

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



*4822*

**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] TYPE OF APPLICATION - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication  
 NSL  NSP  SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement  
 DHC  CTB  PLC  PC  OLS  OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX  PMX  SWD  IPI  EOR  PPR
- [D] Other: Specify \_\_\_\_\_

- [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply
- [A]  Working, ~~Royalty or Overriding Royalty~~ Interest Owners *OFFSETTING ENCROACHMENT*
- [B]  Offset Operators, Leaseholders or Surface Owner
- [C]  Application is One Which Requires Published Legal Notice
- [D]  Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E]  For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F]  Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name \_\_\_\_\_ Signature *[Handwritten Signature]* Title **KELLAHIN & KELLAHIN** Date *11/21/02*  
 Attorneys At Law  
 P.O. Box 2265  
 Santa Fe, NM 87504-2265

**KELLAHIN & KELLAHIN  
ATTORNEY AT LAW**

W. THOMAS KELLAHIN  
NEW MEXICO BOARD OF LEGAL  
SPECIALIZATION RECOGNIZED SPECIALIST  
IN THE AREA OF NATURAL RESOURCES-  
OIL AND GAS LAW

P.O. Box 2265  
SANTA FE, NEW MEXICO 87504  
117 NORTH GUADALUPE  
SANTA FE, NEW MEXICO 87501

TELEPHONE 505-982-4285  
FACSIMILE 505-982-2047  
TKELLAHIN@AOL.COM

November 21, 2002

**HAND DELIVERED**

Mr. Michael E. Stogner  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87501

**RE: Lockhart A-17 Well No. 6**  
**1330 feet FNL & 990 feet FEL**  
**SE/4NE/4 Section 17, T21S, R37E**  
Administrative Application of  
Apache Corporation for approval  
of an unorthodox oil well location,  
Penrose Skelly Grayburg Pool,  
Lea County, New Mexico

Dear Mr. Stogner:

Please find enclosed our administrative application for approval of  
an unorthodox oil well location for Apache Corporation's Lockhart A-17  
Well No. 6.

Very truly yours,



W. Thomas Kellahin

fxc: Apache Corporation  
Attn: Mario Moreno

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE ADMINISTRATIVE  
APPLICATION OF APACHE CORPORATION  
FOR APPROVAL OF AN UNORTHODOX OIL WELL  
LOCATION, LEA COUNTY, NEW MEXICO**

**ADMINISTRATIVE APPLICATION**

Comes now Apache Corporation, by and through its attorneys, Kellahin and Kellahin, and in accordance with Division General Rule 104.F, applies to the New Mexico Oil Conservation Division for administrative approval of an unorthodox oil well location for its Lockhart A-17 Well No. 6 ("Well No. 6") to be drilled and completed for production from the Grayburg formation at an unorthodox well location 1330 feet FNL and 990 feet FEL of Section 17, T21S, R37E, Eddy County, New Mexico, and simultaneously dedicated with the Lockhart A-17 Well No. 3 to a standard 40-acre proration and spacing unit consisting of the Unit H of this section for production from the Penrose Skelly Grayburg Pool, and in support states:

(1) Apache Corporation ("Apache") is the current operator for the SE/4NE/4 (Unit H) of Section 17, T21S, R37E that includes the Lockhart A-17 Well No. 6 See Exhibit 1 (Form C-102).

(2) Section 17 is within the current boundary of the Penrose Skelly Grayburg Pool which is subject to Division Rule 104.

(3) Apache's proposed location encroaches towards the NE/4NE/4 which contains Apache operated Lockhart A-17 Well No. 4 which currently is not productive from the Grayburg. See Exhibit 2 (located plat)

(4) Although both the Well No. 3 and No. 4 also produced from the Drinkard, the proposed Lockhart A-17 Well No. 6 will not be drilled deep enough to encounter the Drinkard.

**Administrative Application of  
Apache Corporation  
Page 2**

(5) This proposed unorthodox well location is based upon a combination of geologic and drainage reasons:

(a) Upper Grayburg Geology:

Both the Lockhart A-17 #3 and #4 wells have only produced from the upper Grayburg with the #4 well being the better of the two (See Exhibit 3).

The risk of depletion in the Upper Grayburg is greater in the NE/4NE/4 spacing unit due to greater production from roughly equal net pay (See Exhibit #4).

(b) Lower Grayburg Geology:

Apache's activity in offsetting section has demonstrate that commercial reserves are also present in the lower Grayburg. Sufficient lower Grayburg porosity can be encountered in the E/2NE/4 of Section 17 to support drilling a well at the proposed unorthodox location which cannot be obtained at any standard location in the spacing unit. (See Exhibit 5).

A well located approximately equi-distant between the older producers should minimize depletion risk and in the upper Grayburg and encounter comparable amounts of owner Grayburg porosity to maximize the working interest owners return on their investment.

NOTICE

(6) Notice has been send to the adjoining working interest owners towards whom the location encroaches (See Exhibits 6)

CORRELATIVE RIGHTS

(7) The working interest owners in the SE/4NE/4 and the NE/NE/4 of Section 17 are the same: Apache, OXY USA WTP LP, and Chevron/Texaco.

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. Thomas Kellahin  
Kellahin and Kellahin  
P.O. Box 2265  
Santa Fe, New Mexico 87504-2265  
(505) 982-4285  
Attorneys for Applicant

DISTRICT I  
P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised February 10, 1994  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

DISTRICT II  
P.O. Drawer 88, Artesia, NM 88211-0719

**OIL CONSERVATION DIVISION**

P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name <b>LOCKHART A-17</b>	Well Number <b>6</b>
OGRID No.	Operator Name <b>APACHE CORPORATION</b>	Elevation <b>3479'</b>

**Surface Location**

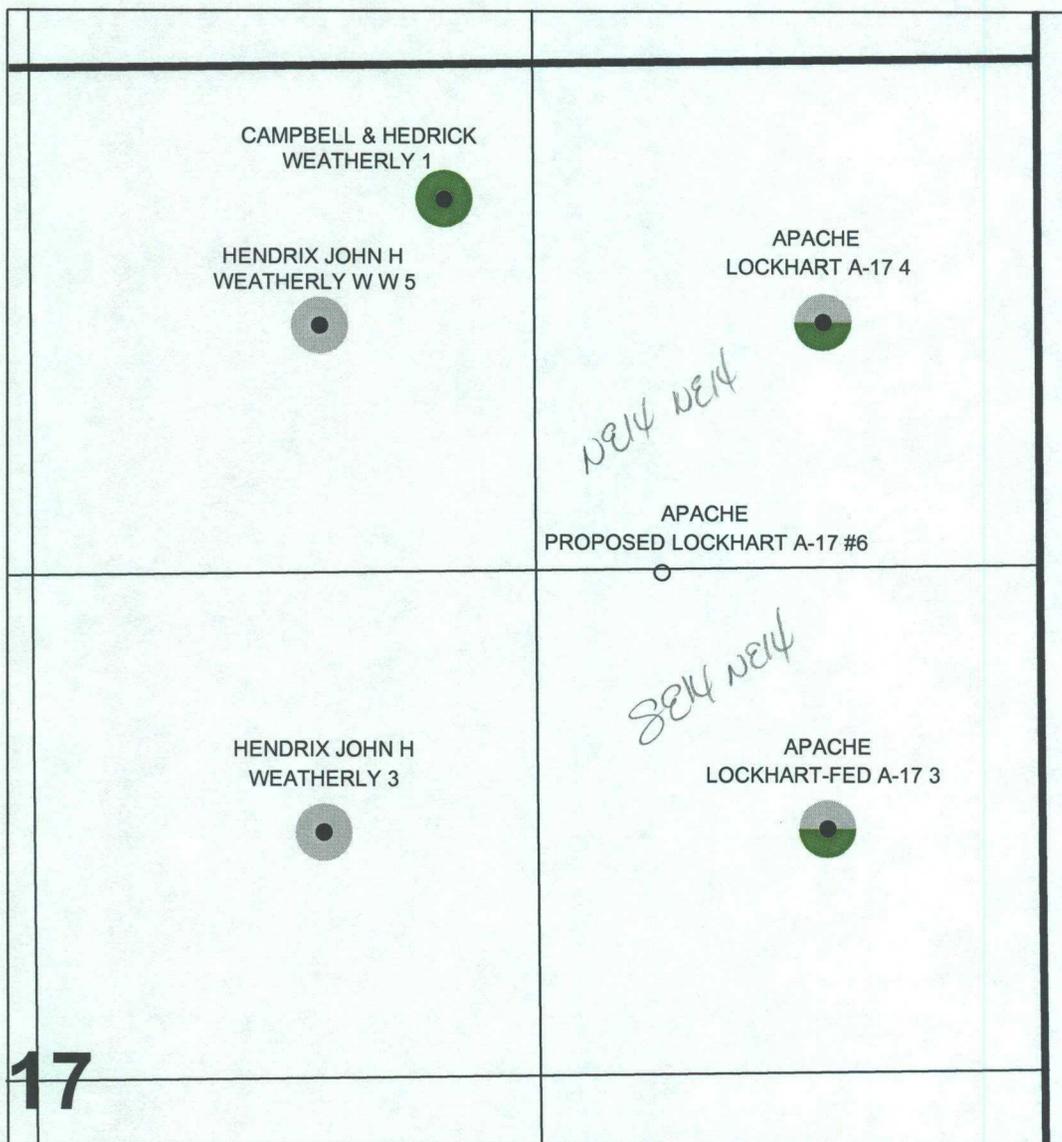
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	17	21-S	37-E		1330'	NORTH	990'	EAST	LEA

**Bottom Hole Location If Different From Surface**

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

**NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION**

	<p><b>OPERATOR CERTIFICATION</b></p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p>Signature _____</p> <p>Printed Name _____</p> <p>Title _____</p> <p>Date _____</p>
	<p><b>SURVEYOR CERTIFICATION</b></p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p>OCTOBER 12, 2002</p> <p>Date Surveyed _____ AWB</p> <p>Signature &amp; Seal of Professional Surveyor  </p> <p>Certificate No. RONALD J. EPPSON 3239 GARY EPPSON 12641</p>
<p><u>GEODETTIC COORDINATES</u></p> <p>NAD 27 NME Y = 541137.3 X = 855861.1 LAT= 32°28'56.66"N LONG= 103°10'45.57"W</p>	

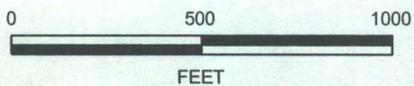


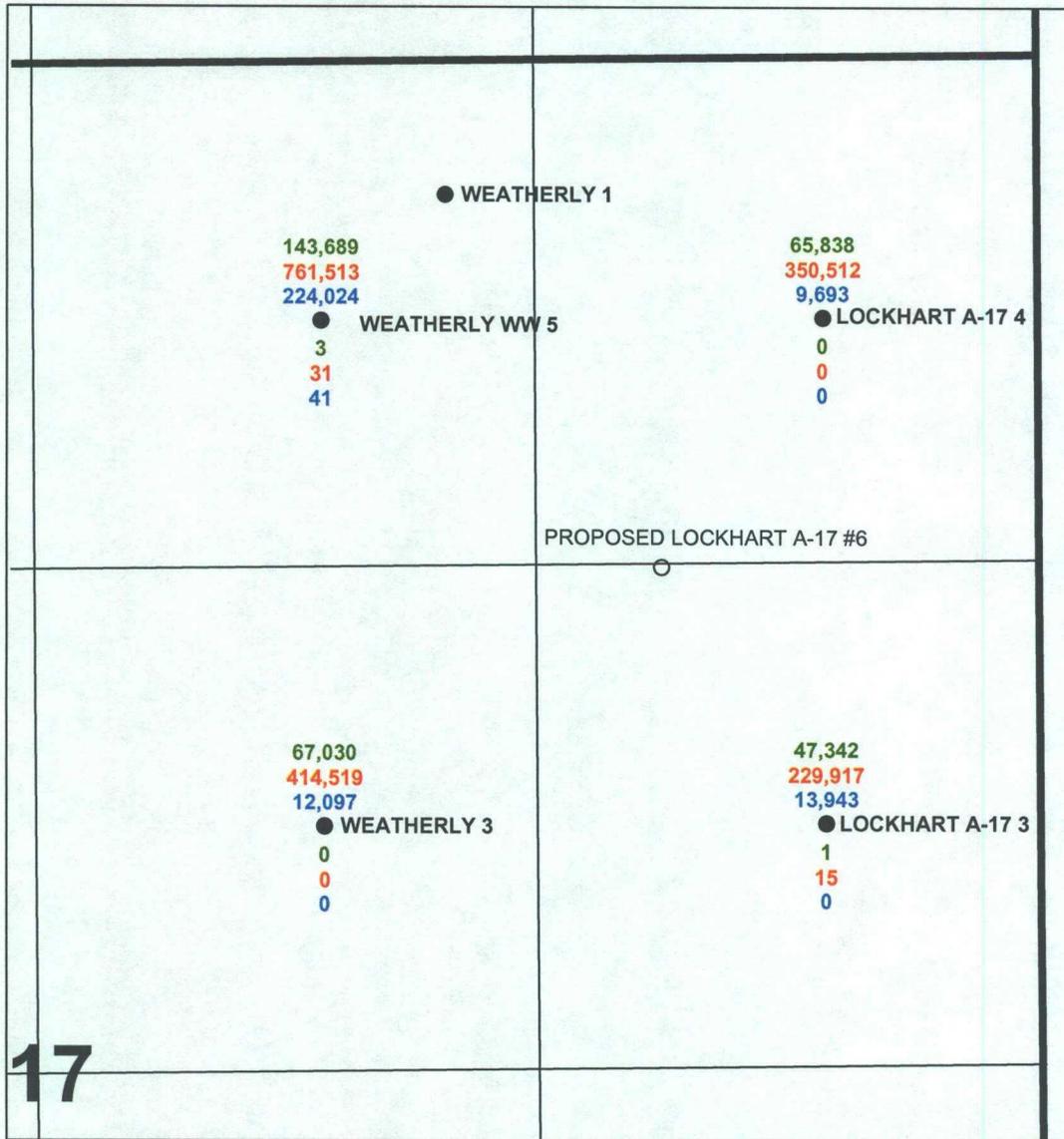
 GRAYBURG PRODUCER  
 DRINKARD PRODUCER

WELL SYMBOLS

-  Location Only
-  Oil Well

	TWO WARREN PLACE, SUITE 1500 6120 SOUTH YALE TULSA, OKLAHOMA 74136-4224
	<b>LOCKHART A-17 #6</b> T21S-R37E LEA COUNTY, NEW MEXICO
<b>EXHIBIT 2</b> <b>WELL INFORMATION</b>	
DATE: 11-19-02	DWG: LOCKHART A-17 6 (CURTIS)





POSTED WELL DATA

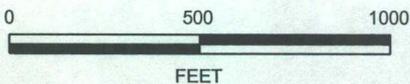
CUM OIL  
 CUM GAS  
 CUM WATER

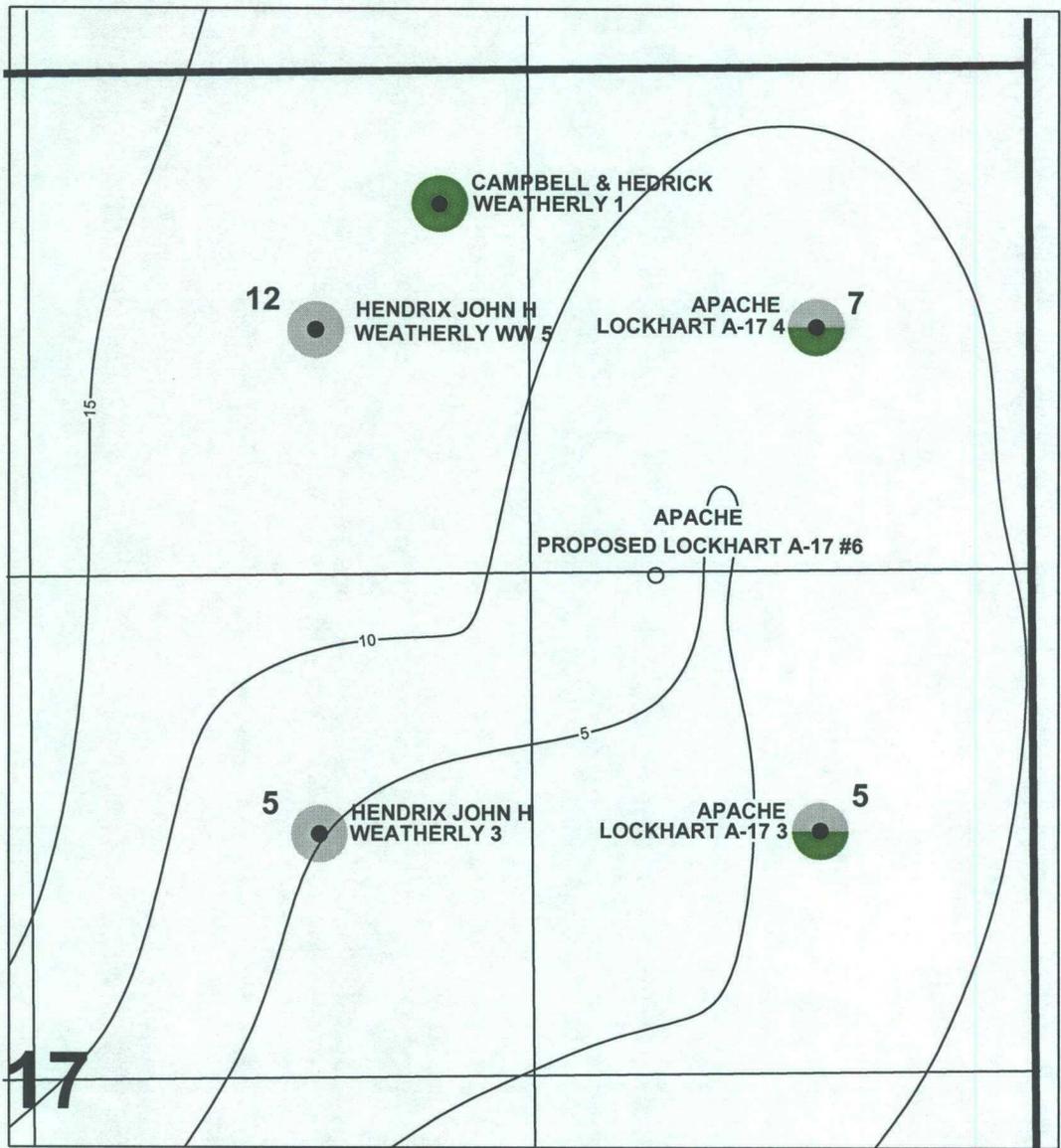
DAILY OIL  
 DAILY GAS  
 DAILY WATER

WELL SYMBOLS

- Location Only
- Oil Well

	TWO WARREN PLACE, SUITE 1500 6120 SOUTH YALE TULSA, OKLAHOMA 74136-4224
	<b>LOCKHART A-17 #6</b> T21S-R37E LEA COUNTY, NEW MEXICO
<b>EXHIBIT 3</b> <b>GRAYBURG PRODUCTION</b>	
DATE: 11-19-02	DWG: LOCKHART A-17 6 PROD (CURTIS)





 GRAYBURG PRODUCER  
 DRINKARD PRODUCER

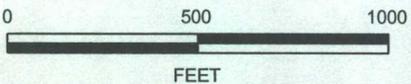
POSTED WELL DATA

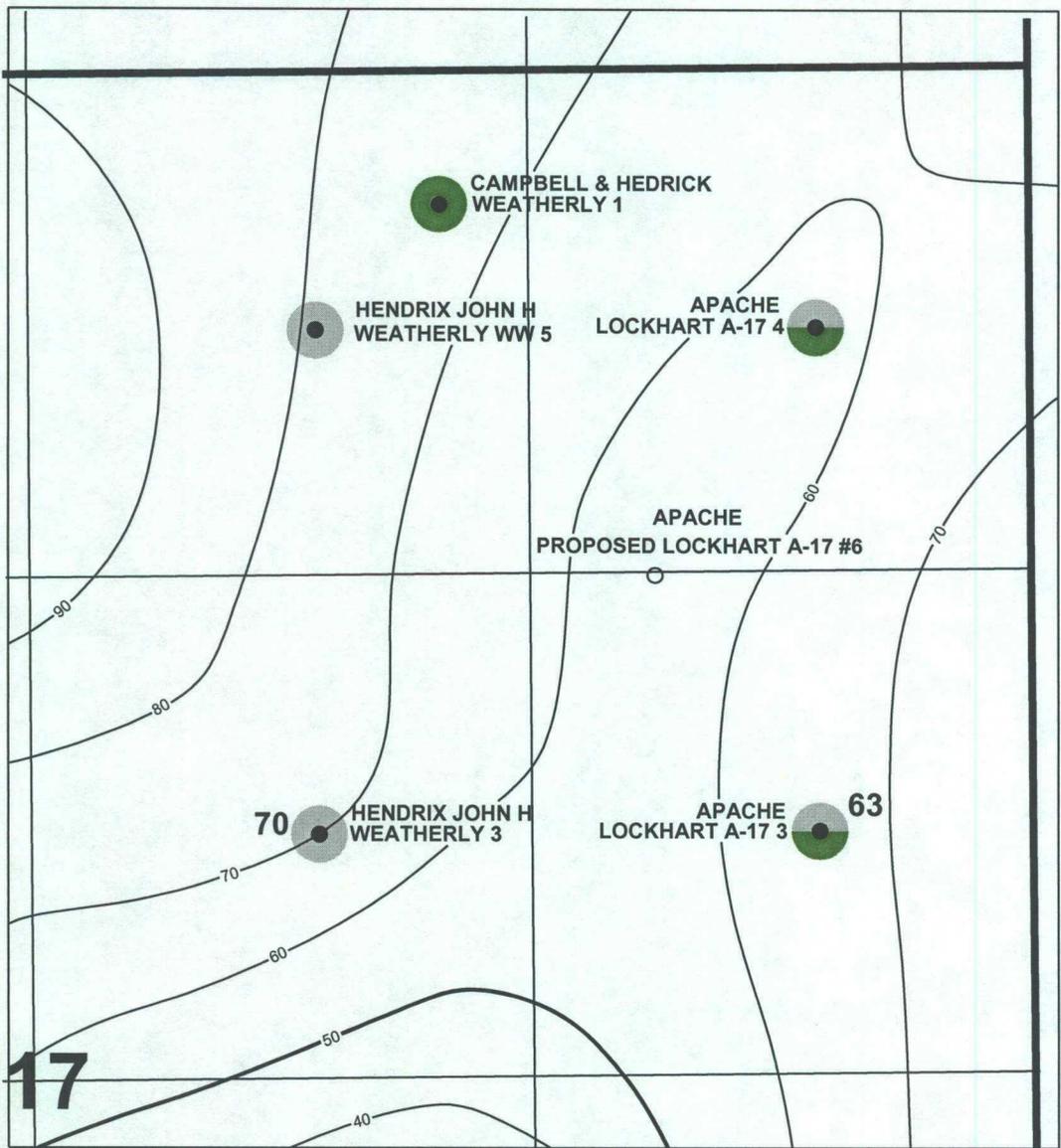
**UPPER GRAYBURG PHI ●**

WELL SYMBOLS

- Location Only
- Oil Well

	TWO WARREN PLACE, SUITE 1500 8120 SOUTH YALE TULSA, OKLAHOMA 74136-4224
	CORPORATION CENTRAL REGION
<b>LOCKHART A-17 #6</b>	
T219-R37E LEA COUNTY, NEW MEXICO	
<b>EXHIBIT 4</b> <b>UPPER GRAYBURG POROSITY</b> <b>CUTOFF: 6% DOLOMITE</b>	
DATE: 11-19-02	DWG: LOCKHART A-17 6 L GBRG POR (CURTIS)





GRAYBURG PRODUCER  
 DRINKARD PRODUCER

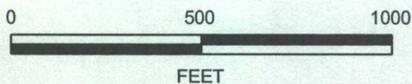
POSTED WELL DATA

**LOWER GRAYBURG PHI ●**

WELL SYMBOLS

- Location Only
- Oil Well

	TWO WARREN PLACE, SUITE 1500 8120 SOUTH YALE TULSA, OKLAHOMA 74136-4224
	CORPORATION CENTRAL REGION
<b>LOCKHART A-17 #6</b>	
T218-R37E LEA COUNTY, NEW MEXICO	
<b>EXHIBIT 5</b> <b>LOWER GRAYBURG POROSITY</b> <b>CUTOFF: 6% DOLOMITE</b>	
DATE: 11-19-02	DWG: LOCKHART A-17 6 L GBRG POR (CURTIS)



KELLAHIN & KELLAHIN  
ATTORNEY AT LAW

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P.O. Box 2265  
SANTA FE, NEW MEXICO 87504  
117 NORTH GUADALUPE  
SANTA FE, NEW MEXICO 87501

TELEPHONE 505-982-4285  
FACSIMILE 505-982-2047  
TKELLAHIN@AOL.COM

November 21, 2002

**CERTIFIED MAIL-RETURN RECEIPT REQUESTED**

NOTICE OF THE FOLLOWING NEW MEXICO OIL CONSERVATION  
DIVISION ADMINISTRATIVE CASE:

*Re: Administrative Application of Apache  
Corporation for approval of unorthodox Grayburg  
location for its Lockhart A-17 Well No. 6,  
Section 17, T21S, R37E, Lea County, New Mexico.*

On behalf of Apache Corporation, please find enclosed a copy of its referenced administrative application. If you have no objection, then there is nothing for you to do. However, should you have any objection to the Division approving this application, then it will be necessary for you to file a written objection with the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505 within twenty (20) days of the date of this letter. Failure to file a timely objection will preclude you from objecting at a later date.

Very truly yours,



W. Thomas Kellahin

