



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary

January 22, 2003

Lori Wrotenbery
Director
Oil Conservation Division

Apache Corporation
c/o W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504

Telefax No. (505) 982-2047

Administrative Order NSL-4831 (SD)

Dear Mr. Kellahin:

Reference is made to the following: (i) your application (*application reference No. pKRV0-300352435*) dated January 2, 2003 on behalf of the operator Apache Corporation; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Apache Corporation's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the SW/4 NW/4 (Unit E) of Section 16, Township 21 South, Range 37 East, NMPM, Penrose Skelly (Grayburg) Pool (**50350**), Lea County, New Mexico.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

This 40-acre Grayburg unit is currently dedicated to Apache Corporation's State "C" Tract 12 Well No. 11 (**API No. 30-025-35709**) located at a standard oil well location 1980 feet from the North line and 330 feet from the West line of Section 16.

It is our understanding that the NW/4 of Section 16 is a single state lease issued by the New Mexico State Land Office (State Lease No. B-01557) with common ownership in which Apache Corporation is the leasehold operator.

It is further understood that such unorthodox location is necessitated for geologic and engineering reasons in that this location is approximately equidistance to other offsetting Penrose Skelly (Grayburg) oil producers within the western 1/2 of its lease. The proposed infill oil well location will enable Apache Corporation to further develop and deplete the Grayburg reserves within its State "C" Tract 12 state lease that might not otherwise be recovered.

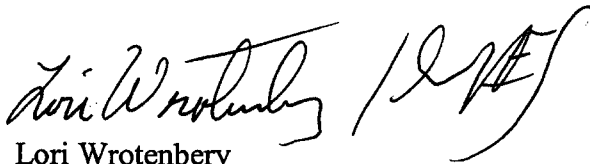
By the authority granted me under the provisions of Division Rule 104.F (2), the following described well to be drilled at an unorthodox "infill" oil well location within the SW/4 NW/4 (Unit E) of Section 16 is hereby approved:

Administrative Order NSL-4831 (SD)
Apache Corporation
January 22, 2003
Page 2

**State "C" Tract 12 Well No. 12
1330' FNL & 330' FWL.**

Further, both the existing State "C" Tract 12 Well No. 11 and the proposed State "C" Tract 12 Well No. 12 are to be simultaneously dedicated to the subject 40-acre unit.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

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