



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

August 7, 2003

Lori Wrotenberg

Director

Oil Conservation Division

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

Administrative Order NSL-4932 (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-321763890*) of August 4, 2003 on behalf of the operator, Apache Corporation; and (ii) the Division's records in Santa Fe, including the files in Cases No. 9230, 9231, 9232, and 10052: all concerning Apache Corporation's request for approval of the following two unorthodox oil well locations to be drilled within an existing standard 40-acre oil spacing and proration unit comprising the NW/4 NW/4 (Unit D) of Section 10, Township 21 South, Range 37 East, NMPM, North Eunice Blinbry-Tubb-Drinkard Pool (22503), Lea County, New Mexico:

- (a) Northeast Drinkard Unit Well No. 418
1250' FNL & 150' FWL; and
- (b) Northeast Drinkard Unit Well No. 419
150' FNL & 160' FWL.

The Division Director Finds That:

- (1) Apache Corporation is the operator of the Northeast Drinkard Unit Waterflood Project, established by Division Order No. R-8541, issued in Case No. 9232 on November 9, 1987, as amended by Division Orders No. R-8541-A and R-8541-B. The Northeast Drinkard Unit Area (see Division Order No. R-8540, issued in Case No. 9231 on November 9, 1987), Northeast Drinkard Unit Waterflood Project Area, and corresponding North Eunice Blinbry-Tubb-Drinkard Pool (see Division Order No. R-8539, issued in Case No. 9230 on November 30, 1987) all comprise the following described 4,938 acres, more or less, in Lea County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Irregular Sections 2 and 3:	All
Irregular Section 4:	Lots 1, 8, 9, and 16
Section 10:	All
Section 11:	SW/4
Section 14:	NW/4
Section 15:	All
Sections 22 and 23:	All.

- (2) Apache Corporation is also the operator of the following-described offsetting acreage in Lea County, New Mexico, which is part of a single fee lease (the "Southland Royalty Lease") with common royalty, overriding royalty, and working interest ownership:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Irregular Section 4: SE/4 SW/4, NE/4 SE/4, and S/2 SE/4

Section 9: NE/4.

- (3) The North Eunice Blinebry-Tubb-Drinkard Pool within Apache Corporation's Northeast Drinkard Unit Waterflood Project Area is subject to the "*Special Rules and Regulations for the North Eunice Blinebry-Tubb-Drinkard Pool*," set forth by Division Order No. R-8539-A/R-8541-B, issued in Case No. 10052 on September 24, 1990, and Division Rule 104.F (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 the unitized/waterflood area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.
- (4) North Eunice Blinebry-Tubb-Drinkard Pool production within the NW/4 NW/4 (Unit D) of Section 10, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, is currently dedicated to Apache Corporation's Northeast Drinkard Unit Well No. 401 (API No. 30-025-06459), located at a standard oil well location 990 feet from the North line and 840 feet from the West line of Section 10.
- (5) The corresponding vertical limit to the North Eunice Blinebry-Tubb-Drinkard Pool within the offsetting Southland Royalty Lease comprise the: (i) Blinebry Oil and Gas Pool (6660), which is governed under the provisions of the "*Special Rules and Regulations for the Blinebry Oil and Gas Pool*", as promulgated by Division Order No. R-8170, as amended; (ii) Tubb Oil and Gas Pool (60240), which is governed under the provisions of the "*Special Rules and Regulations for the Tubb Oil and Gas Pool*", as promulgated by Division Order No. R-8170, as amended; and (iii) Drinkard Pool (19190), which is governed under Division Rule 104.B (1). Oil development within these three pools also requires 40-acre spacing and proration units and for wells to be located no closer than 330 feet to any boundary of such unit.
- (6) The geologic interpretation submitted with this application indicates these two wells drilled at the proposed unorthodox infill oil well locations will be at a more favorable geologic position within the Blinebry-Tubb-Drinkard interval, will be situated approximately equidistance, more or less, to other Blinebry-Tubb-Drinkard wells, and will recover reserves which would otherwise not be recovered by the existing wells.
- (7) It is further understood that Apache Corporation, as operator of both properties, and the mineral interests have entered into a cooperative development agreement which provides for the allocation of well costs attributed to and proceeds from Blinebry-Tubb-Drinkard oil production for these two wells in the following manner:

Northeast Drinkard Unit Well No. 418

Northeast Drinkard Unit	68 %
Southland Royalty Lease	32 %

Northeast Drinkard Unit Well No. 419

Northeast Drinkard Unit	70 %
Southland Royalty Lease	30 %

- (8) This allocation formula covering both the costs and proceeds of these two wells serves to benefit all mineral interests impacted by these two wells, the two producing properties, the subject 40-acre oil spacing and proration unit, and the Northeast Drinkard Unit Waterflood Project, by allowing Apache Corporation to develop the Blinebry-Tubb-Drinkard oil productive interval along the line common to the Northeast Drinkard Unit and Southland Royalty Lease.
- (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 should allow for the recovery of additional reserves that might not otherwise be produced.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rule 104.F (2), of the New Mexico Oil Conservation Division's ("Division") Rules and Regulations, Apache Corporation, as operator of the Northeast Drinkard Unit Area and corresponding Northeast Drinkard Unit Waterflood Project, is hereby authorized to drill the following two described wells at unorthodox oil well locations within the NW/4 NW/4 (Unit D) of Section 10, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, being an existing standard 40-acre oil spacing and proration unit within the North Eunice Blinebry-Tubb-Drinkard Pool (22503):

- (a) Northeast Drinkard Unit Well No. 418
1250' FNL & 150' FWL; and
- (b) Northeast Drinkard Unit Well No. 419
150' FNL & 160' FWL.

(2) North Eunice Blinebry-Tubb-Drinkard Pool production from the two above-described Northeast Drinkard Unit Wells No. 418 and 419 are to be simultaneously dedicated with Apache Corporation's existing Northeast Drinkard Unit Well No. 401 (API No. 30-025-06459), located at a standard oil well location 990 feet from the North line and 840 feet from the West line of Section 10.

(3) These three Northeast Drinkard Unit Wells No. 401, 418, and 419 and subject 40-acre oil spacing and proration unit shall be governed by all applicable provisions of Division Rules 702 through 706 and the rules and procedures governing the North Eunice Blinebry-Tubb-Drinkard Pool within its Northeast Drinkard Unit Waterflood Project Area.

(4) The distribution of proceeds from North Eunice Blinbry-Tubb-Drinkard Pool production from the two above-described Northeast Drinkard Unit Wells No. 418 and 419 shall be allocated in the following manner:

Northeast Drinkard Unit Well No. 418

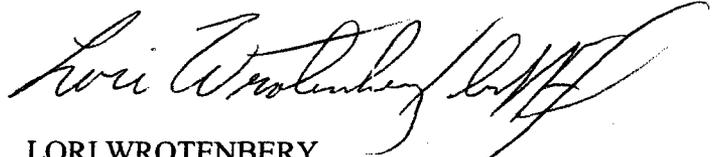
Northeast Drinkard Unit	68 %
Southland Royalty Lease	32 %

Northeast Drinkard Unit Well No. 419

Northeast Drinkard Unit	70 %
Southland Royalty Lease	30 %.

(5) 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



LORI WROTENBERY
Director

LW/mes

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