



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

March 26, 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-5026 (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-408556863*) dated February 5, 2004 filed on behalf of the operator, Apache Corporation ("Apache"); (ii) your e-mail on Monday morning, February 23, 2004; (iii) our telephone conversation late Monday afternoon, February 23, 2004; (iv) our e-mail correspondence on Wednesday, February 25, 2004; (v) your e-mail on Tuesday morning March 23, 2004 checking on the status of Apache's remaining applications in this area; and (vi) the Division's records 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 the NW/4 SW/4 (Unit L) of Section 9, Township 21 South, Range 37 East, NMPM, Penrose Skelly (Grayburg) Pool (50350), Lea County, New Mexico.

The Division Finds That:

(1) All of Section 9 is within the Penrose Skelly (Grayburg) Pool; an oil pool governed under Division Rule 104.B (1), which provides for 40-acre oil spacing and proration units and requires wells be located no closer than 330 feet to the outer boundary of such unit.

(2) The 958.25-acre area in Lea County, New Mexico comprising the SW/4 NE/4 and NW/4 SW/4 of Section 13, Township 20 South, Range 37 East, NMPM; Lot 1 of Section 30, Township 20 South, Range 38 East, NMPM; and Lots 3 and 6 of Section 4, the NE/4 SE/4 and S/2 SE/4 of Section 6; the E/2 SW/4 and SE/4 of Section 8; and the E/2 NW/4 and S/2 of Section 9, all in Township 21 South, Range 37 East, NMPM, is a single federal lease (Hawk "B-1") issued by the U. S. Bureau of Land Management (U. S. government lease No. NM-90161) with common ownership in which: (i) Apache, Chevron U.S.A., Inc. ("Chevron"), and BP America Production Company ("BP") each own undivided operating rights; and (ii) Apache is the leasehold operator.

(3) This 40-acre Grayburg unit is currently dedicated to Apache's Hawk "B-1" Well No. 20 (API No. 30-025-35876) located at a standard oil well location 1980 feet from the South line and 550 feet from the West line of Section 9.

(4) Apache now seeks to drill its Hawk "B-1" Well No. 33 at an unorthodox infill oil well location within this 40-acre Grayburg unit 2630 feet from the South line and 1250 feet from the West line of Section 9.

(5) The 360-acre area in Lea County, New Mexico comprising the SW/4 SW/4 of Irregular Section 4, the NE/4 and N/2 NW/4 of Section 8, and the W/2 NW/4 of Section 9, all in Township 21 South, Range 37 East, NMPM, is a single federal lease (Hawk "A") issued by the U. S. Bureau of Land Management (U. S. government lease No. LC-031741-a) with common ownership in which: (i) Apache, Chevron, and BP each own undivided operating rights; and (ii) Apache is the leasehold operator. The affected standard 40-acre Grayburg oil spacing and proration unit to the northwest in Unit "E" (SW/4 NW/4) of Section 9 that Apache's proposed Hawk "B-1" Well No. 33 is encroaching is currently dedicated to Apache's Hawk "A" Well No. 14 (API No. 30-025-35805), located at a standard oil well location 1880 feet from the North line and 500 feet from the West line of Section 9.

(6) This request is based on geologic and engineering reasons in that this location is approximately equidistance to other offsetting Penrose Skelly (Grayburg) oil producers within the immediate area.

(7) Apache, BP, Chevron, and the U. S. Bureau of Land Management have entered into a "cooperative lease/well agreement" providing for the allocation of proceeds of Penrose Skelly (Grayburg) oil production from Apache's proposed Hawk "B-1" Well No. 33 in the following manner:

(a) 72.69% to be attributed to the subject Hawk "B-1" federal lease (U. S. government lease No. NM-90161); and

(b) 27.31% attributed to the offsetting Hawk "A" federal lease (U. S. Government lease No. LC-031741-a).

(8) This allocation formula for the proceeds from Apache's proposed Hawk "B-1" Well No. 33 serves to benefit all mineral interests within the Penrose Skelly (Grayburg) Pool to be impacted by this well's drainage.

(9) Approval of this application is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering practices, and allows for the recovery of additional reserves that might not otherwise be produced.

It Is Therefore Ordered That:

(1) Pursuant to Division Rule 104.F (2), of the New Mexico Oil Conservation Division's ("Division") Rules and Regulations, the administrative application of Apache Corporation (Apache") (*administrative application reference No. pMES0-408556863*) for its proposed Hawk "B-1" Well No. 33 to be drilled at an unorthodox infill oil well location 2630 feet from the South line and 1250 feet from the West line of Section 9, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, and completed in the Penrose Skelly (Grayburg) Pool (50350), is hereby approved.

(2) For the Division's production reporting, prorationing, and well spacing purposes, Grayburg oil production from the above-described Hawk "B-1" Well No. 33 is to be simultaneously dedicated, with Apache's existing Apache's Hawk "B-1" Well No. 20 (API No. 30-025-35876) located at a standard oil well location 1980 feet from the South line and 550 feet from the West line of Section 9, to the NW/4 SW/4 (Unit L) of Section 9, being a standard 40-acre oil spacing and proration unit in the Penrose Skelly (Grayburg) Pool.

(3) The distribution of proceeds from Penrose Skelly (Grayburg) oil production from Apache's proposed Hawk "B-1" Well No. 33 are to be allocated in the following manner:

(a) 72.69% to be attributed to the subject Hawk "B-1" federal lease (U. S. government lease No. NM-90161) located in Section 9; and

(b) 27.31% attributed to the offsetting Hawk "A" federal lease (U. S. Government lease No. LC-031741-a) also located in Section 9.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



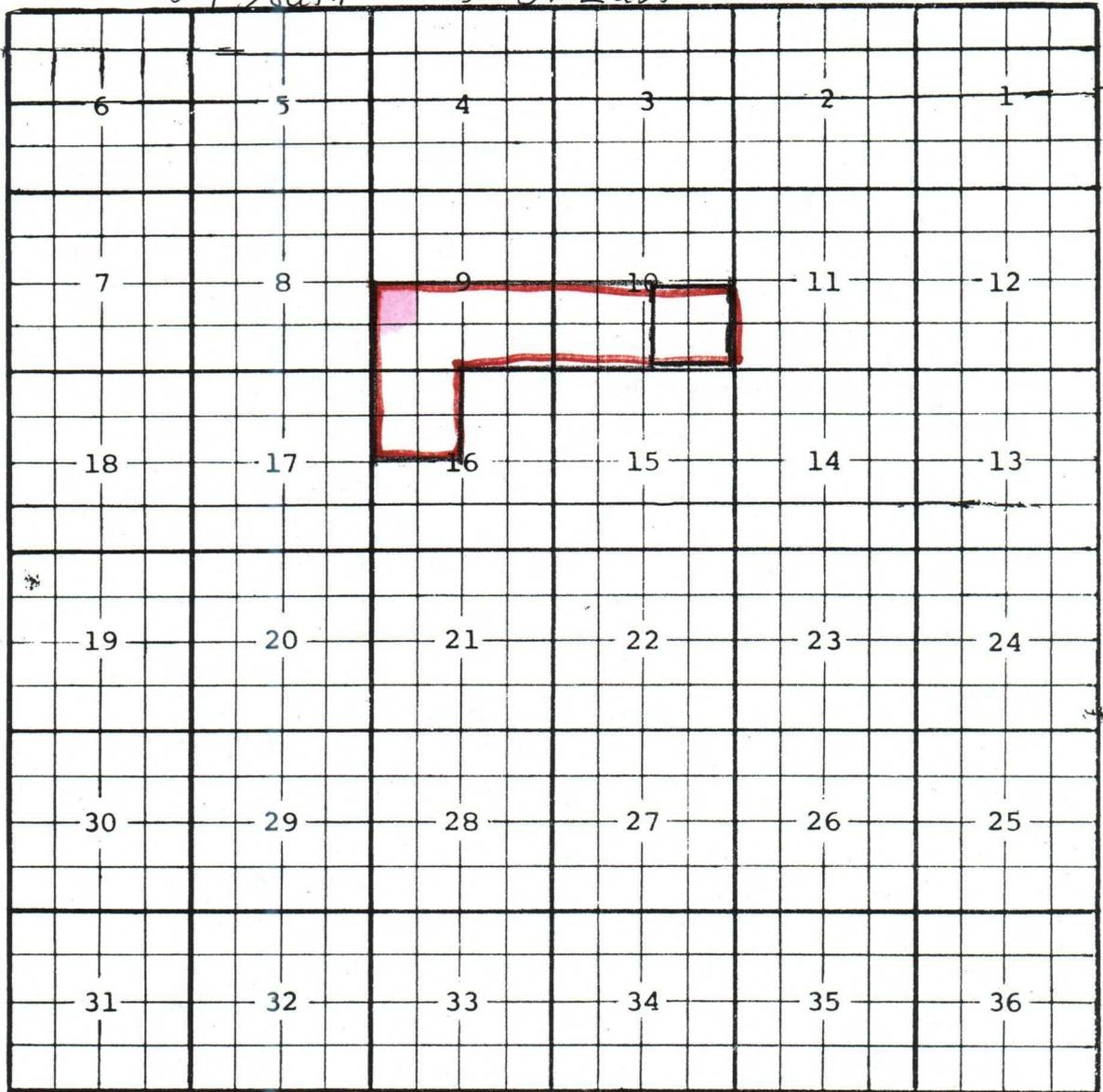
MICHAEL E. STOGNER
Engineer/Hearing Officer

MS/mes

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Roswell
U. S. Bureau of Land Management - Carlsbad

County Lea Pool East Hare-San Andres

TOWNSHIP 21 South Range 37 East NMPM



Description: $\frac{SE}{4}$ Sec. 10 (R-10776, 2-28-97)

Ext: $\frac{S}{2}$ Sec. 9, $\frac{SW}{4}$ Sec. 10, $\frac{NW}{4}$ Sec. 16 (R-12190, 8-12-94)

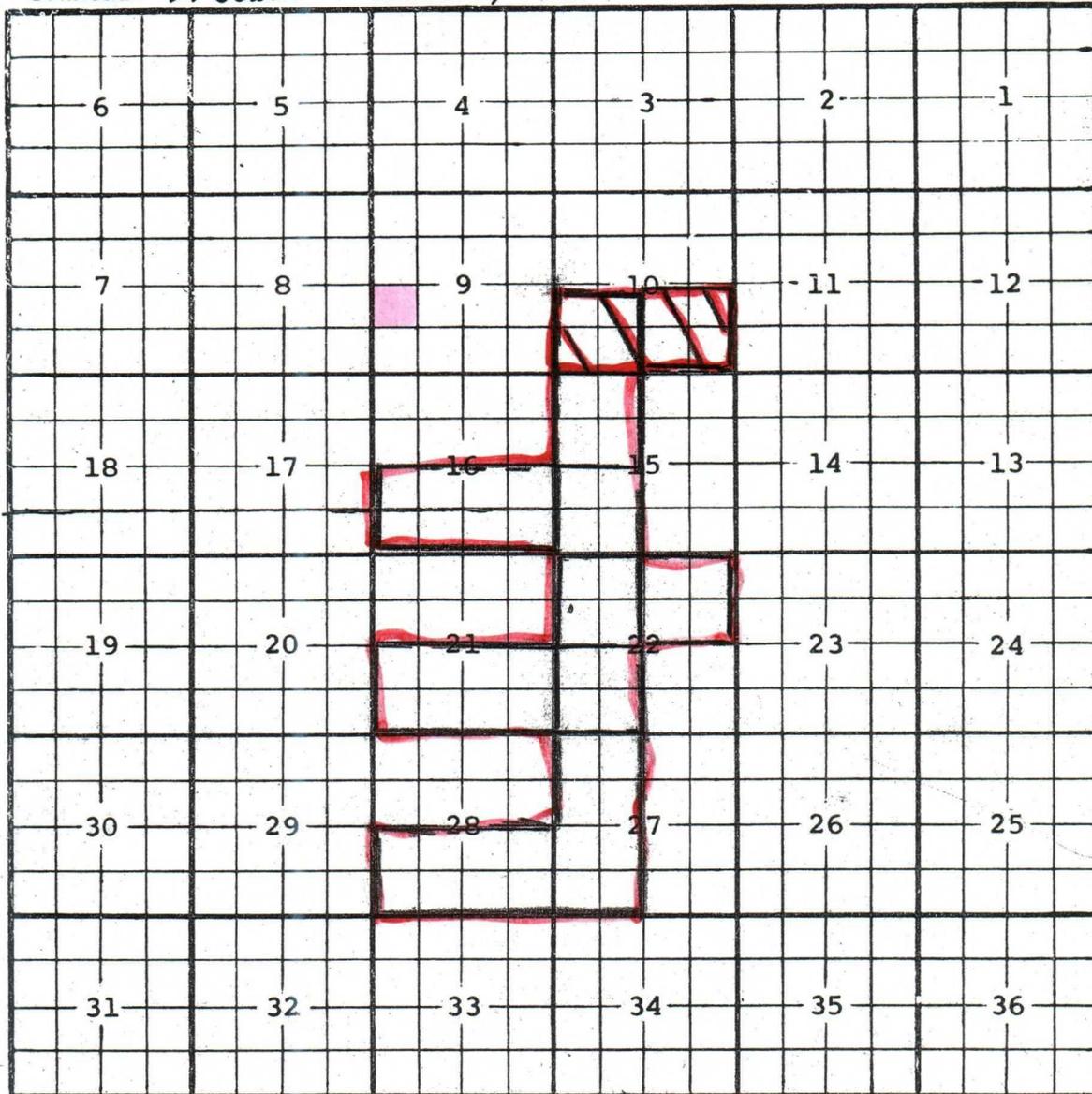
COUNTY *Lea*

POOL *Hare - San Andres Gas*

TOWNSHIP *21 South*

RANGE *37 East*

NMPM



Description: SW $\frac{1}{4}$ Sec 22 (R-4423, 11-1-71)

Ext: $\frac{W}{2}$ Sec 27, $\frac{S}{2}$ Sec 28 (R-4809, 6-18-74)

Ext: $\frac{S}{2}$ Sec 21 (R-6698, 6-2-81) EXT: NW $\frac{1}{4}$ sec 22 (R-8946, 7-1-89)

EXT: SW $\frac{1}{4}$ sec 15 (R-9741, 9-1-89) EXT: SW $\frac{1}{4}$ Sec. 10, NW $\frac{1}{4}$ Sec. 15 (R-10091, 3-28-94)

Ext: SE $\frac{1}{4}$ Sec. 10, NE $\frac{1}{4}$ Sec. 22 (R-10588, 4-26-96)

Ext: $\frac{S}{2}$ Sec 16 (R-11116, 1-7-88) Delete $\frac{S}{2}$ Sec. 10 (R-12190, 8-12-04)

New Mexico Oil Conservation Division, District I
 1625 N. French Drive
 Hobbs, NM 88240

Form 3160-5
 (September 2001)

UNITED STATES
 DEPARTMENT OF THE INTERIOR
 BUREAU OF LAND MANAGEMENT

FORM APPROVED
 OMB No. 1004-0135
 Expires January 31, 2004

SUNDRY NOTICES AND REPORTS ON WELLS
 Do not use this form for proposals to drill or to re-enter an
 abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
 MNM90161

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.
 HAWK B-1 33

9. API Well No.
 30-025-36663

10. Field and Pool, or Exploratory Area
 PENROSE SKELLY

11. County or Parish, State
 LEA, NM

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
 APACHE CORPORATION

3a. Address
 6120 S. YALE, STE. 1500

3b. Phone No. (include area code)
 918-491-4980

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
 9-215-37 E
 AT SURFACE NWSW 2630FSL 1250FWL UNIT L
 AT PROPOSED PROD. ZONE NWSW 2630 1250FWL

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal
			<input type="checkbox"/> Water Shut-Off
			<input type="checkbox"/> Well Integrity
			<input checked="" type="checkbox"/> Other SPUD, SURF. CSG., TD, LOG, PROD. CSG.

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

5/24/2004 SPUD 12 1/4" HOLE - DRILL TO 218 SURVEY @ 188= 0.25 DRILL 218-400 SURVEY @ 370= 1.0 POH W/ BIT RIH 9 JTS. 400.77' 8 5/8" 24# 55 ST&C CSG. W/ 5 CENTRALIZERS BJ CMT. SHOE @ 400' W/ 325 SX. CLASS C + 2% CAQL + 1/8# CF = 78 BBLs. 14.8# SLURRY W/ 1.35 YIELD - CIRC. 96 SX. CMT. TO PIT - DISPLACE PLUG TO 370 W/ 23 BFW WOC CUT OFF CSG. - WELD ON HEAD NU BOP EQUIP. TEST CSG. & BOP EQUIP. 1500# RIH W/ BIT DRILL CMT. & EQUIP. WOC

5/25/2004 DRILL & SURVEY FROM 400-4345POH W/ BIT HALLIBURTON LOGGING WELL HALLIBURTON RAN DUAL ATEROLOG MICRO GUARD 4341-3300; COMPENSATED SONIC LOG 4294-3300; DUAL-SPACED NEUTRON SPECTRAL DENSITY 4270-200HALLIBURTON RAN DUAL LATEROLOG MICRO GUARD 4341-3300; COMPENSATED SONIC LOG 4294-3300; DUAL-SPACED NEUTRON SPECTRAL DENSITY 4270-200 BJ CMT. SHOE @ 4345 - FC @ 4297 W/ 550 SX 50:50 POZ W/ 10% GEL + 5% SALT + 1/8# CF = 239 BBLs. 11.8# SLURRY W/ 2.44 YIELD & 400 SX 50:50; POZ W/ 2% GEL + 5% SALT = 92 BBLs. 14.2# SLURRY W/ 1.29 YIELD - PLUG BUMPED & HELD - CIRC. 135 SX. CMT. TO PIT AND BOP - SET SLIPS - CUT OFF CSG. -

RELEASE RIG @ 1:15 PM 5-29-2004

ACCEPTED FOR RECORD

DEC 8 2004

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)
 LANA WILLIAMS

Title DRILLING CLERK II

Signature *Lana Williams*

Date 6/21/04

GARY GOURLEY
 PETROLEUM ENGINEER

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by _____ Title _____ Date _____

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office _____

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)

New Mexico Oil Conservation Division, District I

1625 N. French Drive

Hobbs, NM 88240

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

Form 3160-4
(August 1999)

FORM APPROVED

OMB NO. 1004-1037

Expires: November 30, 2000

5. Lease Serial No.

NM-90161

1a. Type of Well:

Oil Well Gas Well Dry Other

b. Type of Completion:

New Well Workover Deepen Plug Back Diff. Reserv.

6. If Indian, Altonne or Tribe Name

7. Unit or CA Agreement Name and No.

8. Lease Name and Well No.

Hawk B-1 #33

2. Name of Operator

Apache Corporation

9. API Well No.

30-025-36663

3. Address

6120 S. Yale, Suite 1500, Tulsa, OK 74136

3a. Phone No. (include area code)

918-491-4957

10. Field and Pool, or Exploratory

Penrose Skelly; Grayburg

4. Location of Well (Report location clearly and in accordance with Federal requirements)*

11. Sec., T., R., M., or Block and Survey or Area

Sec. 9, T-21S, R37E

12. County or Parish

Lea Co.

13. State

NM

At total depth

14. Date Spudded

5/23/2004

15. Date T.D. Reached

5/28/2004

16. Data Completed

D & A

Ready to Produce

17. Elevations (DF, RKB, RT, GL)*

06/09/04

3504' GL

18. Total Depth:

MD 4345
TVD

19. Plug Back T.D.:

MD 4297
TVD

20. Depth Bridge Plug Set:

MD
TVD

21. Type Electric & Other Mechanical Logs Run (Submit copy of each)

CSL, DSN-SDL

22. Was well cored?

No

Yes (Submit analysis)

Was DST run?

No

Yes (Submit report)

Directional Survey?

No

Yes (Submit copy)

23. Casing and Liner Record (Report all strings set in well)

Hole Size	Size/Grade	Wt. (#/ft.)	Top (MD)	Bottom (MD)	Stage Cementer Depth	No. of Sk. & Type of Cement	Slurry Vol. (BBL)	Cement Top*	Amount Pulled
12-1/4	8-5/8	24#	0	400'		325	78	Ci to surf	
7-7/8	5-1/2	17#	0	4345'		950	331	Ci to surf	

24. Tubing Record

Size	Depth Set (MD)	Packer Depth (MD)	Size	Depth Set (MD)	Packer Depth (MD)	Size	Depth Set (MD)	Packer Depth (MD)
2-7/8	4082'							

25. Producing Intervals

Formation	Top	Bottom	Perforated Interval	Size	No. Holes	Perf Status
Grayburg	3839	4018	3839 - 4018	4"	163	Producing

27. Acid, Fracture Treatment, Cement Squeeze, Etc.

Depth Interval	Amount and Type of Material
4014-4018	Acidize w/ 1000 gals 15% NEFE
3947-3951	Acidize w/ 500 gals 15% NEFE
3901-3903	Acidize w/ 500 gals 15% NEFE
3839-4018	Frac w/ 50,820 gals gel & 10,100# 20/40 sand

28. Production - Interval A

Date First Produced	Test Date	Hours Tested	Test Production	Oil BBL	Gas MCF	Water BBL	Oil Gravity Corr. API	Gas Gravity	Production Method
6/9/04	6/28/2004	24	→	79	85	149	38.8		Pumping
Choke Size	Tubing Pressure Flwg. SI	Casing Pressure	24 Hour Rate	Oil BBL	Gas MCF	Water BBL	Gas : Oil Ratio	Well Status	
			→				1076		Producing

28a. Production - Interval B

Date First Produced	Test Date	Hours Tested	Test Production	Oil BBL	Gas MCF	Water BBL	Oil Gravity Corr. API	Gas Gravity	Production Method
			→						
Choke Size	Tubing Pressure Flwg. SI	Casing Pressure	24 Hour Rate	Oil BBL	Gas MCF	Water BBL	Gas : Oil Ratio	Well Status	
			→						

(See instructions and spaces for additional data on reverse side)

ACCEPTED FOR RECORD
JUL 16 2004
GARY GOURLEY
PETROLEUM ENGINEER

8

Ks

28b. Production - Interval C

Date First Produced	Test Date	Hours Tested	Test Production →	Oil BBL	Gas MCF	Water BBL	Oil Gravity Corr. API	Gas Gravity	Production Method
Choke Size	Tubing Pressure Flwg. SI	Casing Pressure	24 Hour Rate →	Oil BBL	Gas MCF	Water BBL	Gas : Oil Ratio	Well Status	

28c. Production - Interval D

Date First Produced	Test Date	Hours Tested	Test Production →	Oil BBL	Gas MCF	Water BBL	Oil Gravity Corr. API	Gas Gravity	Production Method
Choke Size	Tubing Pressure Flwg. SI	Casing Pressure	24 Hour Rate →	Oil BBL	Gas MCF	Water BBL	Gas : Oil Ratio	Well Status	

29. Disposition of Gas (Sold, used for fuel, vented, etc.)

Sold

30. Summary of Porous Zones (Include Aquifers):

Show all important zones of porosity and contents thereof. Cored intervals and all drill-stem tests, including depth interval tested, cushion used, time tool open, flowing and shut-in pressures and recoveries.

31. Formation (Log) Markers

Formation	Top	Bottom	Descriptions, Contents, Etc.	Name	Top Measured Depth
				Rustler	1303
				Yates	2699
				Seven Rivers	2911
				Queen	3473
				Grayburg	3767
				San Andres	4029

32. Additional remarks (include plugging procedure):

33. Mark enclosed attachments:

- Electrical/Mechanical Logs (1 full set req'd.)
 Geologic Report
 DST Report
 Directional Survey
 Sundry Notice / Plugging / Cement Verification
 Core Analysis
 Other Deviation Rpt/NM-OCD C-104

34. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records (see attached instructions)*

Name (please print) Kara Coday Title Sr. Engineering Tech
 Signature Kara Coday Date 7/8/2004

Title 18 U.S.C. Section 1001 and title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious fraudulent statements or representations as to any matter within its jurisdiction.

District I
1625 N. French Dr., Hobbs, NM 88240

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
1220 South St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-104
Revised June 1, 2000

OIL CONSERVATION DIVISION
1220 South St. Francis Drive
Santa Fe, NM 87505

Submit to Appropriate District Office
5 Copies

AMENDED REPORT

I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT

Operator Name and Address APACHE CORPORATION 6120 S YALE, SUITE 1500 TULSA, OK 74136		OGRID Number 000873
API Number 30-025-36663		Reason for Filing Code / Effective Date NW-6/9/04
Property Code 24427	Pool Name Penrose Skelly, Grayburg	Pool Code 50350
	Property Name Hawk B-1	Well Number 33

II. Surface Location

UI or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	9	21S	37E		2630	South	1250	West	Lea

Bottom Hole Location

UI or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South line	Feet from the	East/West line	County
Le Code F	Producing Method Code P	Gas Connection Date 6/9/2004	C-129 Permit Number	C-129 Effective Date	C-129 Expiration Date				

III. Oil and Gas Transporters

Transporter OGRID	Transporter Name and Address	POD	O/G	POD ULSTR Location and Description
037480	BOTT ENERGY PIPELINE LP P O BOX 4666 HOUSTON, TX 77210-4666	0768710	O	K, Sec. 9, T21S, R37E
024650	DYNEGY MIDSTREAM SERVICES 1000 LOUISIANA, SUITE 5800 HOUSTON, TX 77002	0768730	G	K, Sec. 9, T21S, R37E

IV. Produced Water

POD 0768750	POD ULSTR Location and Description K, Sec. 9, T21S, R37E
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V. Well Completion Data

Spud Date	Ready Date	TD	PBTD	Perforations	BHC, MC
5/23/2004	6/9/2004	4345	4297	3839 - 4018	
Hole Size	Casing & Tubing Size	Depth Set	Sacks Cement		
12-1/4	8-5/8	400'	325 sx / circ to surface		
7-7/8	5-1/2	4345'	950 sx / circ to surface		
	2-7/8	4082'			

VI. Well Test Data

Date New Oil	Gas Delivery Date	Test Date	Test Length	Tbg. Pressure	Csg. Pressure
6/9/04	6/9/04	6/28/2004	24		
Choke Size	Oil	Water	Gas	AOP	Test Method
	79	149	85		Pumping

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Kara Coday*
Printed Name: Kara Coday
Title: Sr. Engineering Technician
Date: 7/8/2004 Phone: (918) 491-4957

OIL CONSERVATION DIVISION

Approved by: *Paul S. [Signature]*
Title: PETROLEUM ENGINEER
Approval Date:

SEP 01 2004

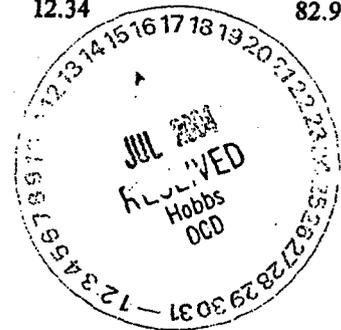
Previous Operator Signature:	Printed Name	Title	Date
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Apache Corporation
 6120 S. Yale Ste 1500
 Tulsa, OK 74136

Hawk B-1 # 33
 Lea County New, Mexico

*L. q. 215.37e
 2630/s & 1250/w
 30-025 - 36663*

188	1.88	1/4	0.44	0.82	0.82
370	1.82	1	1.75	3.19	4.01
794	4.24	1/4	0.44	1.86	5.86
1293	4.99	3/4	1.31	6.55	12.41
1795	5.02	1	1.75	8.79	21.20
2011	2.16	1	1.75	3.78	24.98
2489	4.78	2 1/2	4.38	20.91	45.89
2973	4.84	1 1/4	2.19	10.59	56.48
3471	4.98	1	1.75	8.72	65.19
3781	3.10	1	1.75	5.43	70.62
4345	5.64	1 1/4	2.19	12.34	82.95



Michael Roghair
 Michael Roghair - General Manager

The attached instrument was acknowledged before me on the 2nd day of June, 2004 by Michael Roghair - General Manager, CapStar Drilling, L.P.



Tamme Huggins
 Notary Public

KZ

N.M. Oil Cons. Division
1625 N. French Dr.
Hobbs, NM 88240

Form 3160-5
(September 2001)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires January 31, 2004

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
NMNM90161

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.
HAWK B-1 #33

9. API Well No.
30-025-36663

10. Field and Pool, or Exploratory Area
PENROSE SKELLY; GRAYBURG

11. County or Parish, State
LEA, NM

SUBMIT IN TRIPlicate - Other instructions on reverse side

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
APACHE CORP.

3a. Address
6120 S. YALE, STE 1500 TULSA, OK 74136

3b. Phone No. (include area code)
918-491-4900

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
AT SURFACE NWSW 2630FSL 1250FWL
AT PROPOSED PROD. ZONE NWSW 2630FSL 1250FWL

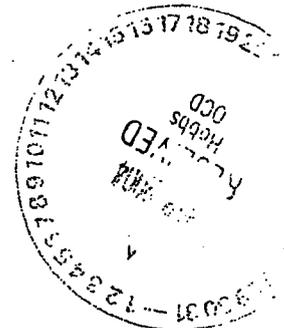
12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input checked="" type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal
			<input type="checkbox"/> Water Shut-Off
			<input type="checkbox"/> Well Integrity
			<input checked="" type="checkbox"/> Other <u>ADD POOL</u>

13. Describe Proposed or Completed Operation (clearly, state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

EXTEND TOTAL DEPTH FROM 4200' TO 4800'.

ADD PROPOSED POOL: HARE; SAN ANDRES (GAS) (78080).



14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed) **Michelle L. Hanson** Title **Engineering Tech., Drilling Dept.**

Signature *Michelle L. Hanson* Date **2/23/2004**

DO NOT WRITE IN THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by **(ORIG. SGD) DAVID A. GLASS** Title _____ Date _____

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. Office _____

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212 make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)

OPER. OGRID NO. 873
 PROPERTY NO. 24427
 POOL CODE 50350
 EFF. DATE _____

FORM APPROVED
 OMB No 1004-0116
 Expires November 30, 2000

LC

APPL API NO. 30-025-36663

5. Lease Serial No.
NMNM90161

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.

8. Lease Name and Well No.
HAWK B-1 33

9. API Well No.
30-025-36663

10. Field and Pool, or Exploratory
PENROSE SKELLY

11. Sec., T., R., M., or Blk. and Survey or Area
Sec 9 T21S R37E Mer NMP
SME: FEE

12. County or Parish
LEA

13. State
NM

17. Spacing Unit dedicated to this well

20. BLM/BIA Bond No. on file

23. Estimated duration
7 DAYS

1a. Type of Work: DRILL REENTER

1b. Type of Well: Oil Well Gas Well Other Single Zone Multiple Zone

2. Name of Operator
APACHE CORPORATION
 Contact: BONNIE JONES
 E-Mail: bonitaj@cableone.net

3a. Address
6120 SOUTH YALE, SUITE 1500
TULSA, OK 74138-4224
 3b. Phone No. (include area code)
 Ph: 505.624.9799
 Fx: 505.624.9799

4. Location of Well (Report location clearly and in accordance with any State requirements.)
 At surface NWSW 2630FSL 1250FWL
 At proposed prod. zone NWSW 2630FSL 1250FWL
SUBJECT TO LIKE APPROVAL BY STATE
 Unit L

14. Distance in miles and direction from nearest town or post office*
3 MILES NORTHWEST OF EUNICE, NM

15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)
10'
 16. No. of Acres in Lease
958.25

18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.
870'
 19. Proposed Depth
4200 MD
4200 TVD

21. Elevations (Show whether DF, KB, RT, GL, etc.)
3504 GL
 22. Approximate date work will start
12/15/2003

24. Attachments

Carlsbad Controlled Water Basin

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature (Electronic Submission) _____ Name (Printed/Typed) **BONNIE JONES** Date **11/17/2003**

Title **AGENT**

Approved by (Signature) **/S/ JOE G. LARA** Name (Printed/Typed) **/S/ JOE G. LARA** Date **DEC 15 2003**

Title **FIELD MANAGER** Office **CARLSBAD FIELD OFFICE**

Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
 Conditions of approval, if any, are attached.
APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Additional Operator Remarks (see next page)

Electronic Submission #25163 verified by the BLM Well Information System
 For APACHE CORPORATION, sent to the Hobbs
 Committed to AFMSS for processing by ARMANDO LOPEZ on 11/17/2003

KZ

**DECLARED WATER BASIN
 CEMENT BEHIND THE 8 3/8"
 CASING MUST BE CIRCULATED**

**APPROVAL SUBJECT TO
 GENERAL REQUIREMENTS &
 SPECIAL STIPULATIONS
 ATTACHED**

**** BLM REVISED ** BLM REVISED -- BLM REVISED -- BLM REVISED ** BLM REVISED ****

**CEMENT BEHIND THE 5 1/2"
 CASING MUST BE CIRCULATED**

DISTRICT I
P.O. Box 1000, Hobbs, NM 88240-1000

DISTRICT II
P.O. Box 200, Artesia, NM 88211-0200

DISTRICT III
1000 Elc Branch Rd., Aztec, NM 87410

DISTRICT IV
P.O. Box 2000, Santa Fe, NM 87504-2000

State of New Mexico
Energy, Minerals and Natural Resources Department

EXHIBIT D-1

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Submit to appropriate local agency
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number 30-025-36663	Pool Code 50350	Pool Name Penrose Skelly; Grayburg
Property Code 24427	Property Name HAWK B-1	Well Number 33
OGED No. 873	Operator Name APACHE CORPORATION	ELEVATION 3504'

Surface Location

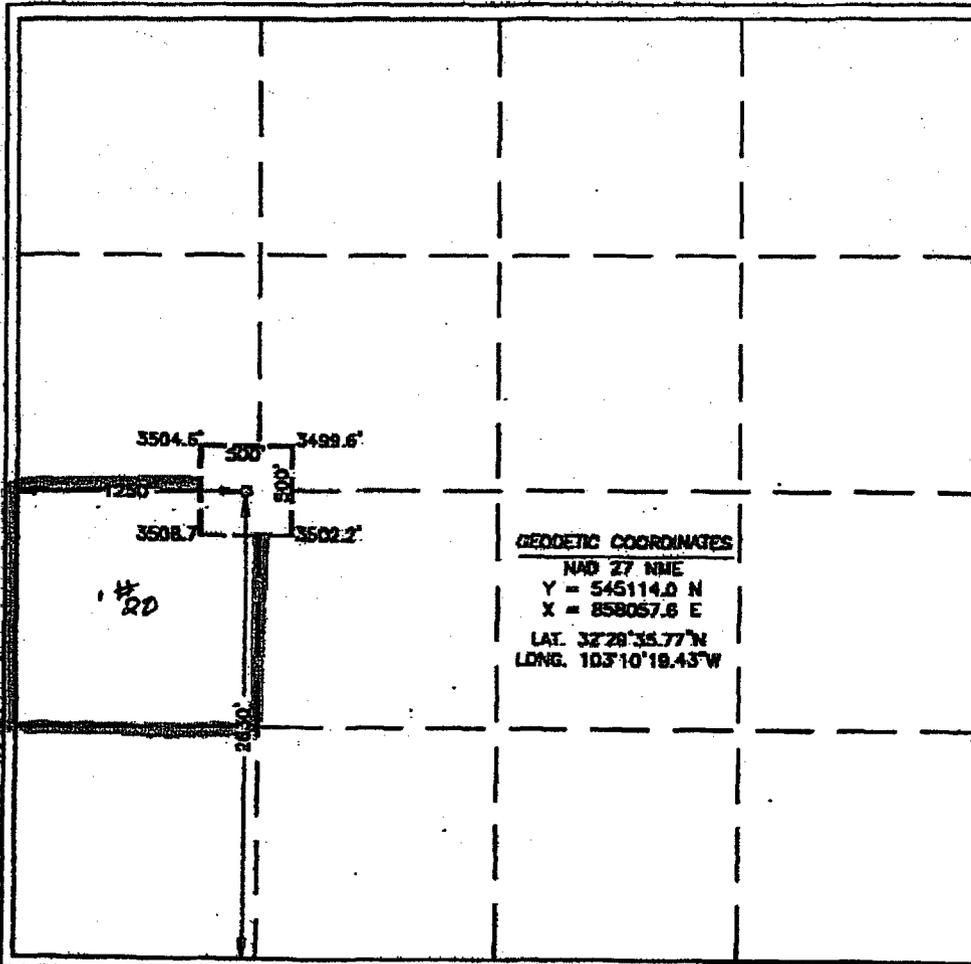
US-GR lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
XL	9	21-S	37-E		2630'	SOUTH	1250'	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 40.00	Joint or Infill	Consolidation Code	Order No. NSL-5026 (50)
---------------------------------	-----------------	--------------------	-----------------------------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Michelle Hanson
Signature

Michelle Hanson
Printed Name

Drilling Tech.
Title

9/22/03
Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.

August 06, 2003
Date Surveyed

A.W.B.
Signature of Well Professional

RONALD L. FIDSON
Professional Surveyor
8/15/03
03.11.0843

Certificate No. **88842** FIDSON **2250**
GARY FIDSON **12644**

DISTRICT I
P.O. Box 1204, Santa Fe, NM 87501-1204

DISTRICT II
P.O. Box 200, Santa Fe, NM 87501-0200

DISTRICT III
1000 Elbe Terrace Rd., Arroyo, NM 87410

DISTRICT IV
P.O. Box 2000, Santa Fe, N.M. 87504-2000

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

EXHIBIT D-2

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number	Well Code	Well Name
Property Code	Property Name HAWK B-1	Well Number 33
OCRD No.	Operator Name APACHE CORPORATION	ELEVATION 3504'

Surface Location

IL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from this	East/West line	County
X L	9	21-S	37-E		2630'	SOUTH	1250'	WEST	LEA

Bottom Hole Location If Different From Surface

IL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from this	East/West line	County

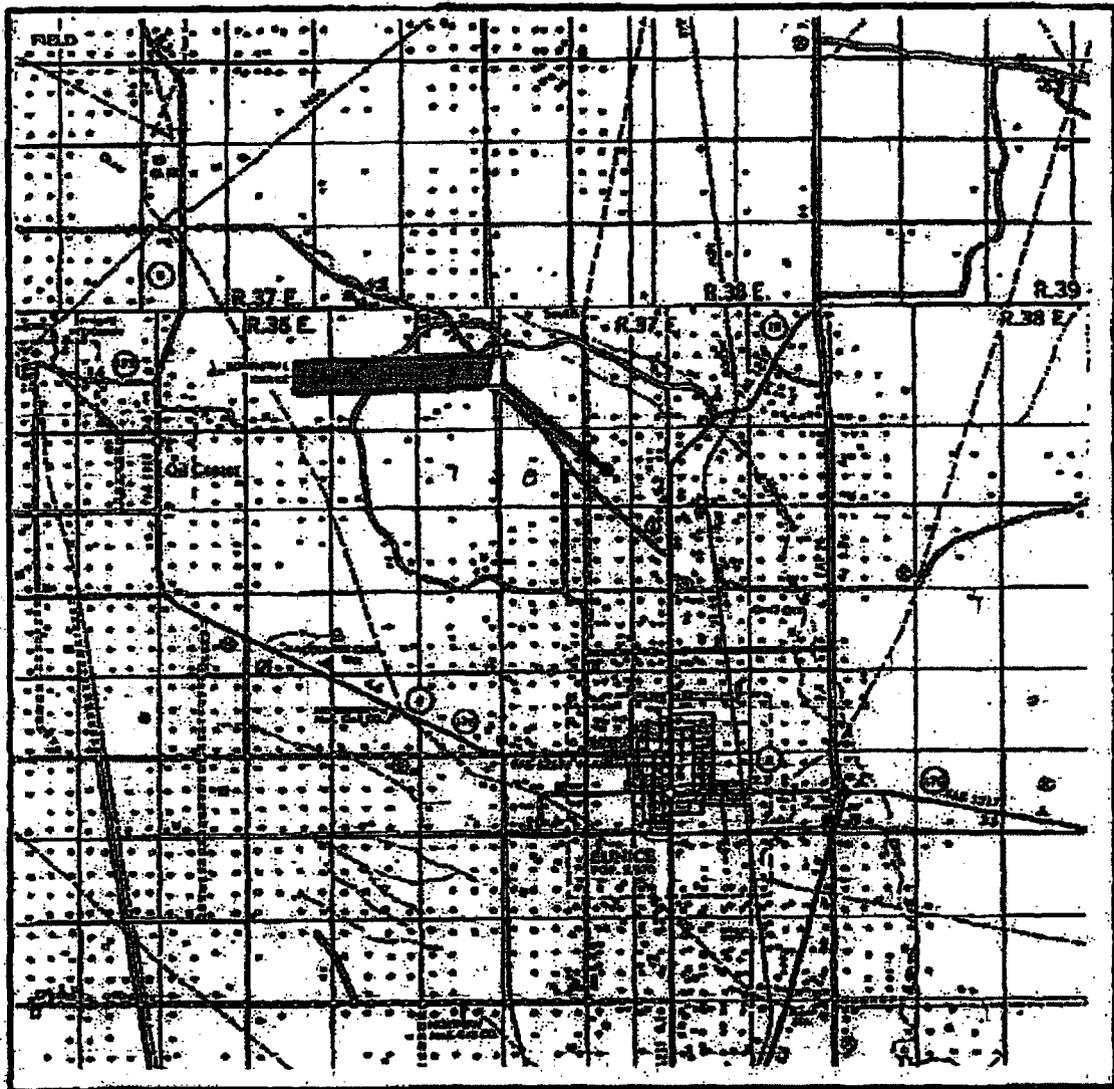
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature _____</p> <p>Printed Name _____</p> <p>Title _____</p> <p>Date _____</p> <hr/> <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p>August 06, 2003</p> <p>Date Surveyed _____ A.W.B.</p> <p>Signature & Seal of Professional Surveyor _____</p> <hr/> <p>03.11.0842</p> <p>Certificate No. DONALD J. KIDSON 2288 GARY SIDSON 12841</p>
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VICINITY MAP

EXHIBIT E-1



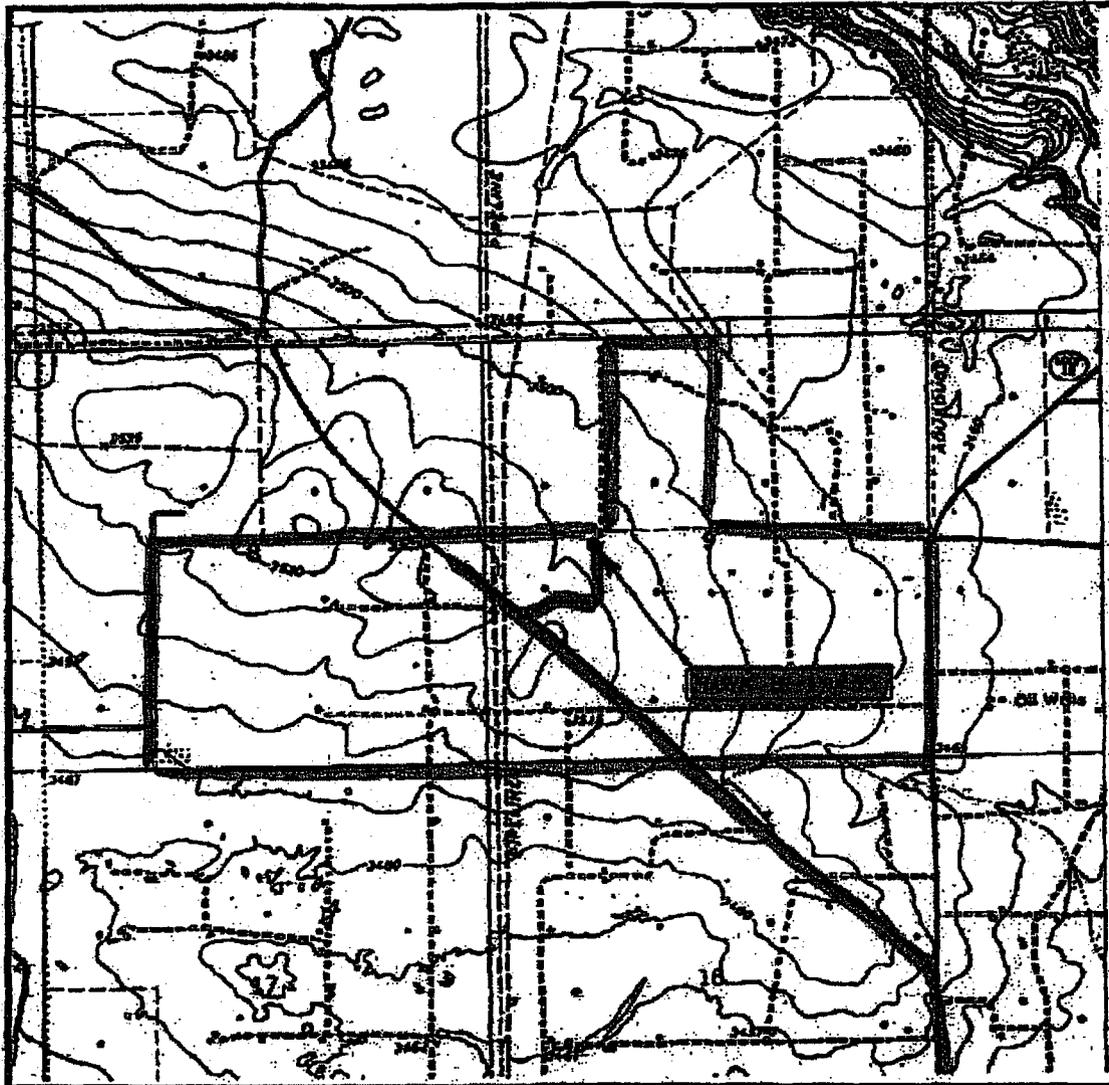
SCALE: 1" = 2 MILES

SEC. 9 TWP. 21-S RGE. 37-E
 SURVEY N.M.P.M.
 COUNTY LEA
 DESCRIPTION 2630' FSL & 1250' FWL
 ELEVATION 3504'
 OPERATOR APACHE CORPORATION
 LEASE HAWK B-1

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

LOCATION VERIFICATION MAP

EXHIBIT E-2



SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'
EUNICE, N.M.

SEC. 9 TWP. 21-S. RGE. 37-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 2630' FSL & 1250' FWL

ELEVATION 3504'

OPERATOR APACHE CORPORATION

LEASE HAWK B-1

U.S.G.S. TOPOGRAPHIC MAP
EUNICE, N.M.

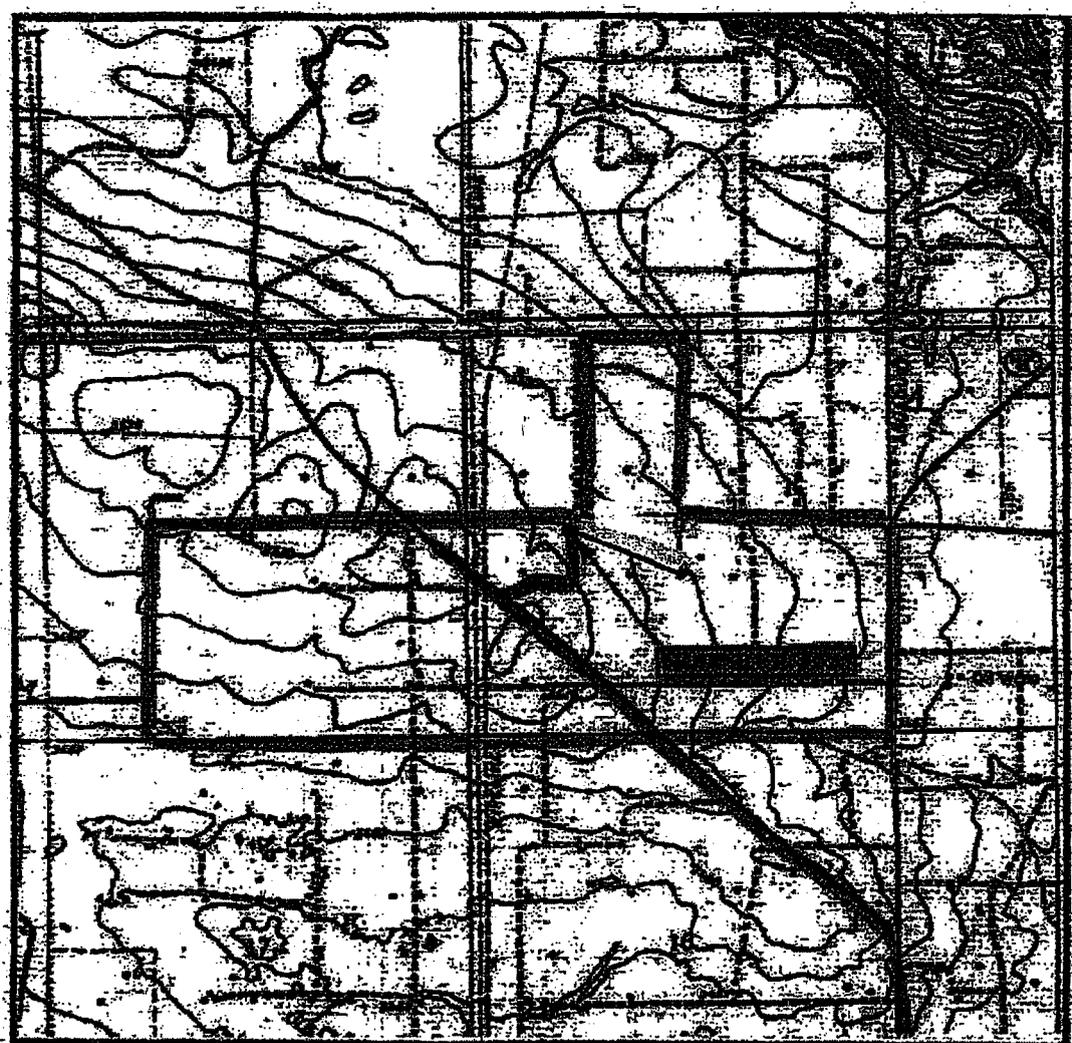
**JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117**

ACCESS 

LEASE BOUNDARY 

LOCATION VERIFICATION MAP

EXHIBIT E-3



SCALE: 1" = 2000'

SEC. B TWP. 21-S. RGE. 37-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION: 200' x 125' PL.

ELEVATION 550'

OPERATOR ARACHE CORPORATION

LEASE HARRIS-1

U.S.G.S. TOPOGRAPHIC MAP

EDINCE, N.M.

1950'
Flow-line

CONTOUR INTERVAL 10'

EDINCE, N.M.

Flow-line Route

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

ACCESS

LEASE BOUNDARY

EXHIBIT "F"
Hawk B-1 #33
2630' FSL & 1250' FWL, Sec. 9, T21S-R37E
Lea County, NM

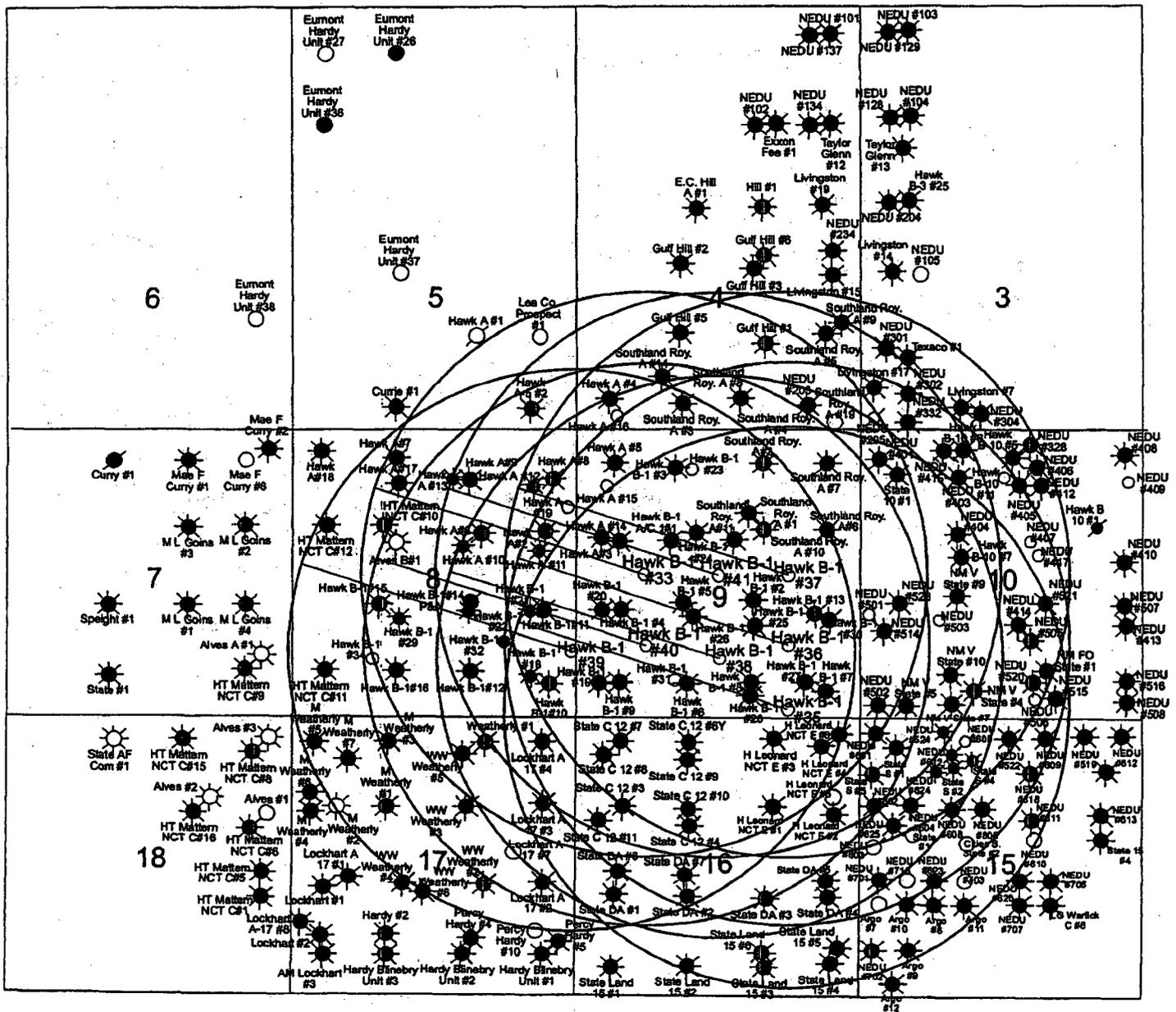


EXHIBIT "C"

SURFACE USE AND OPERATIONS PLAN
CULTURAL RESOURCES SURVEY
APPROXIMATE REHABILITATION SCHEDULE

LOCALITY: HAWK B-1 #33
OPERATOR: APACHE CORPORATION

LOCATION: NW¼SW¼ OF SECTION 9, T21S-R37E, N.M.P.M.
LEA COUNTY, NEW MEXICO

SUBMITTED TO:

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
ROSWELL DISTRICT OFFICE
2909 WEST 2ND STREET
ROSWELL, NEW MEXICO 88201
TELEPHONE (505) 627-0272

This plan is submitted to provide permitting agencies with information necessary to allow an appraisal of the environmental effects associated with the proposed drilling operations. Within the context of typical drilling operations, this plan provides for protection of surface resources and other environmental components. This plan has been developed in conformity with the United States Geological Survey NTL-6 guidelines, Bureau of Land Management Oil and Gas Order No. 1, and in connection and consultation with the private surface owner of record, if other than the United States of America, as well as the Roswell District Office for the Bureau of Land Management and the United States Department of the Interior personnel.

PART #1:

- 1) Surface Location:
NW¼SW¼ of Section 9, Township 21 South, Range 37 East, N.M.P.M.
Lea County, New Mexico
2630' FSL, 1250' FWL, Unit L
See attached Exhibits "D" and "E"
- 2) Bottom Hole Location:
NW¼SW¼ of Section 9, Township 21 South, Range 37 East, N.M.P.M.
Lea County, New Mexico
2630' FSL, 1250' FWL, Unit L
See attached Exhibits "D" and "E"
- 3) Leases Issued: NM-90161
- 4) Record Lessee:

Apache Corporation	50%
BP America Production Co.	25%
Chevron USA Inc.	25%

- 5) Acres in Lease:
Township 20 South, Range 37 East, NMPM
Section 13: SW $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$
Township 20 South, Range 38 East, NMPM
Section 30: Lot 1
Township 21 South, Range 37 East, NMPM
Section 4: Lots 3, 6
Section 6: NE $\frac{1}{4}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$
Section 8: SE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$
Section 9: S $\frac{1}{2}$, E $\frac{1}{2}$ NW $\frac{1}{4}$

Total Acres: 958.25

- 6) Acres Dedicated to Well:
There are 40.00 acres dedicated to this well, which takes in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 9, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

PART #2:

- 1) Existing Roads:
Exhibits "E-1" & "E-2" comprise maps showing the proposed well site in relation to existing roads and State Highway 18. The well is \pm 3 miles northwest of Eunice, New Mexico. From Eunice, go north approximately 2.5 miles on State Highway 18. Turn northwest on existing lease roads to location as illustrated on Exhibit "E-2".
- 2) Planned Access:
A. Length and Width: Existing lease/access roads will be used into the well site. Application for a buried pipeline will be made if it becomes necessary.
B. Construction: The existing roads will be lightly graded and topped with compacted caliche as needed.
C. Turnouts: None required.
D. Culverts: None required.
E. Cuts and Fills: As needed.
F. Gates and Cattleguards: None required.
- 3) Location of Existing Wells:
Exhibit "F" shows existing wells within a 1-mile radius of the proposed well.
- 4) Location of Existing and/or Proposed Facilities:
A. There are production facilities within the area of the Northeast Drinkard Unit, which is adjacent to the wellsite.
B. If the oil well proves to be commercial, any necessary production facilities will be installed on the drilling pad, and flow lines will be installed along the proposed and existing roads to the production facilities and storage tanks. See Exhibit "E-3" for flow-line route.
- 5) Location and Type of Water Supply:
Apache Corporation plans to drill the proposed well with fresh and brine water which will be transported by truck over proposed and existing access roads.
- 6) Source of Construction Materials:
Caliche for surfacing access roads and the wellsite pad will be obtained from the location itself or from BLM pits in the area.
- 7) Method of Handling Waste Material:
A. Drill cuttings will be disposed of in the reserve pits.
B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
C. All pits will be fenced with normal fencing materials to prevent livestock from entering the area.
D. Water produced during operations will be collected in tanks until hauled to an approved disposal system.
E. Oil produced during operation will be stored in tanks until sold.
F. Apache Corporation will comply with current laws and regulations pertaining to the disposal of human waste.

G. All waste materials will be contained to prevent scattering by the wind and will be removed from the well site within 30 days after drilling and/or completion operations are finished.

8) Ancillary Facilities: None planned.

9) Well Site Layout:

- A. Exhibit "G" shows the relative location and dimensions of the well pad, reserve pits, and major rig components. The pad and pit area have been staked and flagged.
- B. Mat Size: 140' x 200' plus reserve pits as shown on Exhibit "G".
- C. Cut & Fill: Only minor leveling of the drilling site is anticipated.
- D. The surface will be topped with compacted caliche and the reserve pits will be lined with 6 mil plastic.

10) Plans for Restoration of the Surface:

- A. After completion of drilling and/or completion operations, all equipment and other material, not needed for operations, will be removed. Pits will be filled and the location cleaned of all trash and junk to leave the well site in as aesthetically pleasing a condition as possible.
- B. Any unguarded pits containing fluids will be fenced until they are filled.
- C. If the proposed well is non-productive, Apache Corporation will comply with all rehabilitation and/or vegetation requirements of the Bureau of Land Management, and such rehabilitation will be accomplished as expeditiously as possible. All pits will be filled and leveled within 90 days after abandonment.

11) Other Information:

- A. Topography: The wellsite and access road are located in the Querecho Plains and are relatively flat.
- B. Soil: The proposed location, access road and production facilities consist of sandy soil. Slope in the proposed area ranges from zero (0) to five (5) degrees.
- C. Flora and Fauna: Vegetation is one of a grassland environment and a scrub-grass, scrub disclimax community. The wildlife consists of rabbits, coyotes, rattlesnakes, lizards, dove, quail and other wildlife typical of the semi-arid desert land.
- D. Ponds and Streams: There are no ponds, lakes, streams or feeder creeks in the immediate area.
- E. Residences and Other Structures: There are no occupied residences or other structures on or near the proposed location.
- F. Land Use: The land is used for grazing cattle.
- G. Surface Ownership: The surface is owned by the Trustee of the Millard Deck Estate, c/o Tim Wolters, Bank of America, P. O. Box 270, Midland, TX 79702, 915-685-2864. A Surface Damage Release agreement for this tract has been executed by the Millard Deck Estate and Apache Corporation.
- H. Archaeological, Historical, and Other Cultural Sites:
Don Clifton, Archaeological Consultant, of Pep, New Mexico, will be conducting an archaeological survey of the proposed HAWK B-1 #33 well which covers the drilling location, production facilities, and access road, including a corridor along said access road for power and flow lines. His report will be filed under separate cover.

I. Senior Representative (Manager, Engineering & Production):

Jim McKinney
Apache Corporation
Suite 1500 - Two Warren Place
6120 South Yale Avenue
Tulsa, Oklahoma 74136
(918) 491-4800

Project (Operations Engineer):

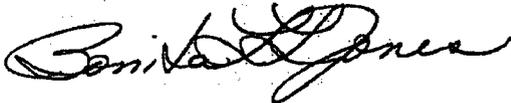
Kevin Mayes
Apache Corporation
Suite 1500 - Two Warren Place
6120 South Yale Avenue
Tulsa, Oklahoma 74136
(918) 491-4972

Drilling Operations (Operations Engineer):

Glenn Bone
Apache Corporation
Suite 1500 – Two Warren Place
6120 South Yale Avenue
Tulsa, Oklahoma 74136
(918) 491-4907

CERTIFICATION

I hereby certify that Apache Corporation has inspected the proposed drillsite and access route; that I am familiar with the conditions which presently exist; that the statements made in the plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Apache Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.



Bonita L. L. Jones, RLP, Consulting Landman
Agent for Apache Corporation
P. O. Box 8309
Roswell, New Mexico 88202-8309
(505) 624-9799 FAX (505) 624-9799
E-Mail: bonita@dfn.com

Date: 11-3-03

**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. 13256
ORDER NO. R-12190**

**APPLICATION OF APACHE CORPORATION FOR CONTRACTION OF THE
HARE-SAN ANDRES GAS POOL, EXPANSION OF THE EAST HARE-SAN
ANDRES POOL, AND SPECIAL POOL RULES FOR THE EAST HARE-SAN
ANDRES POOL, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 29, 2004, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 12th day of August, 2004, 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) Apache Corporation ("applicant"), seeks an order:

(a) Contracting the horizontal boundaries of the Hare-San Andres Gas Pool (78080) by deleting the following acreage;

Township 21 South, Range 37 East, NMPM
Section 10: S/2

(b) Expanding the horizontal boundaries of the East Hare-San Andres Pool (96601) by adding thereto the following acreage; and

Township 21 South, Range 37 East, NMPM

Section 9: S/2
Section 10: SW/4
Section 16: NW/4

(c) Creating Special Pool Rules for the East Hare-San Andres Pool, providing for; (i) a gas-oil ratio of 5000 cubic feet of gas for each barrel of oil produced, and (ii) all other rules to comply with statewide rules.

(3) The Hare-San Andres Gas Pool was created by Division order No. R-4423 in Case No. 4848, issued on November 1, 1972, and currently covers the following acreage:

Township 21 South, Range 37 East, NMPM

Section 10: S/2
Section 15: W/2
Section 21: S/2
Section 22: NE/4 and W/2
Section 27: W/2
Section 28: S/2

The Hare-San Andres Gas Pool was discovered by the Shell Oil Company Turner Well No. 16, located in Unit M of Section 22, Township 21 South, Range 37 East, NMPM. It was completed in the San Andres formation on June 2, 1972, with the top perforation at 4004 feet. The pool has no special pool rules and is therefore being developed on statewide rules with 160-acre gas spacing units and only one well allowed per unit.

(4) The East Hare-San Andres Pool was created by Division order No. R-10776 in Case No. 11737 issued on February 28, 1997, and currently covers the following acreage:

Township 21 South, Range 37 East, NMPM

Section 10: SE/4

Township 21 South, Range 37 East, NMPM

Section 9: S/2
Section 10: SW/4
Section 16: NW/4

(c) Creating Special Pool Rules for the East Hare-San Andres Pool, providing for; (i) a gas-oil ratio of 5000 cubic feet of gas for each barrel of oil produced, and (ii) all other rules to comply with statewide rules.

(3) The Hare-San Andres Gas Pool was created by Division order No. R-4423 in Case No. 4848, issued on November 1, 1972, and currently covers the following acreage:

Township 21 South, Range 37 East, NMPM

Section 10: S/2
Section 15: W/2
Section 21: S/2
Section 22: NE/4 and W/2
Section 27: W/2
Section 28: S/2

The Hare-San Andres Gas Pool was discovered by the Shell Oil Company Turner Well No. 16, located in Unit M of Section 22, Township 21 South, Range 37 East, NMPM. It was completed in the San Andres formation on June 2, 1972, with the top perforation at 4004 feet. The pool has no special pool rules and is therefore being developed on statewide rules with 160-acre gas spacing units and only one well allowed per unit.

(4) The East Hare-San Andres Pool was created by Division order No. R-10776 in Case No. 11737 issued on February 28, 1997, and currently covers the following acreage:

Township 21 South, Range 37 East, NMPM

Section 10: SE/4

The East Hare-San Andres Pool was discovered by the Exxon Corporation New Mexico "PO" State Well No. 1 located in Unit O of Section 10, Township 21 South, Range 37 East, NMPM. It was completed in the San Andres formation on October 13, 1996, with the top perforation at 4,022 feet. The pool has no special pool rules and is therefore being developed on statewide rules with 40-acre oil proration units, 40-acre depth bracket oil discovery allowable, and a 2,000:1 gas-oil ratio.

(5) Notice was provided to operators within the East Hare-San Andres Pool and within one mile surrounding the pool. No one appeared at the hearing or otherwise opposed this application.

(6) Exxon Mobil Corporation ("ExxonMobil") operates a San Andres gas well located within the SW/4 of Section 10 and within the current boundaries of the Hare-San Andres Gas Pool. The applicant provided testimony that the entire S/2 of Section 10 is a single State of New Mexico lease with identical ownership and Exxon would therefore not be affected by switching the SW/4 of Section 10 from the Hare-San Andres Gas Pool to the East Hare-San Andres Pool. Division records indicate that ExxonMobil's well has not in the past produced enough gas, on the average, to be restricted in the future by the applicant's proposed 5,000:1 gas-oil ratio limitation.

(7) The applicant provided geological and engineering testimony as follows:

(a) The productive portion of the San Andres reservoir in this area does not behave in a conventional manner, with gas over oil, and oil over water. Some wells will produce primarily gas even though they are lower in structure than offsetting oil producers.

(b) The San Andres reservoir provides water supply wells for the deeper Drinkard formation waterflood in this area. Some of these water supply wells actually flow gas at the same time as water is being pumped and are classified as gas wells.

(c) Oil wells in this area producing from the Grayburg formation, which is stratigraphically higher than the San Andres, are spaced on 40-acres. If this application is approved, these existing Grayburg wells can be deepened without obtaining Division approval for rule exceptions, the San Andres formation can be developed, and the wells possibly downhole commingled.

(d) The producing lenses in the San Andres formation are at various stages of pressure depletion. Original reservoir pressure was approximately 1,700-psi and the pressure in some wells is still above the bubble point.

(e) Ultimate primary oil and gas production from this reservoir will not be decreased as a result of allowing a 5,000:1 or higher producing gas-oil ratio. The applied for 5,000:1 gas-oil ratio limit is consistent with the special pool rules existing on other San Andres oil pools in this area.

(f) To aid in determining the limits of the East Hare-San Andres Pool as applied for herein, the applicant has drilled three delineation wells, each in the center of a possible 160-acre San Andres gas spacing unit. One well is in the NW/4 of Section 16, one is in the SW/4 of Section 9, and one is in the SE/4 of Section 9. Each of these wells is an infill location Grayburg well as well as standard location gas wells. If these had tested as gas wells in the San Andres, they would have been the only San Andres wells allowed within each of these 160-acre units.

(8) Implementation of the proposed gas pool contraction, oil pool expansion, and 5,000:1 gas-oil ratio limit for the oil pool, will allow the operators of wells completed in the San Andres formation in this area the opportunity to recover additional hydrocarbons, prevent waste, and will protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Apache Corporation for the following three items is hereby approved:

(a) The following acreage is deleted from the boundaries of the Hare-San Andres Gas Pool (78080):

Township 21 South, Range 37 East, NMPM
Section 10: S/2

(b) The following acreage is added to the boundaries of the East Hare-San Andres Pool (96601):

Township 21 South, Range 37 East, NMPM

Section 9: S/2
Section 10: SW/4
Section 16: NW/4

(c) The "*Special Pool Rules for the East Hare-San Andres Pool*," are hereby established and shall read in their entirety as follows:

SPECIAL POOL RULES
FOR THE
EAST HARE-SAN ANDRES POOL

RULE 1. Each well completed in or recompleted in the East Hare-San Andres Pool, or in the San Andres formation within one mile thereof and not nearer to or within the limits of another designated San Andres pool, shall be spaced, drilled, operated, and produced in accordance with the special rules hereinafter set forth.

RULE 2. The limiting gas-oil ratio shall be 5,000 cubic feet of gas per barrel of oil.

RULE 3. Statewide rules shall govern this pool except as stated in RULE 2 above.

(2) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director