



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

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Cabinet Secretary-Designate

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Deputy Cabinet Secretary

Daniel Sanchez
Acting Division Director
Oil Conservation Division



March 11, 2011

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

Administrative Order NSP-1475-B
Administrative Order SD-200614-A

Re: J.L. Muncy Well No. 7 (API No. 30-025-29219)
J.L. Muncy Well No. 11 (API No. 30-025-33947)
SW/4 NE/4 of Section 24
Township 22 South, Range 37 East, NMPM,
Lea County, New Mexico

Dear Mr. Catanach:

Reference is made to the following:

(a) your administrative non-standard proration unit (NSP) application (**administrative application reference No. pTGW11-03940533**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on March 11, 2011;

(b) your administrative simultaneous dedication (SD) application (**administrative application reference No. pTGW1103941470**), submitted the same date; and

(c) the Division's records pertinent to Apache's request, including the Division's records pertaining to Administrative Orders NSP-1475-A(L)(SD) and SD-0614.

Non-Standard Proration Unit (NSP) Application:

Apache Corporation [OGRID 873] has requested establishment of a non-standard 40-acre gas spacing and proration unit in the Tub Oil and Gas (Prorated Gas) Pool (86440) consisting of



the SW/4 NE/4 of Section 24, Township 22 South, Range 37 East, NMPM, in Lea County, New Mexico. The proposed unit would be split out of an existing non-standard, 80-acre gas spacing and proration unit comprising the S/2 NE/4 of Section 24, which was established by Administrative Order NSP-1475-A(L)(SD).

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. 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 40-acre unit because your J.L. Muncy Well No. 4 (API No. 30-025-22217), located in the SE/4 NE/4 of Section 24, is now producing as an oil well in the Tubb formation, thus precluding continued simultaneous dedication of the existing 80-acre Tubb gas unit to that well and to the two gas wells in the SW/4 NE/4 of Section 24.

It is further understood that due notice has been given to all operators or owners of tracts within the NE/4 of Section 24 not included in the proposed 40-acre unit and also to all offsetting operators and owners who are affected persons under Division rules.

Pursuant to the authority of Rule 15.11.B(2), the above-described non-standard, 40-acre gas spacing and proration unit is hereby approved.

Simultaneous Dedication Application :

Apache Corporation [OGRID 873] has also requested approval to simultaneously dedicate the above-described non-standard, 40-acre gas spacing and proration unit in the Tubb Oil and Gas Pool to the following wells:

J.L. Muncy Well No. 7 (API No. 30-025-29219), located 2086 feet from the North line and 1874 feet from East line (Unit G) of Section 24; and

J.L. Muncy Well No. 11 (API No. 30-025-33947), located 2310 feet from the North line and 1980 feet from the East line (Unit G) of Section 24.

It is our understanding that both of the above-described wells are producing as gas wells in the Tubb formation.

Your SD application 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 the proposed non-standard gas unit to these two wells in order to prevent waste by fully developing the gas reserves within this unit.

March 14, 2011

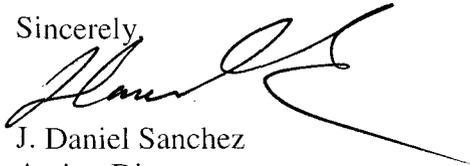
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Pursuant to the authority of Rule 15.11.C, the simultaneous dedication of the J.L. Muncy Wells No. 7 and No. 11 to the non-standard 40-acre gas spacing and proration unit hereby established in the Tubb Oil and Gas Pool is approved, but will terminate *ipso facto* if and when either of these wells is reclassified as an oil well in the Tubb.

All approvals herein are subject to Apache being in compliance with Division Rule 5.9.

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, sweeping underline that extends to the right.

J. Daniel Sanchez
Acting Director

JDS/db

cc: New Mexico Oil Conservation Division – Hobbs