



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

February 5, 2003

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

Telefax No. (505) 982-2047

Administrative Order NSL-4837

Dear Mr. Kellahin:

Reference is made to the following: (i) your application (*application reference No. pKRV0-300352303*) dated January 2, 2003 on behalf of the operator Apache Corporation; (ii) the New Mexico Oil Conservation Division's ("Division") initial response by e-mail from Mr. Michael E. Stogner, Engineer/Chief Hearing Officer in Santa Fe on January 7, 2003 requesting additional information concerning affected offsetting parties; (iii) a letter dated January 8, 2003 from Mr. O. F. Hedrick with Campbell & Hedrick of Midland, Texas expressing reservations about the proposed depth of the proposed well that is the subject of this application; (iv) Mr. Stogner's letter dated January 14, 2003 requesting a response from Apache Corporation to both these concerns; (v) your initial response by letter dated January 15, 2003 with attachments showing that the additional required notice had been properly submitted; (vi) your second letter dated January 22, 2003 advising the Division of Apache Corporation's intent to abide to Campbell and Hedrick's request to limit the depth of its proposed well to 4,000 feet; and (vii) the Division's records in Santa Fe and Hobbs: all concerning Apache Corporation's request for an unorthodox Grayburg replacement oil well location within a former standard 40-acre oil spacing and proration unit in the Penrose Skelly (Grayburg) Pool (**50350**) comprising the NW/4 SW/4 (Unit L) of Section 17, Township 21 South, Range 37 East, NMPM, 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.

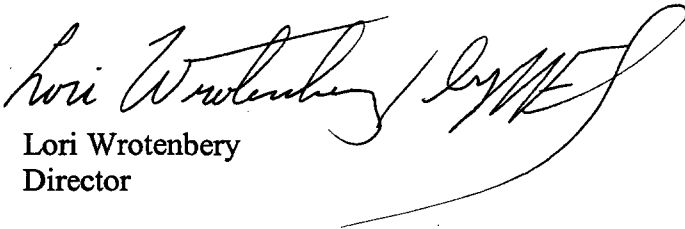
It is our understanding that initial development of Grayburg oil production within this 40-acre unit commenced in the 1937 when Continental Oil Company drilled and completed the Lockhart "A-17" Well No. 1 (**API No. 30-025-06636**) at a standard oil well location 1980 feet from the South line and 660 feet from the West line of Section 17. Penrose Skelly (Grayburg) oil production ceased in this well in May, 1986 and in April, 1998 this well was plugged and abandoned.

It is further understood that this replacement well at the proposed unorthodox oil well location will enable Apache Corporation to further develop and deplete the Grayburg reserves within this 40-acre unit 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 as a replacement Grayburg oil well within this former 40-acre unit at an unorthodox oil well location is hereby approved:

**Lockhart "A-17" Well No. 8
1480' FSL & 330' FWL.**

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery / kv".

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad
O. F. Hedrick, Campbell & Hedrick - Midland