

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

January 9, 2008

Mr. James Bruce
P.O.Box 1056
Santa Fe, NM 87504

Administrative Order NSL-5758

**Re: Apache Corporation
DC Hardy Well No. 11
990 feet FSL and 1540 feet FEL
Unit O, Section 20-21S-37E
Lea County**

Dear Mr. Bruce:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR07-33728660**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Apache Corporation (Apache), on November 30, 2007, and

(b) the Division's records pertinent to this request.

Apache has requested to drill the above-referenced well from the surface location described above to at an unorthodox Blinebry/Tubb/Drinkard bottom-hole oil well location, 990 feet from the South line and 1330 feet from the East line (Unit O) of Section 20, Township 21 South, Range 37 East, N.M.P.M., in Lea County, New Mexico. The SW/4 SE/4 of Section 20 will be dedicated to this well in order to form a standard 40-acre spacing unit in the Blinebry Oil & Gas Pool (6660), Tubb Oil & Gas Pool (86440) and Drinkard Pool (19190).

Spacing in the Blinebry Oil & Gas Pool is governed by the Special Rules and Regulation for the Blinebry Oil and Gas Pool, as provided in Order R-8170 issued on March 28, 1986, which provide that standard oil units shall consist of 40 acres, with wells located at least 330 feet from any unit outer boundary or quarter-quarter section line. Spacing in the Tubb Oil & Gas pool is governed by the Special Rules and Regulation for the Tubb Oil and Gas Pool, as provided in Order R-8170 issued on March 28, 1986, which provide that standard oil units shall consist of 40 acres, with wells located at least 330 feet from any unit outer boundary or quarter-quarter section line. The Drinkard Pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the eastern unit boundary.

Your application on behalf of Apache has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

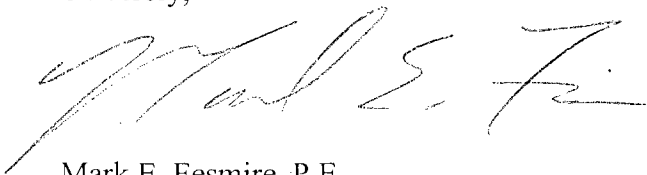
It is our understanding that this location is being requested because Apache's geologic interpretation indicates that the well can tap into stranded reserves located on the margins of existing spacing units that cannot be effectively drained by wells at standard locations.

It is also understood that notice of this application to offsetting operators or owners is unnecessary because working interest ownership in the unit towards which this location encroaches is identical with the subject unit.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire". The signature is fluid and cursive, with the first name "Mark" being the most prominent.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs