



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

September 19, 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-5454 (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-624330276*) filed on behalf of the operator, Apache Corporation ("Apache"), and submitted to the New Mexico Oil Conservation Division ("Division") on August 28, 2006; and (ii) the Division's records in Hobbs and Santa Fe: all concerning Apache's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the NW/4 SW/4 (Unit L) of Section 16, Township 21 South, Range 37 East, NMPM, North Eunice Blinebry-Tubb-Drinkard Pool (22900), Lea County, New Mexico.

The Division Finds That:

(1) All of Section 16 is within the North Eunice Blinebry-Tubb-Drinkard Pool (see Division Order No. R-12538, issued in Case No. 13696 on April 28, 2006 and made effective on May 1, 2006); an oil pool governed under the "*Special Rules and Regulations for the North Eunice Blinebry-Tubb-Drinkard Pool*," as promulgated by Division Order No. R-8539-A/R-8541-B, issued in Case No. 10052 on November 9, 1987, which provides for 40-acre oil spacing and proration units and requires wells be located no closer than 330 feet to the outer boundary of such unit.

(2) The 160-acre area in Lea County, New Mexico comprising the N/2 S/2 of Section 16, is a single state lease (*State "DA" lease*) issued by the New Mexico State Land Office (*State lease No. B-85-16*) with common ownership in which Apache is the single working interest owner and is the designated leasehold operator.

(3) The subject 40-acre North Eunice Blinebry-Tubb-Drinkard oil spacing and proration unit (*Unit "L" of Section 16*) is currently dedicated to Apache's State "DA" Well No. 1 (*API No. 30-025-06615*), located at a standard oil well location 1980 feet from the South line and 660 feet from the West line of Section 16.

(4) Apache now seeks to drill its State "DA" Well No. 21 within this 40-acre oil unit at an unorthodox infill oil well location 2530 feet from the South line and 1240 feet from the West line of Section 16.

(5) The 160-acre area in Lea County, New Mexico comprising the NW/4 of Section 16 is a separate state lease (*State "C" Tract 12*) issued by the New Mexico State Land Office (*State lease No. B-01557-2*) with common ownership in which Apache is also the single working interest owner and is the designated leasehold operator.

(6) The two-affected standard 40-acre Blinebry-Tubb-Drinkard oil tracts to the north in Units "E" and "F", both in Section 16, that Apache's proposed State "DA" Well No. 21 is encroaching are within the State "C" Tract 12 state of New Mexico lease.

(7) This request is based on geologic and engineering reasons in that this location is approximately equidistance to other offsetting North Eunice Blinebry-Tubb-Drinkard oil producers within the immediate area.

(8) Apache and the New Mexico State Land Office have entered into a "cooperative lease/well agreement" providing for the allocation of proceeds of North Eunice Blinebry-Tubb-Drinkard oil production from Apache's proposed State "DA" Well No. 21 in the following manner:

- (a) 62.07% to be attributed to the subject State "DA" lease (*State lease No. B-85-16*); and
- (b) 37.93% attributed to the offsetting State "C" Tract 12 lease (*State lease No. B-01557-2*).

(9) This allocation formula for the proceeds from Apache's proposed State "DA" Well No. 21 serves to benefit all mineral interests within the North Eunice Blinebry-Tubb-Drinkard Pool to be impacted by this well's drainage.

(10) Approval of this application is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering practices, and allows for the recovery of additional reserves that might not otherwise be produced.

It Is Therefore Ordered That:

(1) Pursuant to the "*Special Rules and Regulations for the North Eunice Blinebry-Tubb-Drinkard Pool*," as promulgated by Division Order No. R-8539-A/R-8541-B, issued in Case No. 10052 on November 9, 1987, and Division Rule 104.F (2) the administrative application of Apache Corporation ("Apache") (*administrative application reference No. pTDS0-624330276*) for its proposed State "DA" Well No. 21 to be drilled at an unorthodox infill oil well location 2530 feet from the South line and 1240 feet from the West line (Unit L) of Section 16, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, and completed in the North Eunice Blinebry-Tubb-Drinkard Pool (*22900*), is hereby approved.

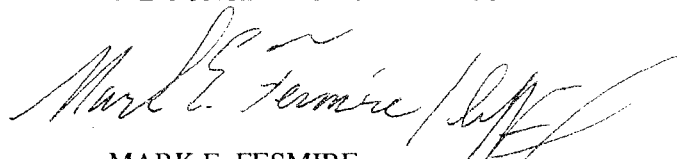
(2) For the Division's production reporting, prorationing, and well spacing purposes, North Eunice Blinbry-Tubb-Drinkard oil production from the NW/4 SW/4 of Section 16, being a standard 40-acre oil spacing and proration unit in the North Eunice Blinbry-Tubb-Drinkard Pool, is to be simultaneously dedicated to Apache's: (i) above-described State "DA" Well No. 21; and (ii) State "DA" Well No. 1 (*API No. 30-025-06615*), located at a standard oil well location 1980 feet from the South line and 660 feet from the West line of Section 16.

(3) The distribution of proceeds from North Eunice Blinbry-Tubb-Drinkard oil production from Apache's proposed State "DA" Well No. 21 are to be allocated in the following manner:

- (a) 62.07% to be attributed to the subject State "DA" lease (*State lease No. B-85-16*); and
- (b) 37.93% attributed to the offsetting State "C" Tract 12 lease (*State lease No. B-01557-2*).

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MARK E. FESMIRE
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe