



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

March 9, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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

Administrative Order NSL-5346 (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-606557403*) dated March 6, 2006 filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on behalf of the operator Apache Corporation; and (ii) the Division's records in Santa Fe: all concerning their request for:

- (a) an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit in the Penrose Skelly (Grayburg) Pool (50350); and
- (b) an unorthodox oil well location in the Southwest Eunice-San Andres Pool (24180).

Apache Corporation proposes to drill its **Rinewalt Well No. 7** at a location 1090 feet from the North line and 1810 feet from the West line (Lot 3/Unit C) of Section 4, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

Production from the Penrose Skelly (Grayburg) Pool is to be included within an existing standard 39.86-acre oil spacing and proration unit comprising Lot 3 (NE/4 NW/4 equivalent) of Section 4, which is currently dedicated to Apache Corporation's Rinewalt Well No. 5 (API No. 30-025-34582), located at a standard oil well location 510 feet from the North line and 1980 feet from the West line of Section 4.

The proposed Rinewalt Well No. 7 will be the initial San Andres oil well within this same 39.86-acre oil spacing and proration unit.

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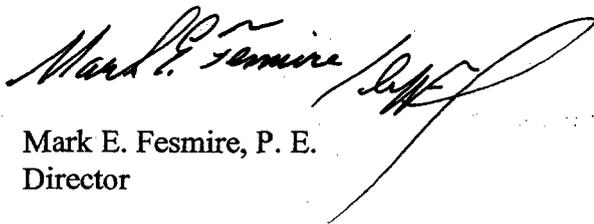
It is the Division's understanding that such unorthodox location is necessitated for geologic and engineering reasons in that this location is approximately equidistance to other offsetting Penrose Skelly (Grayburg) oil production. The proposed infill oil well location will enable Apache Corporation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

It is further understood that Lot 3 and the S/2 NW/4 of Section 4 comprises a single fee lease (W. M. Rinewalt/Rinewalt lease).

By the authority granted me under the provisions of Division Rule 104.F (2) the above-described unorthodox: (i) infill Penrose Skelly (Grayburg) oil well location; and (ii) San Andres oil well location, for Apache Corporation's proposed Rinewalt Well No. 7 is hereby approved.

Further, both the existing Rinewalt Well No. 5 and proposed Rinewalt Well No. 7 are to be simultaneously dedicated to the subject 39.86-acre unit within the Penrose Skelly (Grayburg) Pool.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Hobbs