



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

May 8, 2007

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

Attention: Mr. James Bruce, Attorney

Re: **Southland Royalty "A" Well No. 27**
API No. N/A
1185' FNL & 1650' FEL, Unit B,
Section 9, T-21 South, R-37 East, NMPM,
Lea County, New Mexico

Administrative Order NSL-5622

Dear Mr. Bruce:

Reference is made to the following:

- (a) your application on behalf of Apache Corporation ("Apache" or "applicant") for a non-standard well location (*administrative application referenece No. pCLP0712144386*) for the Southland Royalty "A" Well No. 27 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on April 30, 2007; and
- (b) the Division's records pertinent to your request.

The applicant requests approval of an unorthodox oil well location for its Southland Royalty "A" Well No. 27 in the Penrose Skelly (Grayburg) Pool (Oil – 50350) which is to be drilled 1185 feet from the North line and 1650 feet from the East line (Unit B) of Section 9, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico. The NW/4 NE/4 of Section 9 is to be dedicated to the well in the Penrose Skelly (Grayburg) Pool forming a standard 40-acre oil spacing and proration unit.

The Penrose Skelly (Grayburg) Pool is currently governed by Division Rule No. 19.15.3.104(B).

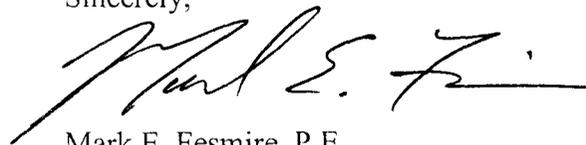
Geologic and engineering evidence submitted by the applicant demonstrates that a well at the proposed unorthodox location can recover additional reserves that may otherwise not be recovered by existing wells surrounding this location.

It is our understanding that the Southland Royalty "A" Fee Lease encompasses, among other acreage, the NE/4 of Section 9, and that the ownership within this lease is common throughout. The affected offset acreage is the SW/4 NE/4 of Section 9. Since this lease is commonly owned, there are no adversely affected offset operators and/or interest owners, consequently, the applicant is not required, and did not provide notice of this application to any party.

Division records show that there is currently only one well producing from the Penrose Skelly (Grayburg) Pool within the NW/4 NE/4 of Section 9. This well is the Apache Southland Royalty "A" Well No. 11 (API No. 30-025-35766).

Pursuant to the authority granted under the provisions of Division Rule 19.15.3.104.F(2), the above-described unorthodox oil well location in the Penrose Skelly (Grayburg) Pool is hereby approved.

Sincerely,



Mark E. Fesmire, P.E.
Division Director

MEF/drc

cc: OCD-Hobbs