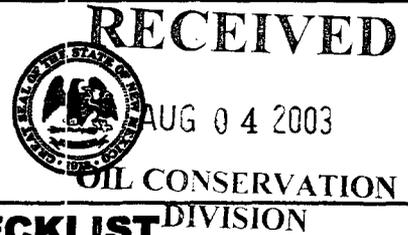


ABOVE THIS LINE FOR DIVISION USE ONLY

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



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
 Print or Type Name

James Bruce
 Signature

Attorney for Applicant
 Title
 jamesbruc@aol.com

7/31/03
 Date

e-mail Address

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (PHONE)
(505) 982-2151 (FAX)

jamesbruc@aol.com

Jukly 31, 2003

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

Dear Mr. Stogner:

Pursuant to Division Rule 104.F(2), Apache Corporation applies for administrative approval of the following two unorthodox well locations:

Well: Northeast Drinkard Unit Well No. 418
Location: 1250 feet FNL & 150 feet FWL
Well Unit: NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 10, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico

Well: Northeast Drinkard Unit Well No. 419
Location: 150 feet FNL & 160 feet FWL
Well Unit: NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 10, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico

The wells will be drilled to test the Blinebry, Tubb, and Drinkard formations (North Eunice Blinebry-Tubb-Drinkard Pool). The pool is governed by Division Order No. R-8539, as amended, which provides for 40 acre spacing and wells to be located no closer than 330 feet to a quarter-quarter section line.

The NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 10 will be simultaneously dedicated to the proposed wells and to the existing Northeast Drinkard Unit Well No. 401. (The Northeast Drinkard Unit is a waterflood unit.)

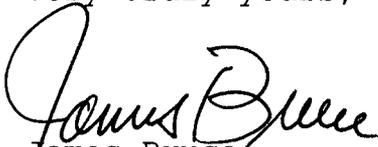
The application is based on geologic and engineering reasons. A complete discussion for the No. 418 well is attached as Exhibit A, and a discussion for the No. 419 well is attached as Exhibit B. The proposed wells are located in the approximate center of four existing Blinebry-Tubb-Drinkard wells. The reservoirs in the three pools are compartmentalized, and applicant believes that drilling the infill wells will recover reserves which will not be recovered

by existing wells. This theory has been successfully tested in the Northeast Drinkard Unit. Applicant desires to complete in all three zones to enhance project economics.

Attached as Exhibit C is a land plat, highlighting the proposed locations. The offsetting acreage (SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 4 and E $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 9) is part of a single fee lease (the "Southland Royalty Lease"), which has common royalty, overriding royalty, and working interest ownership. Apache Corporation is operator of the Northeast Drinkard Unit, and is 100% working interest owner of the Southland Royalty Lease. Applicant, as unit operator and working interest owner in the Southland Royalty Lease, has entered into a lease-line or cooperative agreement between the unit and the lease, which allocates well costs and production between them based on a fair and equitable basis.¹ A copy is attached as Exhibit D. Also attached, as Exhibit E, is a portion of the Unit Operating Agreement for the Northeast Drinkard Unit. The unit operator has the authority to enter into the lease-line agreement with 65% approval of working interest owners. See Article 7.12. Apache owns over 65% of the working interest in the unit, but has been joined by at least two other working interest owners (see Exhibit D), as required by Article 4.3.2. Therefore, there are no offset interest owners or adversely affected parties to notify of this application.

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

Very truly yours,


James Bruce
Attorney for Apache Corporation

¹In allocating costs and production, 20 acre drainage is assumed, and the percentages are then based on the footage difference between the nearest orthodox location (330 feet FWL) and the actual distance.