



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

October 31, 2003

Lori Wrotenberg

Director

Oil Conservation Division

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

Administrative Order NSL-4956 (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-328843241*) dated September 28, 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 SW/4 (Unit M) of Section 9, 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 Hawk "B-1" Well No. 19 (**API No. 30-025-35796**) located at a standard oil well location 660 feet from the South line and 425 feet from the West line of Section 9.

It is our understanding that the E/2 SW/4 and the SE/4 of Section 8 and the E/2 NW/4 and the S/2 of Section 9, both in Township 21 South, Range 37 East, NMPM, Penrose Skelly (Grayburg) Pool (**50350**), Lea County, New Mexico, comprise a single federal lease (U. S. Government lease No. NM-90161) with common mineral interest in which Apache Corporation is the leasehold operator; therefore, there are no adversely effected offsets to the subject 40-acre tract within the Grayburg interval.

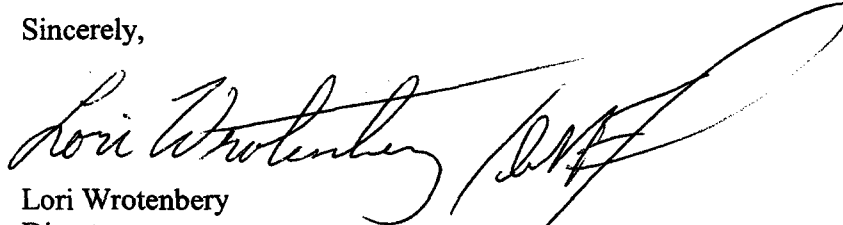
It is further understood that such unorthodox location is necessitated for geologic and engineering reasons in that this location is approximately equidistance to other offsetting Penrose Skelly (Grayburg) oil producers within this Federal lease. The proposed infill oil well location will enable Apache Corporation to further develop and deplete the Grayburg reserves within the Hawk "B-1" federal 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 SW/4 (Unit M) of Section 9 is hereby approved:

Hawk "B-1" Well No. 40
1310' FSL & 1280' FEL.

Further, both the existing Hawk "B-1" Well No. 19 and the proposed Hawk "B-1" Well No. 40 are to be simultaneously dedicated to the subject 40-acre unit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery", followed by a large, sweeping flourish that extends across the signature block and partially over the distribution list.

Lori Wrotenbery
Director

LW/mes

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad