



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

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Deputy Cabinet Secretary

Daniel Sanchez
Acting Division Director
Oil Conservation Division



March 21, 2011

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

Administrative Order NSL-6354
Administrative Order SD-201103

Re: J.L. Muncy Well No. 16
API No. 30-025
830 feet FSL & 2310 feet FWL
Unit N, Section 24-22S-37E
Lea County, New Mexico

Dear Mr. Catanach:

Reference is made to the following:

(a) your application (**administrative non-standard location [NSL] application reference No. pTGW11-06040264**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on March 1, 2011,

(b) your administrative simultaneous dedication [SD] application (**application reference No. pDKB11-07743298**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on March 1, 2011, and

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

Apache Corporation (Apache) [OGRID 873] has requested to drill the above-referenced well (the proposed well) at an unorthodox gas well location in the Blinebry Oil & Gas Pool (6660) and the Tubb Oil & Gas Pool (60240), described above in the caption of this letter. The

Oil Conservation Division
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proposed well will also be completed at a standard oil well location in the South Brunson Drinkard-Abo Pool.

In the Blinebry Oil & Gas pool, Apache proposes to dedicate an existing 80-acre, non-standard gas spacing unit established by Administrative Order NSP-1476, issued on November 6, 1985, consisting of the SE/4 SW/4 and the SW/4 SE/4 of Section 24, to the proposed well. Apache is requesting to simultaneously dedicate this gas spacing unit to the proposed well and to its existing J.L. Muncy Well No. 3 (API No. 30-025-10442), a Blinebry gas well located 350 feet from the South line and 1720 feet from the West line (Unit N) of Section 24.

In the Tubb Oil & Gas Pool, an existing 80-acre, non-standard gas spacing unit established by Administrative Order NSP-1475-A, issued on June 1, 2005, consisting of the E/2 SW/4 of Section 24, will be dedicated to this well. Apache is requesting to simultaneously dedicate this gas spacing unit to the proposed well and to its existing J.L. Muncy Well No. 2 (API No. 30-025-10441), a Blinebry gas well located 1980 feet from the South line and 1980 feet from the West line (Unit K) of Section 24.

Spacing in these pools is governed by the Special Rules and Regulation for the Blinebry Oil and Gas Pool, and 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 in either pool shall consist of 160 acres, with wells located at least 660 feet from any unit outer boundary or quarter section line. These rules specifically authorize establishment of non-standard gas spacing units consisting of less than 160 acres, but provide that the above-stated setback requirements shall apply to any non-standard gas spacing unit consisting of more than 40 acres. This location is less than 660 feet from the northern boundary of the Blinebry unit and from the eastern boundary of the Tubb unit.

Your applications have been duly filed under the provisions of Division Rules 15.13, 15.11.C and 4.12.A(2).

It is our understanding that you are seeking the proposed location and simultaneous dedications for engineering reasons, in order to maximize efficient drainage of reserves in this reservoir.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location of the proposed well is hereby approved. Pursuant to the authority conferred by Division Rule 15.11.C, the simultaneous dedications to the proposed well and the J.L. Muncy Well No. 3 in the Blinebry, and to the proposed well and the J.L. Muncy Well No. 2 in the Tubb, are hereby approved

These approvals are subject to your being in compliance with all other applicable Division rules, including, but not limited to 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 horizontal flourish extending to the right.

J. Daniel Sanchez
Acting Director

JDS/db

cc: New Mexico Oil Conservation Division - Hobbs