



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

September 26, 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

30-025-37983

Administrative Order NSL-5281 (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pSEM0-522746278*) on behalf of the operator, Apache Corporation, that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on August 15, 2005; and (ii) the Division's records in Hobbs and Santa Fe, including the files in Division Cases No. 717 and 1679 and on Division Administrative Order NSP-926, as amended: all concerning Apache Corporation's request for exceptions to:

- (a) the oil well location provisions of the "*Special Rules and Regulations for the Blinebry Oil and Gas Pool*," as promulgated by Division Order No. R-8170, as amended;
- (b) the oil well location provisions of the "*Special Rules and Regulations for the Tubh Oil and Gas Pool*," as promulgated by Division Order No. R-8170, as amended; and
- (c) Division Rule 104.B (1).

It is the Division's understanding that Apache Corporation proposes to drill its Gulf Hill Well No. 8 at an unorthodox oil well location in the Blinebry Oil and Gas (6660), Tubh Oil and Gas (60240), Undesignated Drinkard (19190); and Wantz-Abo (62700) Pools 2630 feet from the South line and 2310 feet from the East line (Unit R) of Irregular Section 4, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.

Oil production from the Blinebry Oil and Gas Pool is to be included within an existing standard 40-acre oil spacing and proration unit comprising the NW/4 SE/4 (Unit R) of Irregular Section 4, which is currently dedicated to Apache Corporation's Gulf Hill Well No. 1 (API No. 30-025-06401), located at a standard oil well location 1980 feet from the South and East lines of Irregular Section 4.

Apache Corporation's proposed Gulf Hill Well No. 8 will be an initial well within this standard 40-acre oil spacing and proration unit (NW/4 SE/4 of Irregular Section 4) for an oil completion in the Drinkard, Tubb, and Abo intervals.

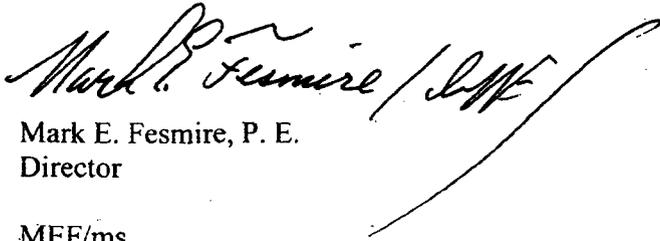
Approval of the proposed unorthodox oil well location request should enable Apache Corporation to further develop and deplete the Blinebry, Tubb, Drinkard, and Abo intervals within its Hawk "B-1" federal lease that might not otherwise be recovered.

By the authority granted me under the provisions of Division Rules 104.F (2) and 605.B and the applicable provisions of the special pool rules governing both the Blinebry Oil and Gas Pool and Tubb Oil and Gas Pool, the above-described unorthodox oil well location of Apache Corporation's proposed Gulf Hill Well No. 8 is hereby approved for the Blinebry Oil and Gas Pool, Tubb Oil and Gas Pool, Undesignated Drinkard Pool, and Wantz-Abo Pool.

If after completion within the Blinebry and Tubb formations, production from either zone is classified as "gas," the operator shall request an amendment to this order seeking such relief as deemed appropriate and in compliance with the special rules governing both prorated gas pools.

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