



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

March 9, 2006

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-5347

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-606556799*) dated March 6, 2006 and filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on behalf of the operator Apache Corporation; and (ii) the Division's records in Hobbs and Santa Fe: all concerning their request for an unorthodox oil well location in the Penrose Skelly (Grayburg) Pool (50350) and the Eunice-San Andres Pool (24150) for its proposed H. Corrigan Well No. 17 to be drilled 1500 feet from the North line and 2280 feet from the East line (Unit G) of Section 4, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

The SW/4 NE/4 of Section 4, being a standard 40-acre oil spacing and proration unit for both oil-producing intervals, is to be dedicated to this well.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

The Division's records indicate the proposed H Corrigan Well 17 is to be a replacement oil well within a former standard 40-acre oil spacing and proration unit in the Penrose Skelly (Grayburg) Pool comprising the SW/4 NE/4 of Section 4. Initial development of the Grayburg formation within this 40-acre unit commenced in 1937 when Amerada Petroleum Corporation of Monument, New Mexico drilled and completed its Corrigan Well No. 1 (API No. 30-025-10007) at a standard oil well location 2310 feet from the North and East lines of Section 4. Production from the Grayburg formation ceased in this well in April, 1961. In May, 1985 this well was plugged and abandoned by Gulf Oil Corporation of Hobbs, New Mexico.

Apache Corporation's proposed H. Corrigan Well No. 17 is to be the initial San Andres oil well within this same 40-acre oil spacing and proration unit.

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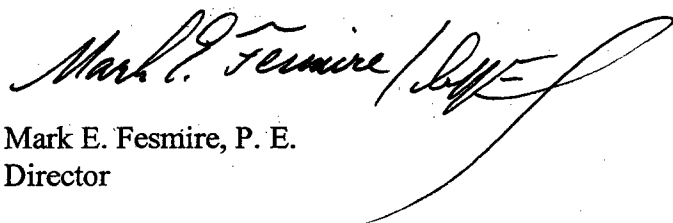
The Division understands that Apache Corporation is seeking this location exception for both topographic and engineering reasons.

It is further understood that the NE/4 equivalent of Section 4 comprises a single fee lease (H. Corrigan lease) with common mineral interests in which Apache Corporation is the leasehold operator of the Grayburg and San Andres intervals; therefore, there are no adversely effected offsets to the subject 40-acre tract.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox oil well for the proposed H. Corrigan Well No. 17 within both the Penrose Skelly (Grayburg) Pool (50350) and the Eunice-San Andres Pool (24150) is hereby approved.

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

MEF/ms

cc: New Mexico Oil Conservation Division - Hobbs