

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

June 5, 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-5387 (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-611844351*) dated April 28, 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 Santa Fe: all concerning their request for an unorthodox "infill" Grayburg oil well location within an existing standard 40-acre oil spacing and proration unit comprising the SE/4 SW/4 (Unit N) of Section 8, Township 21 South, Range 37 East, NMPM, Penrose Skelly (Grayburg) Pool (**50350**), Lea County, New Mexico.

Your application for Apache Corporation 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].

This 40-acre Grayburg unit is currently dedicated to Apache Corporation's Hawk "B-1" Well No. 16 (**API No. 30-025-26601**), located at a standard oil well location 660 feet from the South line and 1980 feet from the West line of Section 8.

It is the Division's understanding that the E/2 SW/4 and the SE/4 of Section 8 and the E/2 NW/4 and the S/2 of Section 9, both in Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, comprises a single federal lease (*U. S. Government lease No. NM-90161*) with common mineral interests in which Apache Corporation is the leasehold operator; therefore, there are no adversely affected interests to the proposed 40-acre Grayburg oil spacing and proration unit.

It is further understood that such unorthodox Penrose Skelly (Grayburg) oil well location is necessitated for geologic and engineering reasons. Drainage from Grayburg wells within the immediate area is less than 40 acres, also this location is approximately equidistance to other offsetting Grayburg oil production; therefore, the proposed infill oil well location will enable Apache Corporation to further develop and deplete Grayburg reserves within the Hawk "B-1" federal lease that might not otherwise be recovered.

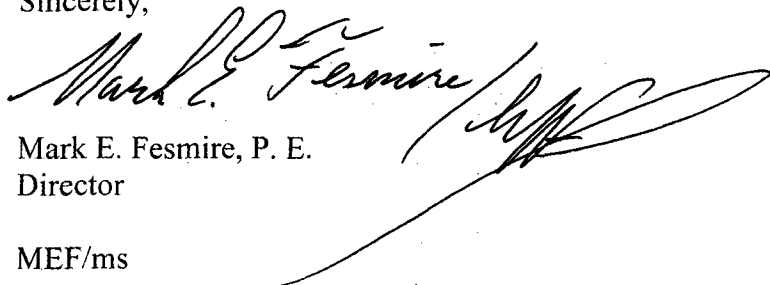
By the authority granted me under the provisions of Division Rule 104.F (2), the following described well to be complete at an unorthodox "infill" oil well location within the SE/4 SW/4 (Unit N) of Section 8 is hereby approved:

**Hawk "B-1" Well No. 51
1280' FSL & 2515' FEL.**

Further, both the existing Hawk "B-1" Well No. 16 and proposed Hawk "B-1" Well No. 51 are to be simultaneously dedicated to the subject 40-acre Penrose Skelly (Grayburg) unit.

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
U. S. Bureau of Land Management - Carlsbad
