



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

February 8, 2008

Apache Corporation
Attn: Mr. Bret Pearcy
6120 S Yale, Suite 1500
Tulsa, OK 74136-4224

Administrative Order NSL-5780

Re: Dixie Queen Well No. 2
API No. 30-025-38661
Unit P, Section 11-20S-38E
County

Dear Mr. Pearcy:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS08-02332850**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on January 23, 2008, and

(b) the Division's records pertinent to this request.

Apache Corporation (Apache) has requested to drill the above-referenced well at an unorthodox Blinebry/Tubb/Drinkard oil well location, 1060 feet from the South line and 330 feet from the East line (Unit P) of Section 11, Township 20 South, Range 38 East, N.M.P.M., in Lea County, New Mexico. The SE/4 SE/4 of Section 11 will be dedicated to this well in order to form a standard 40-acre spacing unit in the House-Blinebry Pool (33230), House-Tubb Pool (78760) and House-Drinkard Pool (33250). These pools are governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the northern unit boundary.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location to avoid interference with an existing pipeline that crosses the unit.

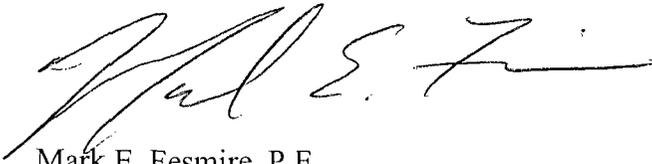
It is also understood that notice of this application to offsetting operators or owners is unnecessary because ownership of the offsetting spacing unit towards which this location encroaches is identical with the subject unit.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', written in a cursive style.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs