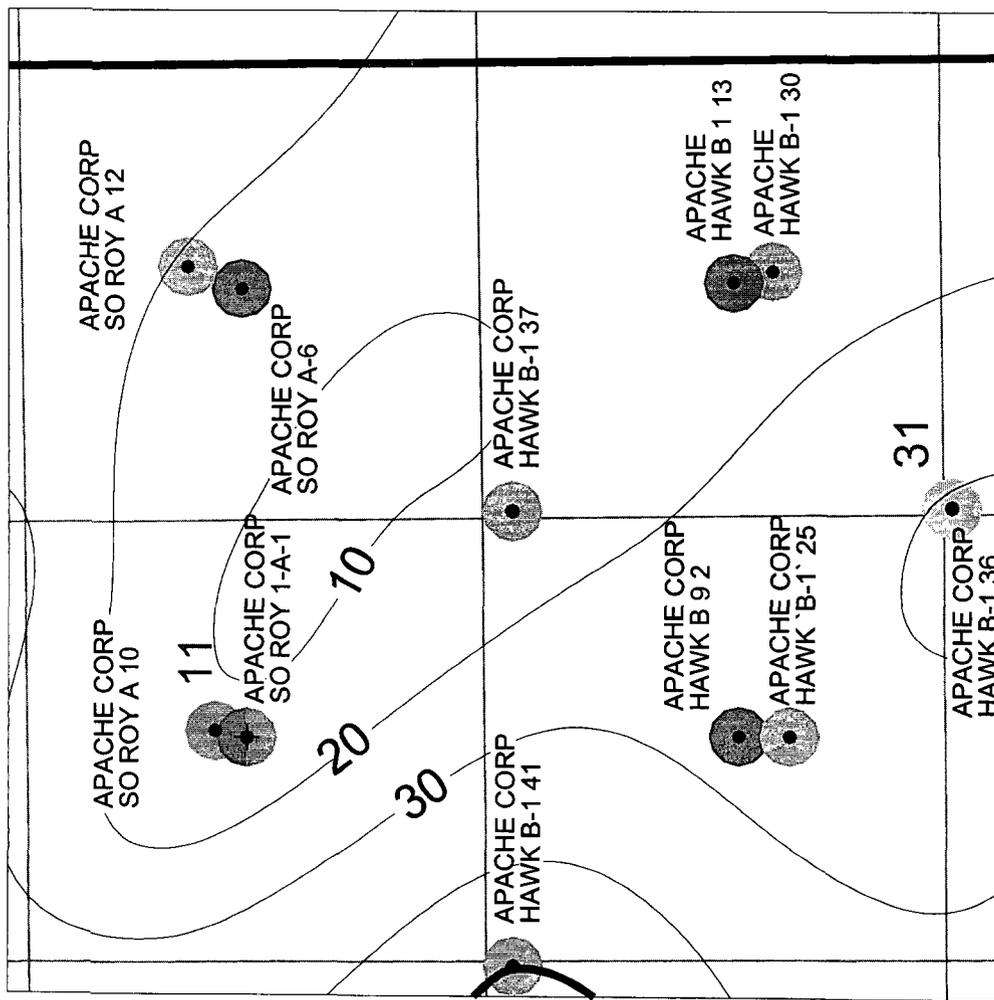
POROSITY \geq 6%
 GAMMA RAY \leq 30 APIU
 WATER SATURATION \leq 50%

WELL SYMBOLS

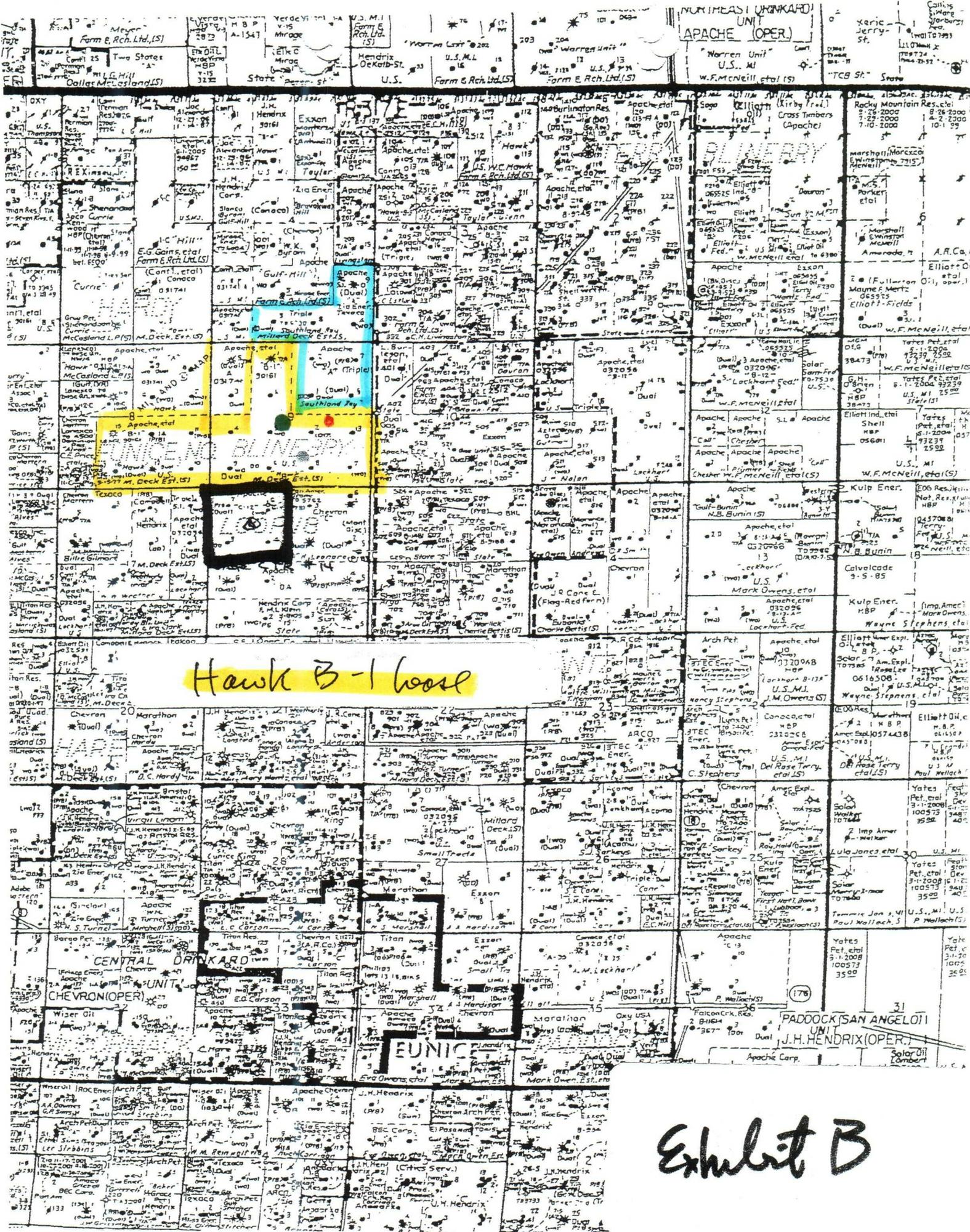
- Location Only
- Oil Well
- ☀ Gas Well
- ⊙ Dry

POSTED WELL DATA

SAN ANDRES ● OPERATOR
NET PAY ● WELL LABEL



 APACHE OIL & GAS CENTRAL REGION	TWO WARREN PLACE, SUITE 1500 6120 SOUTH YALE TULSA, OKLAHOMA 74136-4224
	HAWK B-1 # 37
SEC 9-T21 S-R37E LEA COUNTY, NEW MEXICO	EXHIBIT 2 SAN ANDRES NET PAY
DATE: 5/26/04 DWG: PROD (CURTIS/OCD-NM/2004 SAN ANDRES)	



Hawk B-1 lease

Exhibit B

NORTH EAST DRINKARD UNIT
 APACHE (OPER)
 Warren Unit
 U.S. MI
 W.F.McNeill et al (S)

Blindary
 Apache et al
 U.S. MI
 W.F.McNeill et al (S)

Apache et al
 U.S. MI
 W.F.McNeill et al (S)

Apache et al
 U.S. MI
 W.F.McNeill et al (S)

Apache et al
 U.S. MI
 W.F.McNeill et al (S)

Apache et al
 U.S. MI
 W.F.McNeill et al (S)

Apache et al
 U.S. MI
 W.F.McNeill et al (S)

Apache et al
 U.S. MI
 W.F.McNeill et al (S)

PADOCK (SAN ANGELO) UNIT
 J.H.HENDRIX (OPER)
 Apache Corp.

Yates et al
 U.S. MI
 W.F.McNeill et al (S)

AMENDMENT TO COOPERATIVE WELL AGREEMENT
(for the Hawk B-1 #37 Well)

THIS AGREEMENT, made and entered into this 25th day of October, 2004, by and between the undersigned parties hereto:

WITNESSETH, THAT

WHEREAS, parties hereto or their predecessors in interest have heretofore entered into a certain Cooperative Well Agreement described as follows:

Cooperative Well Agreement dated 1st day of December, 2003 between Apache Corporation, as Operator, and BP America Production Company and Chevron U.S.A. INC, Non-Operators covering the N/2 SE/4 (Hawk B-1 Lease) and S/2 NE/4 (Southland Royalty "A" Lease) all in Section 9, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico

and,

WHEREAS, the undersigned Parties each own undivided operating rights in and to the Hawk B-1 Lease, the Southland Royalty "A" Lease and the oil and gas leasehold estate in the lands affected thereby, and do hereby desire to amend said agreement so as to provide for development of Grayburg and San Andres production as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed that the Cooperative Well Agreement referred to above and any amendments thereof or supplemental agreements pertaining thereto, are hereby amended by deleting therefrom the following, to wit:

1. DESIGNATION AND RESPONSIBILITY OF OPERATOR

B. Operator shall drill, complete and operate the Cooperative Well for oil and/or Gas production from horizons encountered from the surface of the earth down to and including the base of the **Grayburg** Formation as follows:

Hawk B-1 #37 Well:

SURFACE LOCATION:	2,590' FSL & 1,310' FEL, Sec. 9, T21S-R37E, Lea County, New Mexico,
Planned Total Depth:	4,150 feet, but in no event below the base of The Grayburg Formation plus one hundred (100) feet for operational purposes only.

C. Operator shall establish and maintain a Joint Account for the performance hereof, and shall advance all costs incurred in connection with operating the Cooperative Well and shall charge the Joint Account for all such costs on the basis provided in Exhibit "C" - Accounting Procedure, NMFU Operating Agreement. All charges and credits to the Joint Account for the Cooperative Well shall be borne, and production therefrom will be shared, including but not limited to charges, credits and production associated with recompletions of the Cooperative Well to horizons shallower than the **Grayburg** formation, by the below named Parties in the percentage shown opposite their name as follows:

Apache:	67.8400%
BP	16.0800%
Chevron	16.0800%

All other operations conducted or wells drilled on the lands described above not related to the Cooperative Well, will not be affected by this Agreement.



If any provision of Exhibit "C" - Accounting Procedure is inconsistent with any provision in this Agreement, the provisions of this Agreement shall prevail.

and substituting therefore the following provisions:

1. DESIGNATION AND RESPONSIBILITY OF OPERATOR

B. Operator shall drill, complete and operate the Cooperative Well for oil and/or Gas production from horizons encountered from the surface of the earth down to and including the base of the **San Andres** Formation as follows:

Hawk B-1 #37 Well:

SURFACE LOCATION:	2,590' FSL & 1,310' FEL, Sec. 9, T21S-R37E, Lea County, New Mexico,
Planned Total Depth:	4,350 feet, but in no event below the base of The San Andres Formation plus one hundred (100) feet for operational purposes only.

C. Operator shall establish and maintain a Joint Account for the performance hereof, and shall advance all costs incurred in connection with operating the Cooperative Well and shall charge the Joint Account for all such costs on the basis provided in Exhibit "C" - Accounting Procedure, NMFU Operating Agreement. All charges and credits to the Joint Account for the Cooperative Well shall be borne, and production therefrom will be shared, including but not limited to charges, credits and production associated with recompletions of the Cooperative Well to horizons shallower than the **San Andres** formation, by the below named Parties in the percentage shown opposite their name as follows:

Apache:	67.8400%
BP	16.0800%
Chevron	16.0800%

All other operations conducted or wells drilled on the lands described above not related to the Cooperative Well, will not be affected by this Agreement.

If any provision of Exhibit "C" - Accounting Procedure is inconsistent with any provision in this Agreement, the provisions of this Agreement shall prevail.

Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual completion and/or commingling operations for the Cooperative Well until this Agreement has been approved by the Authorized Officer of the Bureau of Land Management.

Except as herein provided, the Cooperative Well Agreement referred to above shall remain in full force and effect in accordance with its terms and provisions.

THIS AGREEMENT shall be effective as of the date of Grayburg and San Andres first production from the Cooperative Well, and shall be binding as to each party executing the same, its successors or assigns, and it may be executed in separate counterparts with like effect as if all parties had executed the same instrument, which shall be considered as an original for all purposes.

IN WITNESS WHEREOF, the parties have caused the execution of this instrument to be effective on the effective date first above written

APACHE CORPORATION

By: [Signature]
Rob Johnston
Vice President
Central Region

M.H.

BP AMERICA PRODUCTION COMPANY

By: _____
Printed Name: _____
Title: _____

CHEVRON U.S.A. INC.

By: C. D. Frisbie
Printed Name: C. D. Frisbie
Title: Attorney-in-Fact

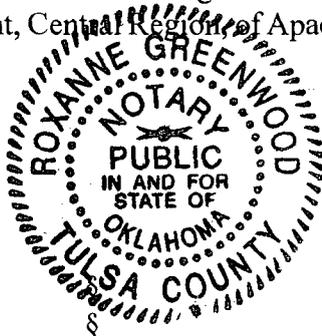
BUREAU OF LAND MANAGEMENT

By: [Signature]
Printed Name: LARRY D. BRAY
Title: BFLM LANDS & MINERALS

JAN 04 2005

STATE OF OKLAHOMA §
§
COUNTY OF TULSA §

This instrument was acknowledged before me this 1st day of November, 2004, by Rob Johnston, Vice President, Central Region of Apache Corporation, a Delaware corporation, on behalf of said corporation.



[Signature]
Notary Public, State of Oklahoma
00015619

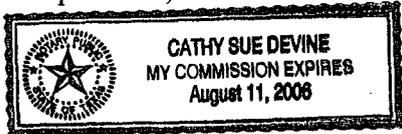
STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me this _____ day of _____, 2004, by _____ of BP America Production Company, a Delaware corporation, on behalf of said corporation.

Notary Public, State of Texas

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me this 8th day of December, 2004, by C. D. Frisbie, Attorney-in-Fact of Chevron U.S.A. Inc., a Pennsylvania corporation, on behalf of said corporation.



[Signature]
Notary Public, State of Texas

STATE OF NEW MEXICO §
§
COUNTY OF LEA §

This instrument was acknowledged before me this _____ day of _____, 2004, by _____, Authorized Officer of the Bureau of Land Management on behalf of the Bureau of Land Management.

Notary Public, State of New Mexico

APACHE CORPORATION

By: [Signature]
Rob Johnston
Vice President
Central Region

MM

BP AMERICA PRODUCTION COMPANY

By: [Signature]
Printed Name: Edmund M. Sierra
Title: Attorney-in-Fact

MSS
RLL

CHEVRON U.S.A. INC.

By: _____
Printed Name: _____
Title: _____

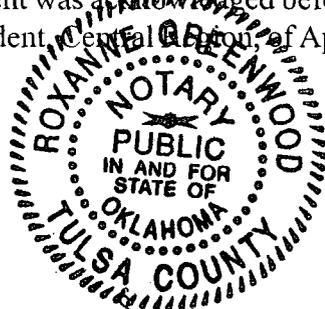
BUREAU OF LAND MANAGEMENT

By: [Signature]
Printed Name: LARRY D. BRAY
Title: AFM LANDS + MINERALS

JAN 04 2005

STATE OF OKLAHOMA §
§
COUNTY OF TULSA §

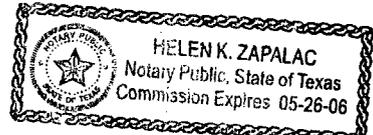
This instrument was acknowledged before me this 1st day of November, 2004, by Rob Johnston, Vice President, Central Region, of Apache Corporation, a Delaware corporation, on behalf of said corporation.



[Signature]
Notary Public, State of Oklahoma
60015619

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me this 18 day of Nov, 2004, by Edmund M. Sierra, Attorney-In-Fact of BP America Production Company, a Delaware corporation, on behalf of said corporation.



[Signature]
Notary Public, State of Texas

STATE OF TEXAS §
§
COUNTY OF _____ §

This instrument was acknowledged before me this ____ day of _____, 2004, by _____ of Chevron U.S.A. Inc., a Pennsylvania corporation, on behalf of said corporation.

Notary Public, State of Texas

STATE OF NEW MEXICO §
§
COUNTY OF LEA §

This instrument was acknowledged before me this ____ day of _____, 2004, by _____, Authorized Officer of the Bureau of Land Management on behalf of the Bureau of Land Management.

Notary Public, State of New Mexico