

(u)

Stogner, Michael

From: JamesBruc@aol.com
Sent: Monday, February 23, 2004 7:12 AM
To: mstogner@state.nm.us
Subject: Apache Corporation unorthodox locations in 21S-37E

Mike: I know you are cleaning out pre-February administrative applications, but I ask if you can help me with a few of the above applications.

Late last year the Division approved 5 unorthodox locations for Apache in 21S-37E, and Apache has now begun drilling those wells (which usually take about 5-6 days to drill). It now appears the drilling is proceeding much faster than initially anticipated, so in order to keep ahead of the rig I ask if you can review and (I hope) approve 3-4 of the 9 applications I submitted the first week in January.

The approvals will allow Apache to prepare wellsites ahead of rig arrival. In addition, it will keep the rig running on these locations -- if it has to be de-activated and moved, it will cost about \$60,000+ to move it back to these wells.

If you need any further information, please let me know. Thanks.

Jim Bruce
982-2043

2/23/2004



State of New Mexico
OIL CONSERVATION COMMISSION

MICHAEL E. STOGNER
PETROLEUM ENGINEER

(all) 2/23/04
5:10 PM
From

Memo

To

Note To File

Re: Apache Corp.
Penrose Shelly Infill
Wells

Talked w/ Jim Bruce:
- Is providing me a copy of all
com. agreements. All have been
signed by Chevron and BP.
where applicable.

P.O. BOX 2088
LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
505-827-5811

Stogner, Michael

(iv)

Hawk "B-1" w/1 No. 35?

From: McGee, Cindy [Cindy.McGee@usa.apachecorp.com]
Sent: Tuesday, February 24, 2004 8:57 AM
To: mstogner@state.nm.us
Cc: Moreno, Mario
Subject: RE: (no subject)

Mike,

Jim Bruce requested that we send you a copy of the attached Communitization Agreements. Should you need anything further, please let me know.

Cindy McGee
Apache Corporation
(918) 491-4958

-----Original Message-----

From: Moreno, Mario
Sent: Tuesday, February 24, 2004 9:49 AM
To: McGee, Cindy
Subject: FW: (no subject)

Please email all Comm Agreements to Mike Stogner with OCD, his email is attached. Thanks

Mario

-----Original Message-----

From: JamesBruc@aol.com [mailto:JamesBruc@aol.com]
Sent: Monday, February 23, 2004 6:39 PM
To: Moreno, Mario
Subject: (no subject)

Mario: Mike Stogner is working on the wells involving state lands, but he didn't have complete copies of the communitization agreements. Could you please e-mail copies of all communitization agreements to him? Thanks. His address is:

mstogner@state.nm.us

Jim

2/25/2004

COMMUNITIZATION AGREEMENT

Contract No. _____

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

W I T N E S S E T H:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a federal oil and gas lease, or any portions thereof, with other lands, whether or not owned by the United States, when separate tracts under such federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area, and such communitization or pooling is determined to be in the public interest; and,

WHEREAS, the Commissioner of Public Lands of the State of New Mexico; herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such pooling is determined to be in the public interest; and,

WHEREAS, the parties hereto own working, royalty, or other leasehold interests, or operating rights under the oil and gas leases and land subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and,

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of the agreement;

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 21 South, Range 37 East, N.M.P.M.

Section 9: S/2SE/4

Section 16: N/2NE4

Lea County, New Mexico

Containing 160 acres, more or less, and this agreement shall include only the Grayburg formation underlying said lands and the oil and gas (hereinafter referred to as communitized substances) producible from such formation limited to production from the **HAWK B-1 #35**.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "B" designating the operator of the communitized area and showing the acreage, percentage, and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.
3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commissioner.
4. Operator shall furnish the Secretary of the Interior, or his authorized representative, and the Commissioner, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United States and the State of New Mexico, as specified in the applicable oil and gas operating regulations.
5. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of leasehold bears to the entire acreage interest committed to this agreement.
6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any federal lease bearing a sliding-or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.

7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.
8. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.
9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules, and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or is such failure results from, compliance with any such laws, orders, rules or regulations.
10. The date of this agreement is December 5, 2003,
(Month) (day) (year)
and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his duly authorized representative, and by the Commissioner or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities; provided, that the two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioner, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of the capability of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted and prosecuted with reasonable diligence. As to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such capability of production, and a report of the status of such operations shall be made by the Operator to the Commissioner every

thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.

11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal lands shall be subject to approval by the Secretary of the Interior, and as to State of New Mexico lands shall be subject to approval by the Commissioner.
12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
13. The agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.
15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

Apache Corporation
Operator

DATE: _____

BY: _____
TITLE: _____

Chevron U.S.A. Inc.
Record Title Owner

DATE: _____

BY: _____
TITLE: _____

STATE OF OKLAHOMA)
) ss.
COUNTY OF TULSA)

The foregoing instrument was acknowledged before me this ____ day of _____, 2003, by _____, Attorney-in-Fact for Apache corporation, on behalf of the corporation.

My Commission Expires: _____
NOTARY PUBLIC in and for
_____ County, _____
(Typed Name) _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me on this ____ day of _____, 2003, by _____ as _____ of _____, on behalf of the partnership.

My Commission Expires: _____
NOTARY PUBLIC in and for
_____ County, _____
(Typed Name) _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me on this ____ day of _____, 2003, by _____ as _____ of _____, on behalf of the partnership.

My Commission Expires: _____
NOTARY PUBLIC in and for
_____ County, _____
(Typed Name) _____

EXHIBIT "A"

To Communitization Agreement dated December 5, 2003

Plat of communitized area covering the S/2SE/4 of Section 9 and the N/2NE/4 of Section 16, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico:

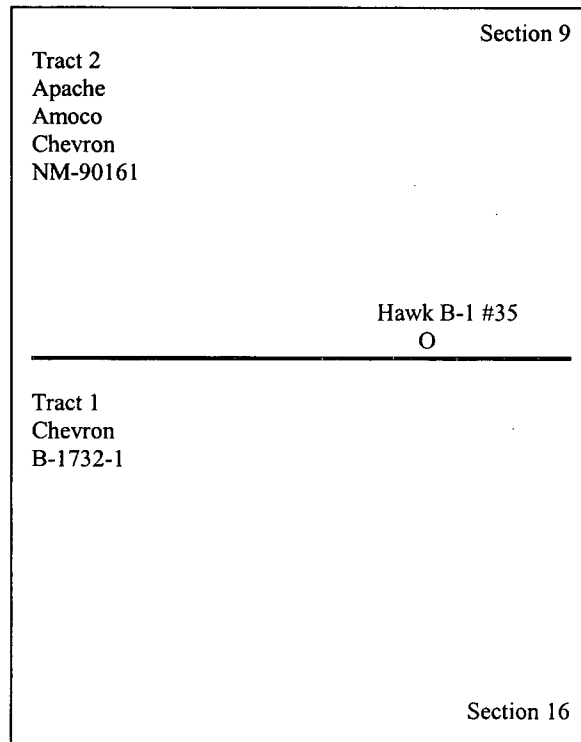


EXHIBIT "B"

To Communitization Agreement dated December 5, 2003, embracing the S/2SE/4 of Section 9 and the N/2NE/4 of Section 16, Township 21 South, Range 37 East N.M.P.M., Lea County, New Mexico.

Operator of Communitized Area:

Apache Corporation

DESCRIPTION OF LEASES COMMITTED

Tract No. 1

Lease Serial No.: B-1732-1

Lease Date: February 28, 1933

Lease Term: Ten Years

Lessor: State of New Mexico

Original Lessee: Gypsy Oil Company

Present Lessee: Chevron U.S.A. Inc.

Description of Land Committed:

Township 21 South, Range 37 East, Section 16: N/2NE/4

Number of Acres: 17.376 of 80

Royalty Rate: 12.5%

Name and Percent ORRI Owners: None

Name and Percent WI Owners: Chevron U.S.A. Inc. (100%)

Tract No. 2

Lease Serial No.: USA NM 90161
Lease Date: March 1, 1958
Lease Term: Five Years
Lessor: United States of America
Original Lessee: Estate of Wilbur C. Hawk
Present Lessee: Apache Corporation 50%
Amoco Production Co. 25%
Chevron U.S.A. Inc. 25%

Description of Land Committed:

Township 21 South, Range 37 East, Section 9: S/2SE/4

Number of Acres: 22.624 of 80

Royalty Rate: 12.5%

Name and Percent ORRI Owners: None

Name and Percent WI Owners: Apache Corporation (50%)
BP America Production Company (25%)
Chevron U.S.A. Inc. (25%)

R E C A P I T U L A T I O N

Tract No.	No. of Acres Committed	Percentage of Interest in Communitized Area
1	-	43.44%
2	-	56.56%

(v)

Stogner, Michael

From: Stogner, Michael
Sent: Wednesday, February 25, 2004 1:18 PM
To: Jim Bruce (E-mail)
Subject: Apache

I have prepared and ready to release the first Apache infill Penrose Skelly NSL adm. order; however, I'd like for you to, off the record, look it over and comment on it. Thanks.



NSL-4957.a.doc

Page 1 of 1

Stogner, Michael

From: JamesBruc@aol.com
Sent: Wednesday, February 25, 2004 1:54 PM
To: MSTOGNER@state.nm.us
Subject: Re: Apache

Mike: I think you have it exactly correct. As you'll see with applications involving federal lands, the BLM simply signed off on the cooperative lease line agreements, rather than requiring a communitization agreement. I met with the Land Office (Jeff Albers and Pete Martinez), and explained that the spacing unit must still be the 40 acre tract on which the well was located. I know that they are aware of that. However, they said that without a communitization agreement their computer could not track payment of revenue to the Land Office.

The long and short of it is that I see no problem in referring to it as a cooperative agreement.

The order looked fine to me.

Jim

(✓)

Stogner, Michael

From: JamesBruc@aol.com
Sent: Tuesday, March 23, 2004 7:51 AM
To: mstogner@state.nm.us
Subject: Apache unorthodox locations/21S-37E

MR. Stogner: Thank you for the 4 unorthodox location orders on the above lands, issued a few weeks ago.

Apache has been drilling its locations in 21S-37E (which includes 6 wells on which unorthodox locations were approved last November), and is now on the 7th of the 10 wells. The wells take about 4-5 days to drill.

In order to keep the drilling rig on site, Apache requests that the remaining unorthodox locations be approved (I think there are 5 more). This will avoid the costs of moving the rig to a different township, and then moving it back. That cost would probably be in excess of \$60,000.

Thank you for your consideration of this request.

James Bruce
982-2043

3/23/2004