



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Brett F. Woods, Ph.D.
Acting Cabinet Secretary

Daniel Sanchez
Acting Division Director
Oil Conservation Division



February 25, 2011

Apache Corporation
Attn: David Catanach
6120 S. Yale, Suite 1500
Tulsa, OK 74136

Administrative Order NSL-6127-A

Re: Mark Owen Well No. 5
API No. 30-025-39558
1460 feet FSL and 1510 feet FWL
Unit L, Section 35-21S-37E
Lea County, New Mexico

Dear Mr. Catanach:

This Order supersedes Order NSL-6127, dated December 17, 2009, in its entirety.

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW11-03854415**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on February 2, 2011, and

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

Apache Corporation [OGRID 873] (Apache) has requested to produce the above-referenced well, which it has completed as a directional well in the Blinebry, Tubb, and Drinkard, and may subsequently complete in the Abo and Granite Wash formations. The well was drilled from the surface location described in the caption of this letter to an unorthodox bottom hole location, 1376 feet from the South line and 1370 feet from the West line (Unit L) of Section 35, Township 21 South, Range 37 East, in Lea County, New Mexico.

The NE/4 SW/4 of Section 35 will be dedicated to this well in order to form a standard 40-acre, more or less, oil spacing unit in the Blinebry Oil and Gas Pool (Oil) (6660). Spacing in this pool is governed by the Special Rules and Regulation for the Blinebry Oil and Gas Pool, as provided in Order R-8170 issued on March 28, 1986, which provide that standard oil units shall



consist of 40 acres, with wells located at least 330 feet from any unit outer boundary or quarter-quarter section line. The proposed bottom hole location for this well in the Blinebry is less than 330 feet from the southern and western unit boundaries

The SW/4 of Section 35 will be dedicated to this well in order to form a standard 160-acre, more or less, gas spacing unit in the Tubb Oil and Gas Pool (Pro Gas) (86440). Spacing in this pool is governed by the Special Rules and Regulations for the Tubb 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, 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. The proposed bottom hole location for this well in the Tubb is less than 330 feet from the southern and western quarter-quarter section boundaries.

The NE/4 SW/4 of Section 35 will be dedicated to this well in order to form a standard, 40-acre, more or less, oil spacing unit in the Drinkard Pool (19190), and may be dedicated to this well in the Wantz-Abo Pool (62700) and the Wantz-Granite Wash Pool (62730). Spacing in these pools is governed by statewide Rule 15.9, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. The proposed bottom hole location for this well is less than 330 feet from the southern and western unit boundaries.

Your application has been duly filed under the provisions of Division Rules 15.13.C and 4.12.A(2).

It is our understanding that you are seeking this location for engineering reasons, in order to optimize drainage of the proposed units.

It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

The approval assumes that proposed well will produce as a gas well in the Tubb and as an oil well in the Blinebry. If this well tests as a gas well in the Blinebry, IT SHALL NOT BE PRODUCED FROM THAT FORMATION until properly dedicated to a standard or approved non-standard gas unit. If, however, the Division subsequently establishes a non-standard, 40-acre gas spacing unit in the Tubb Oil & Gas Pool consisting of the NE/4 SW/4 of Section 35, or this well subsequently becomes an oil well in the Tubb, this non-standard location approval for the Tubb Oil & Gas Pool shall remain effective.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9.

February 28, 2011
Page 3

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

J. Daniel Sanchez
Acting Director

JDS/db

cc: New Mexico Oil Conservation Division – Hobbs
United States Bureau of Land Management