



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

March 29, 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-4955-B (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your two applications, which were consolidated into one (*administrative application reference No. pMES0-508738512*), filed on behalf of the operator, Apache Corporation ("Apache"), and 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-4955 (SD) and NSL-4955-A (SD) and in Division Case No. 13256, resulting in the issuance of Order No. R-12190 on August 12, 2004: all concerning Apache's request to include the East Hare-San Andres Pool (**96601**) within the provisions of two previously issued Division administrative orders authorizing unorthodox oil well locations within the SE/4 SE/4 (Unit P) of Section 9, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.

Division Administrative Order NSL-4955 (SD), dated October 31, 2003, approved Apache's application for its Hawk "B-1" Well No. 36 (**API No. 30-025-36530**) to be drilled and completed as an infill oil well location within the SE/4 SE/4 of Section 9 in the Penrose Skelly (Grayburg) Pool (**50350**) at an unorthodox location 1310 feet from the South and East lines of Section 9.

By Division Administrative Order NSL-4955-A (SD), dated March 26, 2004, Apache received approval for its Hawk "B-1" Well No. 35 (**API No. 30-025-36662**) to also be drilled and completed at an unorthodox Grayburg infill oil well location 160 feet from the South line and 1310 feet from the East line of Section 9. Division Administrative Order NSL-4955-A (SD) also contained provisions for the distribution of proceeds attributed to Penrose Skelly (Grayburg) oil production from the Hawk "B-1" Well No. 35 to be allocated in the following manner:

- (a) 56.56% to be attributed to the subject Hawk "B-1" federal lease (U. S. government lease No. NM-90161) comprising the 958.25-acre area in Lea County, New Mexico comprising the SW/4 NE/4 and NW/4 SW/4 of Section 13, Township 20 South, Range 37 East, NMPM; Lot 1 of Section 30, Township 20 South, Range 38 East, NMPM; and Lots 3 and 6 of Section 4, the NE/4 SE/4 and S/2 SE/4 of Section 6; the E/2 SW/4 and SE/4 of Section 8; and the E/2 NW/4 and S/2 of Section 9, all in Township 21 South, Range 37 East, NMPM; and

(b) 43.44% to be attributed to Chevron U.S.A., Inc.'s ("Chevron") offsetting Harry Leonard NCT-E state lease (State lease No. B-1732-1) comprising the NE/4 of Section 16, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.

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 Hawk "B-1" Wells No. 35 and 36 also 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 SE/4 SE/4 (Unit P) of Section 9, being a standard 40-acre oil spacing and proration unit in the East Hare-San Andres Pool.

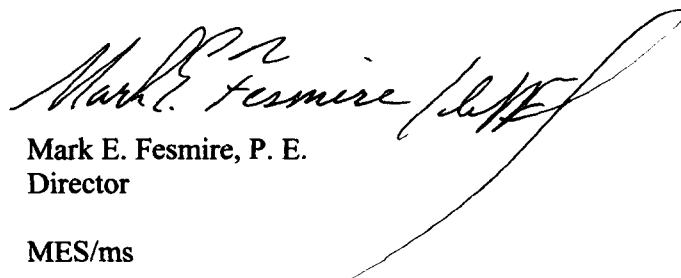
HOWEVER, the distribution of proceeds from East Hare-San Andres oil production from Apache's above-described Hawk "B-1" Well No. 35 are also to be allocated in the following manner:

(a) 42.47% attributed to the Apache operated Hawk "B-1" federal lease (U. S. Government lease No. NM-90161); 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
U. S. Bureau of Land Management - Roswell
Files: NSL-4955 (SD)
NSL-4955-A (SD)