



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

June 5, 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-4955-C (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-611844159*) filed on behalf of the operator, Apache Corporation ("Apache"), and submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on April 28, 2006; and (ii) the Division's records in Santa Fe, including the files on Division Administrative Orders NSL-4955 (SD), NSL-4955-A (SD), NSL-4955-B (SD) and in Division Case No. 13256, resulting in the issuance of Order No. R-12190 on August 12, 2004: all concerning Apache's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the SE/4 SE/4 (Unit P) Section 9, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, in both the Penrose Skelly (Grayburg) Pool (*50350*) and East Hare-San Andres Pool (*96601*).

Apache Corporation proposes to drill its **Hawk "B-1" Well No. 52** at a location 1100 feet from the South line and 330 feet from the East line (Unit P) of Section 9, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.

Your application for Apache Corporation 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].

The initial Grayburg oil well within this 40-acre oil spacing and proration unit is Apache's Hawk "B-1" Well No. 27 (*API No. 30-025-35806*) located at a standard oil well location 830 feet from the South line and 900 feet from the East line of Section 9.

Division Administrative Order NSL-4955 (SD), dated October 31, 2003, approved Apache's application for its Hawk "B-1" Well No. 36 (*API No. 30-025-36530*) to be drilled and completed as an infill Penrose Skelly (Grayburg) oil well location within this unit at an unorthodox location 1310 feet from the South and East lines of Section 9.

By Division Administrative Order NSL-4955-A (SD), dated March 26, 2004, Apache received approval for its Hawk "B-1" Well No. 35 (*API No. 30-025-36662*) to also be drilled and completed at an unorthodox Grayburg infill oil well location 160 feet from the South line and 1310 feet from the East line of Section 9. Division Administrative Order NSL-4955-A (SD) also contained provisions for the distribution of proceeds attributed to Penrose Skelly (Grayburg) oil production from the Hawk "B-1" Well No. 35 to be allocated in the following manner:

- (a) 56.56% to be attributed to the subject Hawk "B-1" federal lease (*U. S. government lease No. NM-90161*) comprising 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; and

- (b) 43.44% to be attributed to Chevron U.S.A., Inc.'s ("Chevron") offsetting Harry Leonard NCT-E state lease (State lease No. B-1732-1) comprising the NE/4 of Section 16, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.

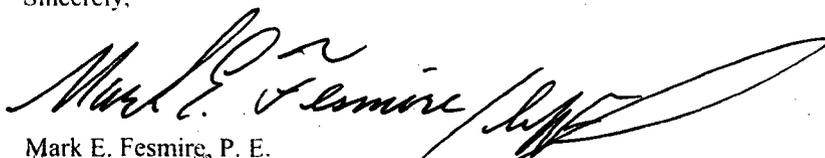
By Division Administrative Order NSL-4955-B (SD), the East Hare-San Andres Pool (96601) was included within the provisions of these two administrative orders authorizing the Hawk "B-1" Wells No. 35 and 36 to be completed at unorthodox San Andres oil well locations within the SE/4 SE/4 (Unit P) of Section 9, being a standard 40-acre oil spacing and proration unit within the East Hare-San Andres Pool. Division Administrative Order NSL-4955-B (SD) also contained provisions for the distribution of proceeds attributed to East Hare-San Andres oil production from Apache's above-described Hawk "B-1" Well No. 35 to be allocated in the following manner:

- (a) 42.47% attributed to the above-described Apache operated Hawk "B-1" federal lease; and
- (b) 57.53% attributed Chevron's to above-described Harry Leonard NCT-E state lease.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Penrose Skelly (Grayburg)/East Hare-San Andres infill oil well location for Apache's proposed Hawk "B-1" Well No. 52 is hereby approved. All of the aforementioned wells and both spacing units will be subject to all existing rules, regulations, policies, and procedures applicable to these two prorated oil pools and all provisions of said Division Administrative Orders NSL-4955 (SD), NSL-4955-A (SD), and NSL-4955-B (SD).

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

Sincerely,



Mark E. Fesmire, P. E.
Director

MES/ms

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
U. S. Bureau of Land Management - Roswell
Files: NSL-4955 (SD)
NSL-4955-A (SD)
NSL-4955-B (SD)