

DATE IN 9/11/06	SUSPENSE	ENGINEER H. STOGNER BROOKS	LOGGED IN 9/11/06	TYPE NSL	APP NO. PTD 50625452351
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



Apache
 Renewal #8
 4-22-37E

ADMINISTRATIVE APPLICATION CHECKLIST 5493

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

- [D] Other: Specify _____

2006 SEP 11 AM 11 28

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate and complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

James Bruce
 Print or Type Name

Signature

Attorney for applicant
 Title

Date

jamesbruc@aol.com
 e-mail Address

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruc@aol.com

September 11, 2006

Hand Delivered

Mark E. Fesmire, P.E.
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Pursuant to Division Rule 104.F(2), Apache Corporation applies for administrative approval of an unorthodox oil well location for the following well:

<u>Well Name:</u>	Rinewalt Well No. 8
<u>Well Location:</u>	1290 feet FNL & 2580 feet FWL
<u>Well Unit:</u>	Lot 3 (NE $\frac{1}{4}$ NW $\frac{1}{4}$) of Section 4, Township 22 South, Range 37 East, N.M.P.M., Lea County, New Mexico

The well will test the Blinebry (Blinebry Oil and Gas Pool), Tubb (Tubb Oil and Gas Pool), and Drinkard (Drinkard Pool) formations, and applicant requests unorthodox location approval in all three zones. The Blinebry, Tubb, and Drinkard zones are expected to be oil productive.

The application is based on geological and engineering reasons. A complete discussion, with exhibits, is attached as Exhibit A. The well is in the approximate center of existing Blinebry, Tubb, and Drinkard wells, and the proposed location will drain additional undrained reserves.

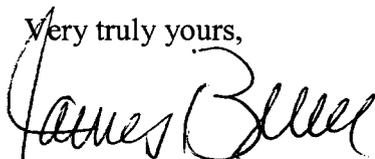
The well unit will be simultaneously dedicated to the proposed well and to the existing Rinewalt Well Nos. 2 and 4. ³⁰⁻⁰²⁵⁻¹⁰⁰³⁵

Exhibit B is a land plat. The Rinewalt fee lease covers Lot 3 and the S $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 4, and the H. Corrigan Lease covers Lots 1, 2, and the S $\frac{1}{2}$ NE $\frac{1}{4}$ (the NE $\frac{1}{4}$) of Section 4. The working interest owner of both leases (Apache Corporation) has entered into the Cooperative Well Agreement attached as Exhibit C. Production from the proposed well will be allocated between ₃₀₋₀₂₉₋₁₀₀₃₇

the two leases as set forth in Exhibit C (56.70% to the Rinewalt Lease and 43.30% to the H. Corrigan Lease). Because all interest owners will share in the allocated production, no offset interest owner has been notified of this application.

Please call me if you need any further information on this matter.

Very truly yours,

A handwritten signature in black ink that reads "James Bruce". The signature is written in a cursive style with a large, looping initial "J".

James Bruce

Attorney for Apache Corporation

Application of Apache Corporation for administrative approval of an unorthodox well location:

40 acres – 1290 FNL & 2580' FWL
 Section 4, Township 22 South, Range 37 East, NMPM
 Lea County, New Mexico

PRIMARY OBJECTIVES: Blinebry, Tubb, and Drinkard

In support:

1. Apache Corporation (Apache) is the operator of the proposed **Rinewalt #8** well (**Exhibit 1**).
2. The proposed unorthodox location encroaches toward, or is in the same quarter section, as the following wells, which are, or have been, productive from various combinations of the Blinebry, Tubb, and Drinkard (**Exhibit 2**). **Exhibit 2** displays only those wells with a total depth equal to, or greater than, 5250', sufficient to penetrate at least part of the Blinebry, Tubb, and Drinkard interval. Production from the three reservoirs is assigned to individual Blinebry Oil and Gas, Tubb Oil and Gas, and Drinkard Pools, but downhole commingling is pre-approved pending submission of allocations to the Hobbs District Office.

API	Op.	Well	Loc	Pool	Cum O/G/W	Daily O/G/W
10011	Apache Corp	H Corrigan #6	04-B	Blinebry (06660)	11/270/8	0/0/0
10013	Apache Corp	H Corrigan #8	04-B	Blinebry (06660)	6/50/13	1/1/2
10013	Apache Corp	H Corrigan #8	04-B	Drinkard (19190)	180/2705/3	0/0/0
10010	Apache Corp	H Corrigan #5	04-G	Drinkard (19190)	15/2150/2	0/0/0
10014	Apache Corp	H Corrigan BLBY Gas Com #9	04-G	Blinebry (72480)	47/2765/11	0/24/2
10014	Apache Corp	H Corrigan BLBY Gas Com #9	04-G	Drinkard (19190)	81/0/0	0/0/0
10035	Apache Corp	Rinewalt #2	04-C	Blinebry (06660)	24/1045/37	1/41/7
10035	Apache Corp	Rinewalt #2	04-C	Tubb (86440)	5/197/0	0/0/0
10035	Apache Corp	Rinewalt #2	04-C	Drinkard (19190)	158/0/0	0/0/0
10037	Apache Corp	Rinewalt #4	04-C	Tubb (60240)	15/2279/16	0.5/0/3
10037	Apache Corp	Rinewalt #4	04-C	Drinkard (19190)	14/1652/12	1/0/1
10036	Apache Corp	Rinewalt #3	04-F	Drinkard (19190)	58/2790/24	7/73/3
10034	Apache Corp	Rinewalt #1	04-F	Blinebry (06660)	29/869/6	0/0/0
10034	Apache Corp	Rinewalt #1	04-F	Drinkard (19190)	154/145/1	0/0/0
10043	Forest Oil Corp	Rinewalt A #1	04-D	Drinkard (19190)	305/2920/41	4/132/56
10044	Forest Oil Corp	Rinewalt B #1	04-D	Blinebry (72480)	39/1122/12	1/55/1
10044	Forest Oil Corp	Rinewalt B #1	04-D	Tubb (86440)	2/1412/3	0/0/0
10026	Pogo Producing	WM Rinewalt #2	04-E	Blinebry (06660)	12/126/43	0/0/0
10026	Pogo Producing	WM Rinewalt #2	04-E	Drinkard (19190)	3/1322/5	0/0/0
10027	Chevron USA	WM Rinewalt #3	04-E	Blinebry (06660)	5/8/4	0/0/0
10027	Chevron USA	WM Rinewalt #3	04-E	Drinkard (19190)	80/134/0	0/0/0

MBO
 MMCFG
 MBW

BOPD
 MCFGPD
 BWPD

EXHIBIT A

2. Apache expects the proposed **Rinewalt #8** to test as an oil well in each of the three reservoirs. Should any reservoir test gas, Apache will either gain the appropriate approvals from the OCD to produce or abandon the reservoir.
 - a) Apache H Corrigan Blinebry Gas Com #9, in Unit G, has only 40 A dedicated to Blinebry gas (**Exhibit 3**).
 - b) Rinewalt #2 in Unit C has not produced from the Tubb since the mid-60's. It had either 80 A or 120 A dedicated to Tubb gas (**Exhibit 4**). In either case the well has not produced from the Tubb in almost 40 years and recompletion to the Tubb in that well is unlikely.
 - c) Rinewalt #4, producing from the Tubb, also in Unit C, was reclassified from gas to oil as a result of its current GOR (**Exhibit 5**).
 - d) Southern Petroleum reclassified Rinewalt B #1, in Unit D, from a Blinebry oil to Blinebry gas well due to the producing GOR. In January 1970, they requested a 40 A dedication for Blinebry gas because their lease was only 40 A in area. Again, in April 1972, Wiser Oil Company requested a 40 A dedication for Blinebry gas when they commingled Blinebry and Tubb production. It appears the OCD granted the 40 A dedication. (**Exhibit 6**).
 - e) Chevron WM Rinewalt #3, in Unit E, has not produced from the Blinebry since May 1984. No indication of assignment to Blinebry Oil or Gas Pool could be found. The well's IP was 28 BOPD, with no gas and producing rate at the time of depletion was consistent with an oil well.
3. The proposed **Rinewalt #8** location of 1290' from north line and 2580' from west line is based upon drainage considerations.

- a. **Geology**

The Blinebry, Tubb, and Drinkard Formations are members of the Yeso Group, Permian Leonardian in age. Fluid contacts, specifically Blinebry GOC at -2255 and Drinkard OWC at -3225, employed by Shell in the unitization hearing for the NorthEast Drinkard Unit, just to the east, were used in the petrophysical evaluation of the reservoirs.

All three formations are shallow marine carbonates, consisting primarily of dolomite. The Tubb has appreciable clastic content and the Drinkard can become limey toward its base. Anhydrite can occur throughout the interval. Pay zones are thin, erratically distributed, and separated by thick impermeable intervals. Porosity and permeability are low. Wells are not generally capable of draining a full 40 Acre spacing unit. In fact, Apache's calculations indicate drainage area usually approximates 20 Acres.

Apache routinely fracture stimulates perforations in each of the three formations then produces them commingled and allocates production based upon well tests. At this stage in the history of all three pools, economics will not permit development of individual reservoirs. Thus, pay from all three reservoirs must be considered for well proposals. A

combined Blinebry, Tubb, Drinkard map extracted from a larger area map is, therefore, presented (**Exhibit 7**).

The reservoir was analyzed by mapping hydrocarbon pore volume (SoPhiH) (**Exhibit 7**) of the entire Blinebry, Tubb, and Drinkard interval. SoPhiH is the product of feet of net pay (H) times average porosity (PhiA) times oil saturation (So). The values were obtained as follows:

1. Net Pay was read from modern neutron-density logs which have contractor calculated cross-plotted porosity (XPhi) using a minimum of 5% and a maximum of 20%. Additionally, gamma ray (40 APIU in the Blinebry and Drinkard and 50 APIU in the Tubb) and water saturation (10% - 50%, using a standard equation with a=1 and m=n=2) cutoffs were also employed.
2. Average Porosity was calculated for intervals meeting those criteria.
3. Oil Saturation is the additive inverse of water saturation.

This analysis requires modern neutron-density and resistivity logs. Although water saturations can be adequately estimated from offsetting modern wells, many wells had to be excluded from analysis because of the vintage or type of porosity logs. SoPhiH isopach lines were modeled after cumulative production isopach lines where new well control is lacking. This procedure has proved successful for Apache in recent drilling in the area.

b. Drainage

The following table provides drainage areas calculated from the SoPhiH map and reserves of the offsetting wells. SoPhiH values are either from modern logs, or estimated from the grid. Wells with values determined from modern logs will be in bold and the others are estimated from the grid.

Operator	Well	Loc	Reservoir	SoPhiH	Area	EUR	EUR
				FT	A	MBO	MMCFG
Apache	H Corrigan #6	04-B	BTD	10.2	1.8	11	270
Apache	H Corrigan #8	04-B	BTD	10.2	28.4	186	2755
Apache	H Corrigan #5	04-G	BTD	10.0	2.4	15	2150
Apache	H Corrigan BLBY Gas Com #9	04-G	BTD	10.0	19.9	128	2765
Apache	Rinewalt #2	04-C	BTD	10.0	29.1	187	1242
Apache	Rinewalt #4	04-C	BTD	10.0	4.4	28	3931
Apache	Rinewalt #3	04-F	BTD	10.5	8.6	58	2790
Apache	Rinewalt #1	04-F	BTD	10.6	26.8	183	1014

The proposed **Rinewalt #8** was planned as a "true" 20 Acre infill location between existing Blinebry, Tubb, and Drinkard producers. The location was placed in the center of the vacant area between the existing wells, and then moved due to surface conditions and cultural obstructions.

Reserves for the proposed location were calculated by planimentering the undrained area of the SoPhiH isopach which lies under a drainage circle (the size of which is the average of the direct offset drainage areas) centered on the proposed location. Any competitive drainage is shared between the proposed well and the existing offset wells. The results are as follows:

				SoPhiH	Area	EUR	EUR
Op.	Well	Loc	Reservoir	Ft	A	MBO	MMCFG
Apache	Rinewalt #8	04-C	BTD	10.2	15	100	800

4. Notice

Apache is the operator and only working interest owner in the Blinebry, Tubb, and Drinkard wells toward which the proposed well will encroach, so no other parties need to be notified.

Rinewalt #8 is a "leaseline" location. Apache's Rinewalt lease, comprising E/2, NW/4, §4 (Units C and F) is a fee lease as is the H Corrigan lease, comprising the entire NE/4, §4 (Units B and G). Apache will enter into an appropriate Lease Line Agreement before the well is spudded.

5. Approval of this application will afford the interest owners in these spacing units an opportunity to recover oil and gas which would not otherwise be recovered and to do so without violating correlative rights.

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number		Pool Code	Pool Name
Property Code	Property Name RINEWALT		Well Number 8
OGRID No.	Operator Name APACHE CORPORATION		Elevation 3456'

Surface Location

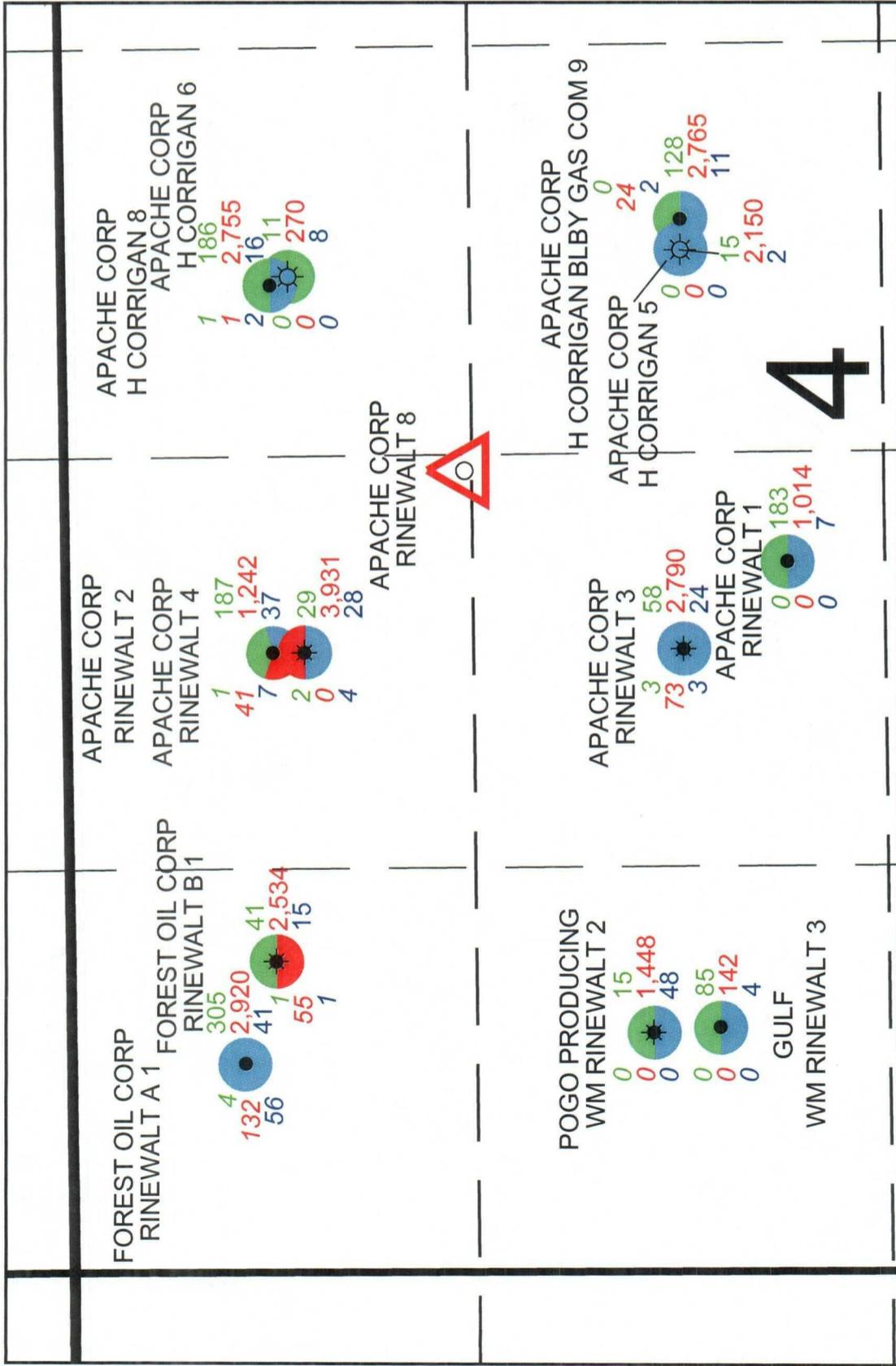
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
3	4	22-S	37-E		1290	NORTH	2580	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres		Joint or Infill	Consolidation Code	Order No.					

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

LOT 4	LOT 3	LOT 2	LOT 1
39.91 AC	39.86 AC	39.80 AC	39.75 AC
<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=520093.5 N X=859662.2 E</p> <p>LAT.=32.424457° N LONG.=103.167746° W</p> <p>LAT.=32°25'28.05" N LONG.=103°10'03.88" W</p>			
<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p>			
<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>JUNE 16, 2006</p> <p>Date Surveyed _____ LA</p> <p>Signature & Seal of Professional Surveyor</p> <p><i>Ronald J. Eidson</i> 6/28/06 06.11.0975</p> <p>Certificate No. GARY EIDSON 12641 RONALD J. EIDSON 3239</p>			



WELL SYMBOLS

- Location Only
- Oil Well
- ☀ Gas Well
- ⊖ Dry

- BLINEBRY
- TUBB
- DRINKARD



POSTED WELL DATA

- OPERATOR WELL LABEL**
- CURRENT BOPD** (Green)
 - CURRENT MCFD** (Red)
 - CURRENT BWPD** (Blue)
 - MBO** (Green)
 - MMCFG** (Red)
 - MBW** (Blue)

Apache
CORPORATION
CENTRAL REGION

TWO WARREN PLACE, SUITE 1500
6120 SOUTH YALE
TULSA, OKLAHOMA 74136-4224

RINEWALT #8

SEC 4-T21S-R37E
LEA COUNTY, NEW MEXICO

EXHIBIT 2

WELL INFORMATION

DATE: 6/28/06 DWG: CURTISIBTD NSL 6-22-06 (EX2)

NEW MEXICO OIL CONSERVATION COMMISSION

Well Location and Acreage Dedication Plat

Section A.

Date September 5, 1962

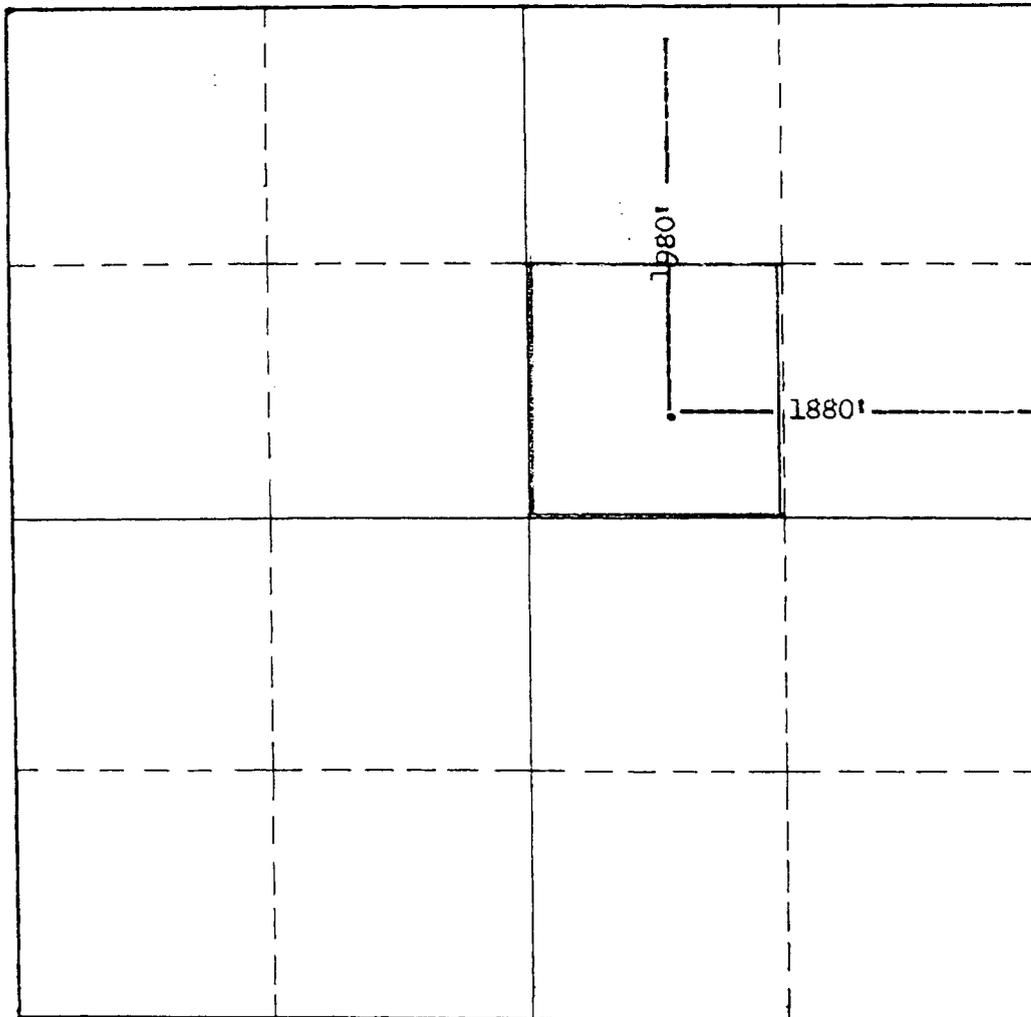
Operator Amerada Petroleum Corporation Lease H. Corrigan
Well No. 9 Unit Letter G Section 4 Township 22 S Range 37 E N.M.
Located 1880' Feet From East Line, 1980' Feet From North Line
County Lea C. Elevation 3451' Dedicated Acreage 40 Acr
Name of Producing Formation Blinebry Pool Blinebry

- 1. Is the Operator the only owner* in the dedicated acreage outlined on the plat below?
Yes x No _____.
- 2. If the answer to question one is "no," have the interests of all the owners been consolidated by communitization agreement or otherwise? Yes _____ No _____. If answer is "yes," Type of Consolidation _____
- 3. If the answer to question two is "no," list all the owners and their respective interest below:

Owner

Land Description

Section B



This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

Amerada Petroleum Corporation
(Operator)

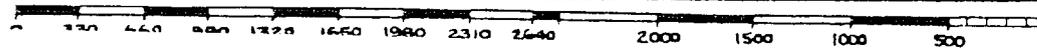
B. G. Moore
(Representative)

Box 706, Eunice, New Mexico
Address

This is to certify that the well location shown on the plat in Section B was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed _____

Registered Professional Engineer and/or Land Surveyor





SHELL OIL COMPANY

P. O. Box 1858
Roswell, New Mexico

August 17, 1962

Subject: Application of Shell Oil Company
for Approval of a 120-acre Non-
Standard Gas Proration Unit,
Tubb Gas Pool, Lea County,
New Mexico

Oil Conservation Commission
State of New Mexico
P. O. Box 671
Santa Fe, New Mexico

Attention Mr. A. L. Porter, Jr.

Gentlemen:

Shell Oil Company requests Exception to Rule 5(A) of Order R-1670 for Administrative Approval of a 120-acre Non-Standard Tubb Gas Proration Unit covering E-1/2 NW-1/4, SW-1/4 NW-1/4 of Section 4, T-22-S, R-37-E, N.M.P.M., Lea County, New Mexico. This proposed Non-Standard Unit is to be attributed to Shell's Rinewalt No. 2 well located in the NE-1/4 NW-1/4 of Section 4.

In support of this application the following facts are submitted:

1. Shell's Rinewalt Lease, described as E-1/2 NW-1/4 of Section 4, containing 80 acres more or less, is now attributed to a Non-Standard Gas Proration Unit with Well No. 2 as the unit well. The approval of this unit was by Order NSP-538 dated November 22, 1960.
2. Gulf Oil Corporation is the owner and holder of various leases known collectively as their W. M. Rinewalt lease covering SW-1/4 NW-1/4 of Section 4.
3. Shell and Gulf now desire to expand the existing Non-Standard Gas Unit to include the Gulf W. M. Rinewalt lease and to form a 120-acre Non-Standard Unit with Shell's Rinewalt No. 2 well as the unit well. This well is capable of producing the full allowable for the proposed unit.
4. The royalty owners under both the Shell and Gulf leases included in this proposed Non-Standard Unit have consented in writing to the forming of this unit.

5. Attached is a lease plat showing the unit well circled in red, the existing Non-Standard Unit outlined in green, and the proposed Non-Standard Unit outlined in red.
6. The proposed Non-Standard Unit consists of contiguous quarter-quarter sections.
7. The entire proposed Non-Standard Unit lies wholly within a single governmental section.
8. The entire Non-Standard Unit is reasonably presumed to be gas productive in the Tubb Gas Pool.
9. The length or width does not exceed 5,280 feet.
10. All operators owning interests within 1500 feet of the unit well and in the section in which this proposed Non-Standard Unit is located have been furnished a copy of this application by registered mail.

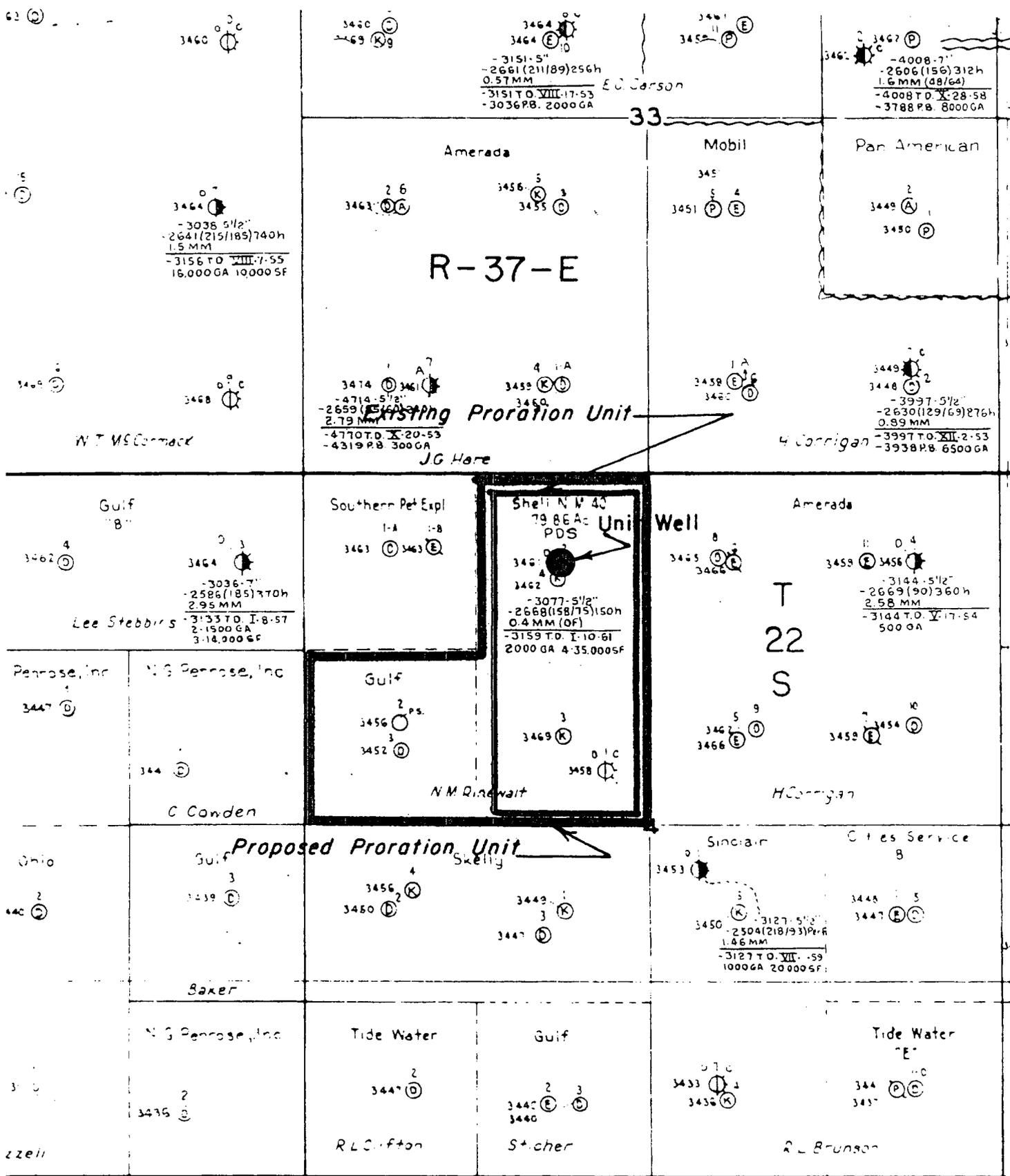
Yours very truly,



R. L. Rankin
Division Production Manager

Enclosures

cc: New Mexico Oil Conservation Commission (2), P. O. Box 2045, Hobbs, N. Mex.
Amerada Petroleum Corporation, P. O. Box 312, Midland, Texas
Gulf Oil Corporation, P. O. Box 1150, Midland, Texas
Mobil Petroleum Company, P. O. Box 2406, Hobbs, New Mexico
Sinclair Oil & Gas Company, P. O. Box 1470, Midland, Texas
Neville G. Penrose, Inc., 146 Allen Building, Midland, Texas
Skelly Oil Company, Box 38, Hobbs, New Mexico
Southern Petroleum Exploration, Inc., P. O. Box 1017, Roswell, New Mexico



TUBB GAS POOL
 Lease Ownership Plat
 Lea County, New Mexico

OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO

Sept. 26, 1962

Shell Oil Co.
Box 1858
Roswell, New Mexico

Gentlemen:

Commission Order No. NSP-616 approves a 120 acre gas unit for your Rinewalt No. 2 located in Unit C of Section 4, T-22-S, R-37-E. In order that this increase in acreage may be made effective October 1, 1962 it will be necessary that you submit a revised Form C-128 prior to that date.

Yours very truly,

OIL CONSERVATION COMMISSION

Joe D. Ramey
Supervisor, District 1

mc

C
O
P
Y

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to Appropriate District Office
5 Copies

AMENDED REPORT

I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT

¹ Operator name and Address Apache Corporation 6120 South Yale, Suite 1500 Tulsa, OK 74136-4224		² OGRID Number 00873
⁴ API Number 30 -025-10037		³ Reason for Filing Code/ Effective Date Reclassify from gas to oil - 7/1/2006
⁵ Pool Name Tubb Oil & Gas (Oil)	⁶ Pool Code 60240	
⁷ Property Code 23110	⁸ Property Name RINEWALT	⁹ Well Number 4

II. ¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West line	County
C	4	22S	37E		760	North	1980	West	Lea

¹¹ Bottom Hole Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Lse Code P	¹³ Producing Method Code P		¹⁴ Gas Connection Date / /0000		¹⁵ C-129 Permit Number	¹⁶ C-129 Effective Date	¹⁷ C-129 Expiration Date		

III. Oil and Gas Transporters

¹⁸ Transporter OGRID	¹⁹ Transporter Name and Address	²⁰ POD	²¹ O/G	²² POD ULSTR Location and Description
034053	Plains Marketing LP Three Allen Center, 333 Clay Houston, TX 77002	2263210	O	E 1/2 of NW 1/4, Sec 4, T 22S, R 37E
020809	Sid Richardson Gasoline Company 201 Main Street, Suite 3000 Ft. Worth, TX 76102	2266830	G	E 1/2 of NW 1/4, Sec 4, T 22S, R 37E

IV. Produced Water

²³ POD 2263250	²⁴ POD ULSTR Location and Description E 1/2 of NW 1/4, Sec 4, T 22S, R 37E
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V. Well Completion Data

²⁵ Spud Date / /0000	²⁶ Ready Date / /0000	²⁷ TD 7957'	²⁸ PBDT 6610' CIBP	²⁹ Perforations 6008 - 6221'	³⁰ DHC, MC
³¹ Hole Size	³² Casing & Tubing Size	³³ Depth Set		³⁴ Sacks Cement	
	13-3/8"	293'		350 sxs	
	8-5/8"	2801'		1300 sxs	
	5-1/2"	7750'		600 sx	
	2-1/16"	6170' Tubb			

VI. Well Test Data

³⁵ Date New Oil	³⁶ Gas Delivery Date / /0000	³⁷ Test Date 06/06/2006	³⁸ Test Length 24	³⁹ Tbg. Pressure	⁴⁰ Csg. Pressure
⁴¹ Choke Size	⁴² Oil	⁴³ Water	⁴⁴ Gas	⁴⁵ AOF	⁴⁶ Test Method Pumping
	1	0	17		

⁴⁷ I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief. Signature: <i>Elaine Linton</i>	OIL CONSERVATION DIVISION				
	Approved by:				
	Title:				
	Approval Date:				
	E-mail Address: elaine.linton@apachecorp.com				
Date: 06/23/2006	Phone: (918)491-5362				

SOUTHERN PETROLEUM EXPLORATION, INC.

Box 1434

ROSWELL, NEW MEXICO 88201

January 16, 1970

New Mexico Oil Conservation Commission
 P. O. Box 2088
 Santa Fe, New Mexico

Gentlemen:

The Wm. Rinewalt B well No. 1, located in Unit D of Section 4, Township 22 South, Range 37 East, Lea County, New Mexico, has been reclassified, effective December 1, 1969, from a Blinebry oil well to Blinebry gas due to a recently submitted gas-oil ratio test.

A standard gas unit in the Blinebry gas pool is 160 acres. Our Wm. Rinewalt lease contains only 40 acres and is less than a standard proration unit. We therefore request administrative approval of this non-standard gas proration unit.

The enclosed copy of Form C-104 was filed January 8, 1970. Also enclosed is Form C-102 and an area plat. Offset operators are receiving a copy of this application.

Very truly yours,



B. C. Hicks

cw

3 Enclosures
 Cy. Form C-104
 Cy. Form C-102
 area plat

cc w/cy encls.:

New Mexico Oil Conservation Commission
 P. O. Box 1980
 Hobbs, New Mexico (2)

Gulf Oil Corporation
 P. O. Box 980
 Hobbs, New Mexico

Amerada Petroleum Corporation
 Box 668
 Hobbs, New Mexico

Shell Oil Company
 P. O. Box 1509
 Midland, Texas

Sohio Petroleum Company
 Box 3167
 Midland, Texas

THE WISER OIL COMPANY
Box 1434
ROSWELL, NEW MEXICO 88201

April 6, 1972

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for dual completion
and for a 40-acre non-standard
gas unit - Wisser Rinewalt B No. 1
Sec. 4, Twp. 22-S, Rge. 37-E
Lea County, New Mexico

Gentlemen:

Enclosed is an application to dual complete our Rinewalt B No. 1 in the Blinebry gas and Tubb gas pools, Lea County, New Mexico. Also, please consider this an application for a 40-acre non-standard gas proration unit to be dedicated to the subject well for Tubb gas production. As seen by the attached plat, the well is located in Unit D, Section 4, Township 22 South, Range 37 East, Lea County, New Mexico, and the proposed 40-acre unit will consist of the Northwest Quarter of the Northwest Quarter of Section 4.

As illustrated by the diagrammatic sketch, the Tubb gas will be produced through tubing and the Blinebry gas will be produced through the tubing-casing annulus, similar to the dual completion approved by Commission Order No. DC-680 on the Mobil No. 2 J. N. Carson.

All operators listed in Item 5 of the application have been furnished a copy of this letter and application. Please advise if additional information is desired concerning this request.

Very truly yours,



B. C. Hicks

cw

Enclosures

copy to: New Mexico Oil Conservation Commission (2)
P. O. Box 1980, Hobbs, New Mexico 88240
copy to: All operators listed in Item 5 of the application

OIL CONSERVATION COMMISSION
DISTRICT

OIL CONSERVATION COMMISSION
BOX 871
SANTA FE, NEW MEXICO

DATE 4/11/72

Re: Proposed NSP _____
Proposed Triple _____
Proposed NSL _____
Proposed NFO _____
Proposed DC ✓

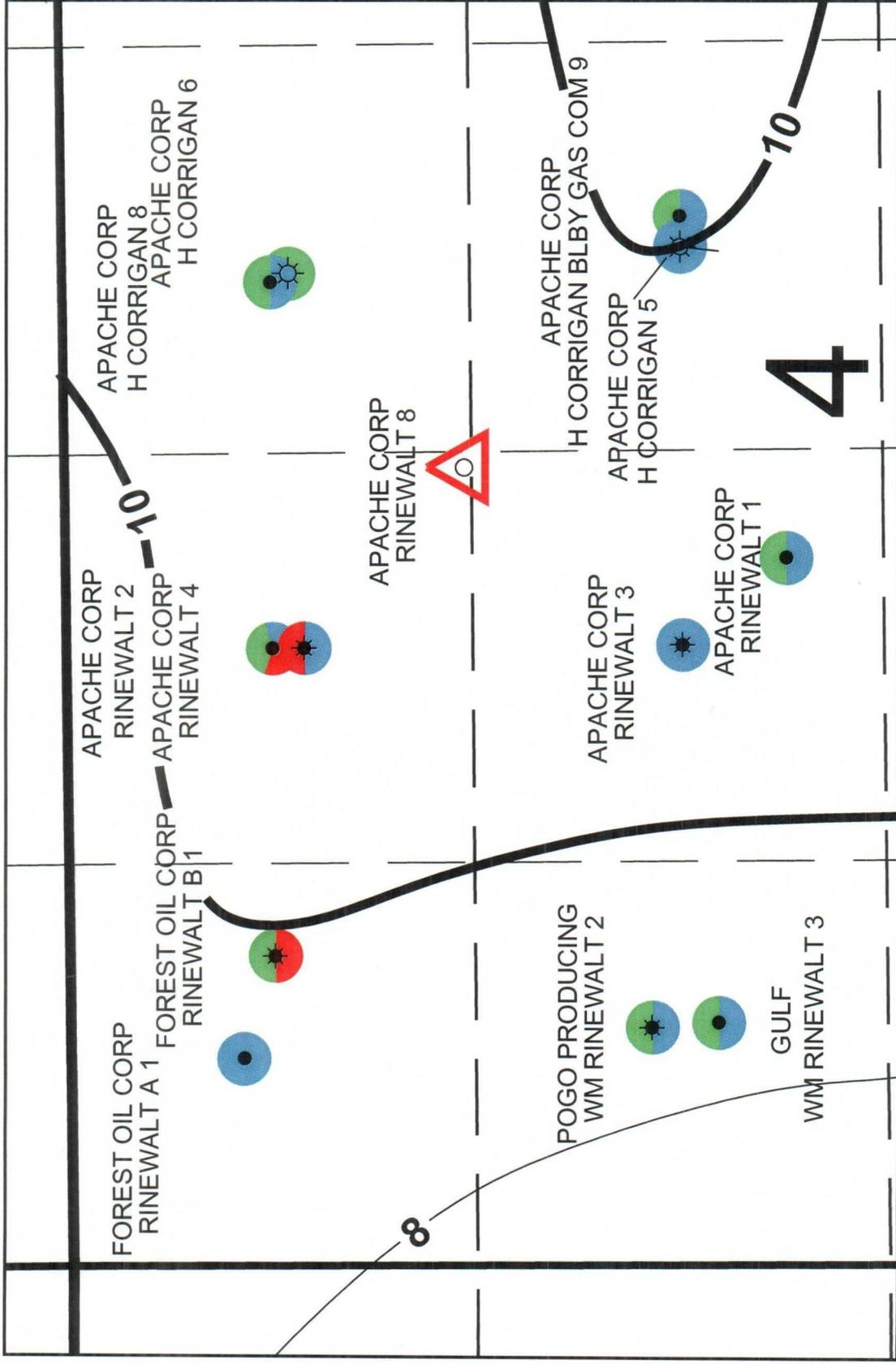
Gentlemen:

I have examined the application dated 4/7/72
for the The Kaiser Oil Co. Permit #1-D
Operator Lease and Well No. S-T-R 4-22-37

and my recommendations are as follows:

OK JDR
ad JDR

Yours very truly,



- WELL SYMBOLS**
- Location Only
 - Oil Well
 - ☀ Gas Well
 - ⊙ Dry

- BLINEBRY
- TUBB
- DRINKARD



POSTED WELL DATA
OPERATOR
WELL LABEL

BTD SOPHIH •

 <p>APACHE CORPORATION CENTRAL REGION</p>	<p>TWO WARREN PLACE, SUITE 1500 6120 SOUTH YALE TULSA, OKLAHOMA 74136-4224</p>
	<p>RINEWALT #8</p>
<p>SEC 4-T219-R37E LEA COUNTY, NEW MEXICO</p>	
<p>EXHIBIT 7 BTD SOPHIH</p>	
<p>DATE: 7/13/06</p>	<p>DWG: CURTISIBTD NSL 6-22-06 (EX7)</p>

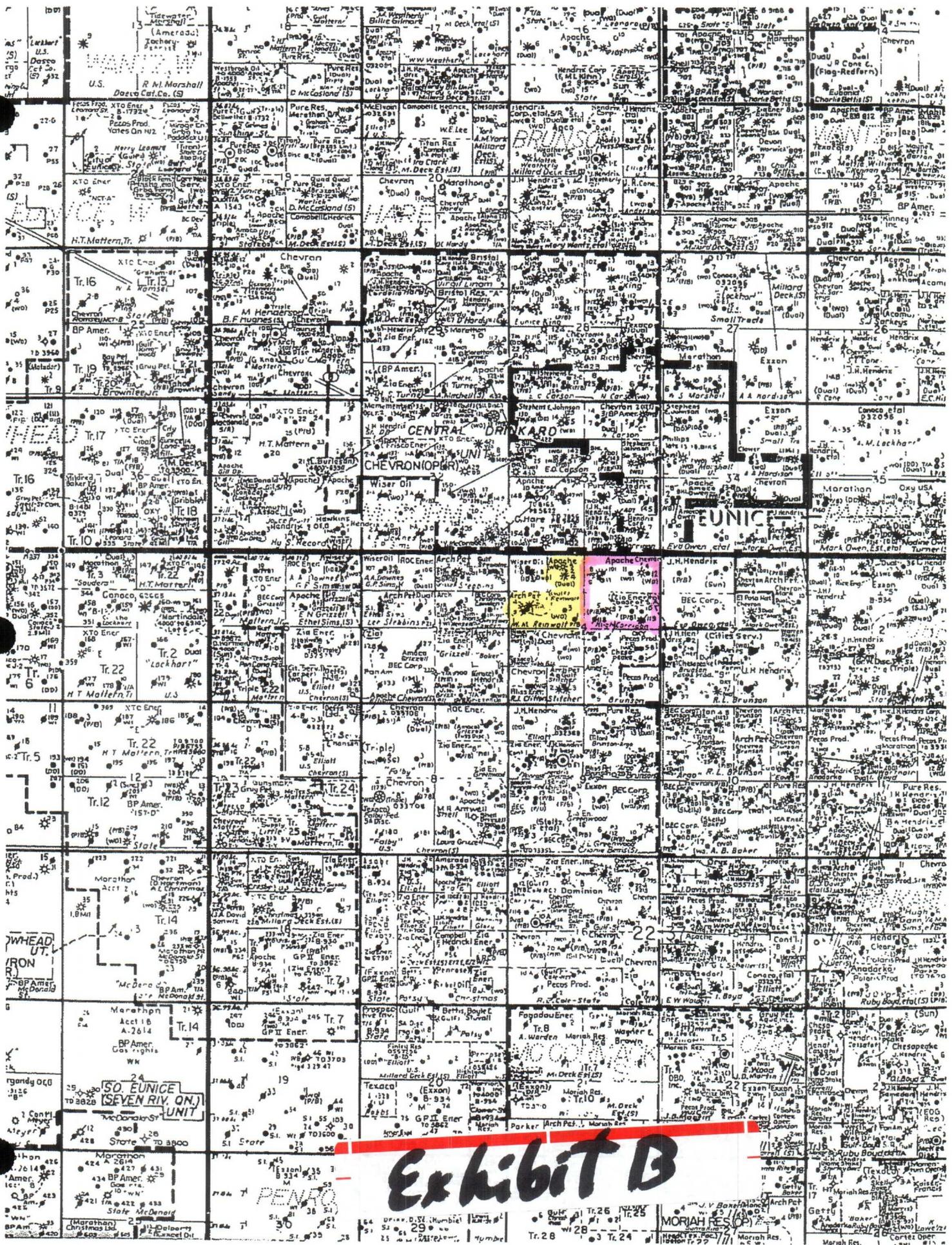


Exhibit B

SO. EUNICE
(SEVEN RIV. ON.)
UNIT

PENCO

MORAH RES. (S)

Tr. 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

COOPERATIVE WELL AGREEMENT
(for the Rinewalt #8 Well)

This Cooperative Well Agreement ("Agreement") is entered into and is effective as of August 1, 2006, **APACHE CORPORATION**, whose address is 6120 South Yale Avenue, Suite 1500, Tulsa, Oklahoma 74136 ("Apache"). Apache is sometimes hereafter referred to individually as "Party" and collectively as "Parties".

WITNESSETH:

WHEREAS, Apache is Operator of the following oil and gas leases in Lea County, New Mexico (hereinafter sometimes collectively referred to as the "Properties"):

1. **Rinewalt Lease** –
Lessor: William M. Rinewalt, et ux
Lessee: F. S. Blackmar
Date: July 15, 1927
Description: Insofar and only insofar as same covers the following-described land in Lea County, New Mexico:
Township 21 South, Range 37 East, N.M.P.M.
Section 4: SE/4NE/4NW/4, NE/4SE/4NW/4

2. **H Corrigan Lease** –
Lessor: Hugh Corrigan, et ux
Lessee: Neville G. Penrose
Date: February 24, 1999
Description: Insofar and only insofar as same covers the following-described land in Lea County, New Mexico:
Township 21 South, Range 37 East, N.M.P.M.
Section 4: SW/4NW/4NE/4, NW/4SW/4NE/4

WHEREAS, Apache has 100% of the operating rights in and to the Rinewalt Lease and H Corrigan Lease; and

WHEREAS, the Parties desire to drill and complete the **Rinewalt #8 Well** ("Cooperative Well") for the production of oil, gas and related hydrocarbons, insofar as it covers the Blinebry, Tubb and Drinkard formations, at a non-standard location encroaching on the lease line between the Rinewalt Lease and H Corrigan Lease in Section 4 as described below; and

WHEREAS, the Parties desire to provide for the sharing of production from and the costs of drilling, completing and operating said **Rinewalt #8 Well** as described hereinbelow.

NOW THEREFORE, the Parties hereby agree as follows:

1. **DESIGNATION AND RESPONSIBILITIES OF OPERATOR**

A. Apache is designated as operator ("Operator") of the **Rinewalt #8 Well** for the purposes of this Agreement.

B. Operator shall drill, complete and operate the Cooperative Well for oil and/or gas production from horizons encountered from the surface of the earth down to and including the base of the Drinkard Formation as follows:

Rinewalt #8 Well:

SURFACE LOCATION: 1290' FNL & 2580' FWL, Sec. 4, T21S-R37E,
Lea County, New Mexico,

PLANNED TOTAL DEPTH: 6,700 feet, but in no event below the base of the Drinkard Formation plus one hundred (100) feet for operational purposes only.

C. All charges and credits to the Joint Account for the Cooperative Well shall be borne, and production therefrom will be shared, including but not limited to charges, credits and production associated with recompletions of the Cooperative Well to horizons shallower than the Drinkard formation, by the below named Parties in the percentage shown opposite their name as follows:

Apache 100.00%

All other operations conducted on the lands described above will not be affected by this Agreement.

2. **TERM OF AGREEMENT**

This Agreement shall remain in full force and effect so long as such Cooperative Well continues to produce oil or gas or both, and for an additional period of ninety (90) days from cessation of all production; provided, however, if, prior to the expiration of such additional period, the Parties are engaged in drilling or reworking operations to restore production from the Cooperative Well hereunder, this Agreement shall continue in force and effect until such operations have been completed, with no cessation of more than 60 consecutive days, and if production results therefrom, this Agreement shall continue in full force and effect as provided herein. Upon cessation of the production of oil or gas or both, Operator shall plug and abandon the Cooperative Well in accordance with all rules and regulations of all governmental agencies having jurisdiction over the premises at the cost, risk, and expense of the Parties, and shall salvage all equipment in and on the well for the account of the Party(ies) that initially paid for said equipment. The termination of this Agreement shall not relieve any of the parties from any liability which has accrued hereunder prior to the date of such termination.

Notwithstanding anything to the contrary contained elsewhere in this Agreement if the actual drilling operations for the Cooperative Well are not commenced on or before June 1, 2007, then this Agreement shall immediately terminate and shall have no further force and effect.

3. **NON-PARTNERSHIP ELECTION**

A. Under no circumstances shall this Agreement be construed as creating a partnership, mining partnership or an association for profit between or among the Parties hereto. The liability of the parties shall be several and not joint or collective. Each Party shall be liable only for the costs incurred and the risks assumed by each respective Party in connection with the performance of this Agreement.

B. Notwithstanding any provisions herein that the right and liabilities of the Parties hereunder are several and not joint or collective or that this Agreement and the operations hereunder shall not constitute a partnership, if for Federal income tax purposes this Agreement and the operations hereunder are regarded as a partnership, then each of the Parties hereto hereby elects to be excluded from the application of all the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, as permitted and authorized by Section 761 of said Code and the regulation promulgated thereunder. Operator is authorized and directed to execute on behalf of each of the Parties hereto such evidence of this election as may be required by the Secretary of the Treasury of the United State or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the date required by Federal Regulations 1.761-2. Should there be any requirement that each Party hereto further evidence this election, each Party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. Each Party hereto further agrees not to give any notices or take any other action inconsistent with election made hereby. If any present or future income tax laws of the state or states in which the property covered by this Agreement is located, or any future income tax law of the United States, contain, or shall hereafter contain, provisions similar to those contained in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, under which an election similar to that provided by Section 761 of Subchapter K is permitted, each of the Parties hereby makes such election or agrees to make such

election as may be permitted by such laws. In making this election, each of the Parties hereto hereby states that the income derived by it from the operations under this Agreement can be adequately determined without the computation of the partnership taxable income.

4. **TRANSFER OF INTEREST**

If any instrument purporting to effectuate the sale, assignment, or transfer of any interest of a Party in or to the Rinewalt Lease and/or the H Corrigan Lease does not expressly provide that such sale, assignment or transfer is made and accepted subject to this Agreement, the purported sale, assignment or transfer of any such interest shall be void.

5. **CLAIMS AND LAWSUITS**

A. If any Party is sued on an alleged cause of action arising out of operations covered by this Agreement, it shall give prompt written notice of the suit to the other Parties.

B. Operator may settle any single damage claim or suit arising from operations hereunder for any settlement amount not exceeding Thirty-Five Thousand Dollars (\$35,000), provided such payment is in complete settlement of such claim or suit.

C. If, in Operator's opinion, such claim or suit is not amenable to or susceptible of settlement, Operator may upon delegation of such authority by the remaining Parties supervise the administration of said claim or suit employing Operator's staff attorneys or other attorneys as it may see fit to do so. The fees and expenses of settlement and handling such claim or suit shall be charged to the Joint Account, provided no charge shall be made for services performed by the staff attorneys for any Party.

6. **TAKING PRODUCTION IN KIND**

Each Party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Cooperative Well, exclusive of production which may be used in development and producing operations and in preparing and treating oil and gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any Party of its proportionate share of the production shall be borne by such Party. Any Party taking its share of production in kind shall be required to pay only for its proportionate share of such part of Operator's surface facilities which it uses. In the event one or more Parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines which on a day-to-day basis for any reason are not exactly equal to a Party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the Parties shall be in accordance with the Gas Balancing Agreement attached to the Cooperative Well Operating Agreement.

In the event any Party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil produced from the Cooperative Well, Operator shall have the right, subject to the revocation at will by the Party owning it, but not the obligation, to purchase such oil or sell it to others at any time and from time to time, for the account of the non-taking Party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil not previously delivered to a purchaser. Any purchase or sale by Operator of any other Party's share of oil shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

7. **PRODUCTION ALLOCATION AND BURDENS ADMINISTRATION**

All royalties, overriding royalty interests, production payments, or similar lease burdens encumbering the Properties which are created and existing as of the effective date hereof are defined as the Existing Burdens. Solely for the payment of such Existing Burdens, all oil, gas and related hydrocarbons produced from or allocated to the Cooperative Well shall be allocated to the Properties as follows:

Rinewalt Lease 56.70%
H Corrigan Lease43.30%

Each Party shall account for and administer its share of the Existing Burdens attributable to the Rinewalt Lease and/or the H Corrigan Lease based on such Party's operating rights in said lease(s) insofar and only insofar as to the formation(s) being produced from the Cooperative Well. Further, each Party shall indemnify and hold harmless each other Parties for the payment of its share of such Existing Burdens.

Acceptance of the payment of such Existing Burdens by the owners thereof shall never be construed as approval or ratification of a pooling, unitization, or communitization of the Rinewalt Lease and the H Corrigan Lease.

8. **MEASUREMENT**

Subject to the provisions of Paragraph 6, all oil produced from the Cooperative Well will be measured in accordance with the standard metering practice accepted by the State of New Mexico. The method used shall be checked for accuracy at least once every month. All gas separated from such oil shall be metered or determined from a well test(s) before delivery to the gas purchaser.

9. **TITLE**

This Agreement is not intended as a conveyance of any interest whatsoever in real property owned or controlled by the Parties, but is merely a contractual arrangement between the Parties to operate the Cooperative Well and share the production and costs thereof.

10. **NOTICES**

A. All notices authorized or required by this Agreement, unless otherwise specifically provided, shall be deemed to have been given when it is received by the Party to whom addressed if it is given in writing by Certified Mail, Return Receipt Requested, or telegram, postage or charges prepaid, and addressed to the Parties to whom the notice is given at the addresses listed above.

B. Each Party shall have the right to change its address at any time and from time to time by giving written notice thereof to the other Parties.

11. **PRE-COMMENCEMENT APPROVALS**

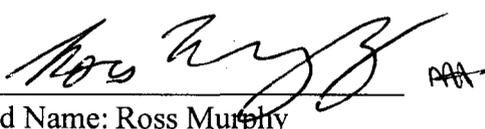
Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual drilling operations for the Cooperative Well until this agreement, and the operations contemplated hereunder, has been approved by the New Mexico Oil Conservation Division.

This Agreement is freely assignable and shall extend to and be binding on the successors legal representatives and assigns of the Parties hereto.

This Agreement may be executed in any number of counterparts, each of which shall be considered as an original for all purposes.

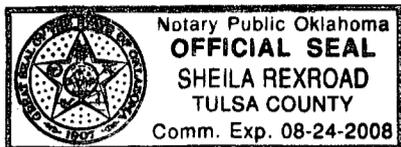
IN WITNESS WHEREOF, the Parties have caused the execution of this instrument to be effective on the date first above written.

APACHE CORPORATION

By: 
Printed Name: Ross Murphy
Title: Attorney In Fact

STATE OF OKLAHOMA §
 §
COUNTY OF TULSA §

This instrument was acknowledged before me this 7th day of August, 2006, by Ross Murphy, Attorney In Fact for Apache Corporation, a Delaware corporation, on behalf of said corporation.





Notary Public, State of Oklahoma

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruce@aol.com

2006 NOV 13 PM 1 16

November 13, 2006

Hand Delivered

David K. Brooks
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Apache Corporation

Dear David:

This letter is in response to your e-mail of November 8th regarding notice and other issues:

1. My reference to "Lease Line Agreements" does mean the Cooperative Agreements signed by the working interest owners and the BLM. I apologize for the confusion.
2. As to notice to royalty owners and overriding royalty owners, our reasoning was as follows:
 - (a) As to the State and Federal leases, I view the Communitization Agreements and Cooperative Agreements as "modifying" the lease terms to allow the wells to be drilled and production accounted for under those agreements.
 - (b) There are no overriding royalty owners in the Hawk B lease and in all of the State leases. As to the Hawk A lease, the instrument creating the overriding royalty provides (as was common at that time) that it will be calculated and paid "the same as royalties payable to the government." Thus, I believe the BLM's approvals would cover those interests.

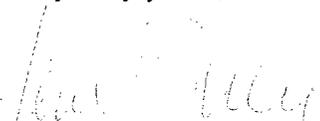
(c) In practical terms, the Division would never have allowed the wells to be drilled as close as they are to the lease lines without some type of sharing between leases, even if notice had been given to offsets. Mike Stogner stated to us that he would never have approved them. Therefore, approval of the locations does give everyone (working interest, royalty, and overriding royalty owners) production and revenue they never would otherwise receive.

(d) As to fee royalty owners and private overriding royalty owners, the working interest owners in the pertinent leases are ultimately accountable to them: Division approval does not shield an operator from the consequences of its actions. **Snyder Ranches, Inc. v. Oil Conservation Comm'n, 110 N.M. 637 (1990).**

(e) Under Division rules, when notice of an unorthodox location is required it is given to the offset working interest owners, who are presumed to look after their royalty and overriding royalty owners. In most instances (for wells which are not too severely unorthodox) the working interest owners often waive objection. In the Apache applications the working interest owners are actually securing additional revenues for the royalty and overriding royalty owners.

These are important questions which you have raised, and we have thought about them before. But, I believe that the working interest owners, in allocating production among the various leases, are protecting their royalty and overriding royalty owners (as well as themselves).

Very truly yours,



James Bruce

Attorney for Apache Corporation

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)

jamesbruce@aol.com

2006 NOV 13 PM 1 16

November 13, 2006

Hand Delivered

David K. Brooks
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Apache Corporation

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