



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joan na Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

**Oil Conservation Division**

May 7, 2007

Apache Corporation  
c/o Mr. James Bruce  
P.O. Box 1056  
Santa Fe, New Mexico 87504

Attention: Mr. James Bruce, Attorney

Re: **State "DA" Well No. 26**  
**API No. N/A**  
**1330' FSL & 2630' FWL, Unit K,**  
**Section 16, T-21 South, R-37 East, NMPM,**  
**Lea County, New Mexico**

*Administrative Order NSL-5618*

Dear Mr. Bruce:

Reference is made to the following:

- (a) your application on behalf of Apache Corporation ("Apache" or "applicant") for a non-standard well location (*administrative application reference No. pCLP0712143162*) for the State "DA" Well No. 26 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on April 30, 2007;
- (b) copy of "Cooperative Well Agreement ( for the State "DA" Well No. 26)" executed by Apache;
- (c) copy of Communitization Agreement executed by Apache;
- (d) copy of approval of Communitization Agreement by the Commissioner of Public Lands for the State of New Mexico; and
- (e) the Division's records pertinent to your request.

The applicant requests approval of an unorthodox oil well location for its State "DA" Well No. 26 in the North Eunice Blinbry-Tubb-Drinkard Pool (Oil - 22900) which is to be drilled 1330 feet from the South line and 2630 feet from the West line (Unit K) of Section 16, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico. The NE/4 SW/4 of Section 16 is to be dedicated to the well in

the North Eunice Blinbry-Tubb-Drinkard Pool forming a standard 40-acre oil spacing and proration unit.

The North Eunice Blinbry-Tubb-Drinkard Pool is currently governed by special pool rules established by Division Order No. R-8539, and amended by Orders No. R-8539-A and R-8541-B. These rules require standard 40-acre spacing and proration units with wells to be located no closer than 330 feet to the outer boundary of the spacing unit.

Geologic and engineering evidence submitted by the applicant demonstrates that a well at the proposed unorthodox location can recover additional reserves that may otherwise not be recovered by existing wells surrounding this location.

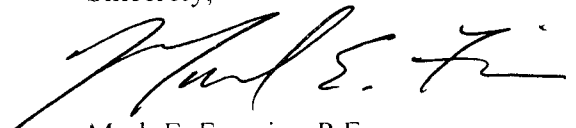
It is our understanding that State of New Mexico Lease No. B-85-16 encompasses the N/2 S/2 of Section 16, and that State of New Mexico Lease No. B-8105-3 encompasses the S/2 S/2 of Section 16. The "Cooperative Well Agreement (for the State "DA" Well No. 26)" specifies that 49.77% of the production from the subject well shall be allocated to State Lease No. B-85-16, and that 50.23% of the production from the subject well shall be allocated to State Lease No. B-8105-3.

Apache is the sole working interest owner of State of New Mexico Leases No. B-8105-3 and B-85-16. Consequently, there are no adversely affected offset operators and/or interest owners. The applicant was not required, and did not provide notice of this application to any party.

Division records show that there are currently two other wells producing from the North Eunice Blinbry-Tubb-Drinkard Pool within the NE/4 SW/4 of Section 16. These are the Apache Corporation State "DA" Well No. 2 (API No. 30-025-06616) and the State "DA" Well No. 22 (API No. 30-025-38230) (Completion Pending).

Pursuant to the authority granted under the provisions of Division Rule 19.15.3.104.F(2), the above-described unorthodox oil well location in the North Eunice Blinbry-Tubb-Drinkard Pool is hereby approved.

Sincerely,



Mark E. Fesmire, P.E.  
Division Director

MEF/drc

cc: State Land Office-Oil & Gas Division  
OCD-Hobbs