



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



December 17, 2009

Apache Corporation
Attn: Ms. Michelle Hanson
6120 S. Yale, Suite 1500
Tulsa, OK 74136

Administrative Order NSP-1935
Administrative Order SD-200409-A

Re: Mark Owen Well No. 1 (API No. 30-025-07037)
Mark Owen Well No. 2 (API No. 30-025-07038)
Mark Owen Well No. 3 (API No. 30-025-07039)
Mark Owen Well No. 4 (API No. 30-025-07040)
Mark Owen Well No. 8 (API No. 30-025-25481)
Mark Owen Well No. 5 [proposed] (API No. 30-025-39558)
SW/4 of Section 35
Township 21 South, Range 37 East, NMPM,
Lea County, New Mexico

Dear Ms. Hanson:

Reference is made to the following:

(a) your administrative non-standard proration unit (NSP) application (**administrative application reference No. pTGW09-334567865**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on November 30, 2009;

(b) your administrative simultaneous dedication (SD) application (**administrative application reference No. pTGW09-33458026**), submitted the same date; and

(c) the Division's records pertinent to Apache's request, including the Division's records pertaining to Administrative Order SD-2900409

Non-Standard Proration Unit (NSP) Application for the Blinebry Oil and Gas Pool:

Apache Corporation [OGRID 873] has requested establishment of a non-standard 120-acre gas spacing and proration unit in the Blinebry Oil and Gas (Prorated Gas) Pool (72480)



consisting of the NW/4 SW/4 and S/2 SW/4 of Section 35, Township 21 South, Range 37 East, NMPM, in Lea County, New Mexico.

Spacing in this pool is governed by the Special Rules and Regulations for the Blinebry Oil and Gas Pool, as provided in Order R-8170 issued on March 28, 1986, which provide that standard gas units shall consist of 160 acres, and any gas well to which a unit larger than 40 acres is dedicated shall be located at least 660 feet from any unit outer boundary and 330 feet from any quarter-quarter section line. Non-standard gas units consisting of less than 160 acres may be established by administrative order, but no unit or portion of a unit may be dedicated to both a producing gas well and a producing oil well in this pool.

Your NSP application has been duly filed under the provisions of Division Rules 15.11.B(2) and 4.12.A(3).

We understand that you are seeking the establishment of the proposed non-standard 120-acre unit because your Mark Owen Well No. 4 (API No. 30-025-07040), located in the NE/4 SW/4 of Section 35, is now classified as an oil well, thus precluding maintenance of a standard 160-acre Blinebry gas unit in the SW/4 of Section 35 unless the Mark Owner Well No. 4 is shut in.

It is further understood that no notice to owners within the SW/4 of Section 35 is required since ownership of all interest is uniform throughout that quarter section. It is also understood that due notice of this application has been given to all offsetting operators and owners pursuant to the Division's directive for this application.

Pursuant to the authority of Rule 15.11.B(2), the above-described non-standard 120-acre spacing and proration unit is hereby approved.

Simultaneous Dedication Application – Blinebry:

Apache Corporation [OGRID 873] has requested approval to simultaneously dedicate the above-described non-standard 120-acre gas spacing and proration unit in the Blinebry Oil and Gas Pool to the following wells:

Mark Owen Well No. 2 (API No. 30-025-07038), located 660 feet from the South and West lines (Unit M) of Section 35; and

Mark Owen Well No. 3 (API No. 30-025-07039), located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 35.

It is our understanding that both of these wells are producing as gas wells in the Blinebry formation, and the locations of these wells are orthodox for Blinebry gas wells in the proposed non-standard unit.

Your SD application for the Blinebry Oil and Gas (Pro Gas) Pool has been duly filed under the provisions of Division Rules 15.11.C and 4.12.A(9).

We understand that you are seeking simultaneous dedication of your proposed non-standard gas unit to these two wells in order to prevent waste by fully developing the gas reserves within this unit.

Pursuant to the authority of Rule 15.11.C, the simultaneous dedication of the Mark Owen Well No. 2 and Mark Owen Well No. 3 to the non-standard 120-acre gas spacing and proration unit hereby established in the Blinebry Oil and Gas Pool is approved.

Simultaneous Dedication Application – Tubb:

Apache Corporation [OGRID 873] has also requested approval to simultaneously dedicate the SW/4 of Section 35, Township 21 South, Range 37 East, NMPM, in Lea County, New Mexico, as a standard, 160-acre gas spacing and proration unit in the Tubb Oil and Gas (Prorated Gas) Pool (86440), to the following wells:

Mark Owen Well No. 1 (API No. 30-025-07037), located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 35;

Mark Owen Well No. 3 (API No. 30-025-07039), located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 35;

Mark Owen Well No. 8 (API No. 30-025-25481), located 760 feet from the South and West lines (Unit M) of Section 35; and

Mark Owen Well No. 5 (API No. 30-025-39558), proposed at a surface location 1460 feet from the South line and 1510 feet from the West line (Unit L) of Section 35 and a bottom hole location 1355 feet from the South and West lines (Unit L) of said section.

Simultaneous dedication of the SW/4 of Section 35 as a standard gas spacing and proration unit in the Tubb Oil and Gas Pool to the Mark Owen Wells Nos. 1, 3 and 8 was approved in Administrative Order SD-200409, issued on November 16, 2004. It is our understanding that these wells continue to produce as gas wells in the Tubb, and that you expect the proposed Mark Owen Well No. 5 to produce as a gas well in the Tubb. You have filed simultaneously with this application a separate application for approval of the proposed unorthodox location of the Mark Owen Well No. 5.

Your SD application for the Tubb Oil and Gas (Pro Gas) Pool has been duly filed under the provisions of Division Rules 15.11.C and 4.12.A(9).

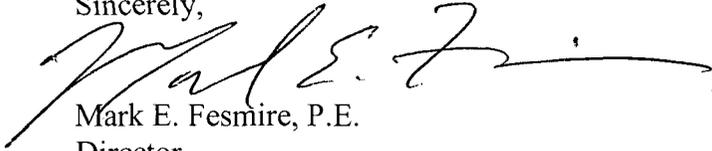
We understand that you are seeking simultaneous dedication of your proposed non-standard gas unit to these four wells in order to prevent waste by fully developing the gas reserves within this unit.

Pursuant to the authority of Rule 15.11.C, the simultaneous dedication of the SW/4 of Section 35 to the Mark Owen Well No. 1, the Mark Owen Well No. 3, the Mark Owen Well No. 8 and the proposed Mark Owen Well No. 5 in the Tubb Oil and Gas Pool is approved.

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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', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division – Hobbs