



PMES0-405639260

NSL-4957-B(SD)

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

March 24, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Apache Corporation
c/o **James Bruce**
P. O. Box 1056
Santa Fe, New Mexico 87504

Administrative Order NSL-4957-B (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your two applications, which were consolidated into one (*administrative application reference No. pMES0-508148420*), on behalf of the operator, Apache Corporation ("Apache") submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe on February 21, 2005; and (ii) the Division's records in Santa Fe, including the files on Division Administrative Orders NSL-4957 (SD) and NSL-4957-A (SD) and in Division Case No. 13256, resulting in the issuance of Order No. R-12190 on August 12, 2004: all concerning Apache Corporation's request to include the East Hare-San Andres Pool (96601) within the provisions of two Division administrative orders authorizing unorthodox oil well locations within the NE/4 NW/4 (Unit C) of Section 16, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.

Division Administrative Order NSL-4957 (SD), dated November 3, 2003, approved Apache's application for its State "C" Tract 12 Well No. 15 (API No. 30-025-36478) to be drilled and completed at an unorthodox infill oil well location within the NE/4 NW/4 of Section 16 in the Penrose Skelly (Grayburg) Pool (50350) 1240 feet from the North line and 1400 feet from the West line of Section 16.

By Division Administrative Order NSL-4957-A (SD), dated February 25, 2004, Apache received approval for its State "C" Tract 12 Well No. 17 (API No. 30-025-36613) to also be drilled and completed at an unorthodox Grayburg infill oil well location 1310 feet from the North line and 2590 feet from the West line (Unit C) of Section 16. Division Administrative Order NSL-4957-A (SD) also contained provisions for the distribution of proceeds attributed to Penrose Skelly (Grayburg) oil production from the State "C" Tract 12 Well No. 17 to be allocated in the following manner:

- (a) 42.47% attributed to the Apache operated State "C" Tract 12 lease (State lease No. B-1557-1) comprising the NW/4 of Section 16;
- and

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(b) 57.53% attributed to Chevron U.S.A., Inc.'s offsetting Harry Leonard NCT-E state lease (State lease No. B-1732-1) comprising the NE/4 of Section 16.

Your consolidated application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

By the authority granted me under the provisions of Division Rule 104.F (2), the two above-described State "C" Tract 12 Wells No. 15 and 17 located at unorthodox oil well locations within East Hare-San Andres Pool are hereby approved.

For the Division's production reporting, prorationing, and well spacing purposes, San Andres oil production from both wells are to be simultaneously dedicated to the NE/4 NW/4 (Unit C) of Section 16, being a standard 40-acre oil spacing and proration unit in the East Hare-San Andres Pool.

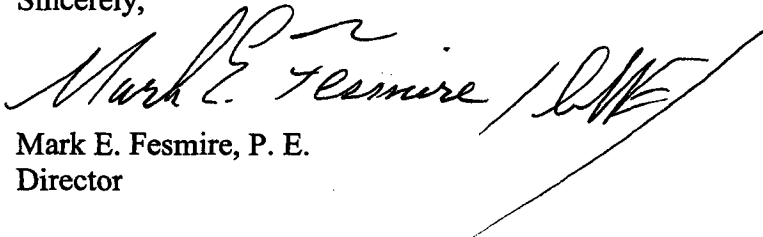
HOWEVER, The distribution of proceeds from East Hare-San Andres oil production from Apache's above-described State "C" Tract 12 Well No. 17 are to be allocated in the following manner:

(a) 42.47% attributed to the Apache operated State "C" Tract 12 lease (State lease No. B-1557-1); and

(b) 57.53% attributed to Chevron's Harry Leonard NCT-E state lease (State lease No. B-1732-1).

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MES/ms

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
Files: NSL-4957 (SD)
NSL-4957-A (SD)