

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
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Mark Fesmire
Division Director
Oil Conservation Division



March 11, 2009

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

Administrative Order NSP-1823-B

Re: Apache Corporation
Owen B Well No. 1 (API No. 30-025-06996)
Owen B Well No. 2 (API No. 30-025-06997)
Owen B Well No. 4 (API No. 30-025-06999)
Owen B Well No. 6 (API No. 30-025-34321)
Owen B Well No. 10 (API No. 30-025-35638)
Owen B Well No. 12 (API No. 30-025-37329)
SW/4 Section 34-21S-37E
Lea County, New Mexico

Dear Mr. Bruce:

Reference is made to the following:

(a) your application (**administrative application reference No. pKAA09-07554967**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on March 16, 2009, on behalf of Apache Corporation (Apache) [OGRID 873]; and

(b) the Division's records pertinent to Apache's request, including the Division's records pertaining to Administrative Orders NSP-1823 (L)(SD), SD-200103, and NSP 1823-A(L)(SD).

Apache has requested establishment of four non-standard 40-acre gas spacing and proration units in the Blinebry Oil and Gas Pool (6660) and in the Tubb Oil and Gas Pool (60240) consisting, respectively, of the NE/4 SW/4, the NW/4 SW/4, the SW/4 SW/4 and the SE/4 SW/4 of Section 34, Township 21' South, Range 37 East, NMPM, in Lea County, New Mexico.

Apache proposes to abolish the existing, 80-acre non-standard gas spacing unit in the Blinebry Oil and Gas Pool comprising the E/2 SW/4 of Section 34, established by Administrative Order NSP-1823-A(L)(SD), which is presently dedicated to the Owen B Well



No. 4 (API No. 30-025-06999), located in the SE/4 SW/4 (Unit N) of Section 34, and to the Owen B Well No. 6 (API No. 30-025-34321), located in the NE/4 SW/4 (Unit K) of Section 34. It is understood that this existing non-standard gas spacing unit cannot continue to be dedicated to these two wells because the Owen B Well No. 4 well is presently producing as an oil well, thereby violating the provision of Rule 2(a)3 of the Special Rules and Regulations of the Blinebry Oil and Gas Pool, as established by Order R-8170, effective March 28, 1985, which prohibits simultaneous dedication of any acreage in the Blinebry Oil and Gas Pool to a gas well and to an oil well.

The proposed non-standard gas spacing and proration units will be dedicated to the following wells:

NE/4 SW/4 Unit

Owen B Well No. 6. It is understood that this well is presently producing as a gas well from both the Blinebry and the Tubb formations, and is dedicated to the existing 80-acre non-standard gas unit, above-described, in the Blinebry, and to a standard 160-acre gas unit comprising the SW/4 of Section 34 in the Tubb.

NW/4 SW/4 Unit

Owen B Well No. 2 (API No. 30-025-06997). It is understood that this well is presently completed in the Tubb as a gas well, and is dedicated to a standard, 160-acre oil spacing unit comprising the SW/4. This well cannot continue to be produced while dedicated to this 160-acre unit because the Unit also includes the Owen B Well No. 12, which is producing as an oil well from the Tubb. Apache proposes to re-dedicate this well to the proposed non-standard, 40-acre NW/4 SW/4 unit in the Tubb.

Owen B Well No. 10 (API No. 30-025-35638). It is understood that this well is presently completed in the Blinebry as an oil well, and is dedicated to a standard, 40-acre oil spacing unit comprising the SW/4. Apache proposes to dedicate this well to the proposed non-standard, 40-acre NW/4 SW/4 gas spacing unit hereby established if and when such well is re-classified as a gas well.

SW/4 SW/4 Unit

Owen B Well No. 1 (API No. 30-025-06996). It is understood that this well is presently completed in the Blinebry as an oil well, and is dedicated to a standard, 40-acre oil spacing unit comprising the SW/4 SW/4.

Owen B Well No. 12 (API No. 30-025-37239). It is understood that this well is presently completed in both the Blinebry and the Tubb as an oil well, and is dedicated to standard, 40-acre oil spacing unit comprising the SW/4 SW/4.

Apache proposes to dedicate these wells to the non-standard 40-acre, SW/4 SW/4 gas spacing units hereby established if and when such wells are re-classified as gas wells.

SE/4 SW/4

Owen B Well No. 4. It is understood that this well is presently completed in the Blinebry as a gas well, and is dedicated to the existing non-standard, 80-acre E/2 SW/4 gas spacing unit established by Administrative Order NSP 1823-A(L)(SD), but is presently producing as an oil well. Apache proposes to dedicate this well to a standard 40-acre oil unit comprising the SE/4 SW/4 at this time, but to dedicate it to the non-standard 40-acre SE/4 SW/4 gas spacing unit hereby established if and when such well is re-classified as a gas well.

Your application on behalf of Apache has been duly filed under the provisions of Division Rules 15.11.B(2) and 4.12.A(3).

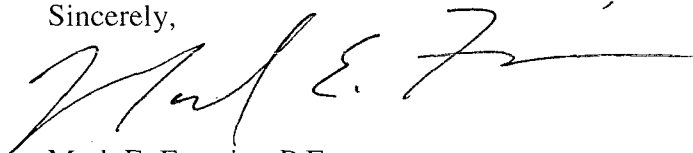
We understand that you are seeking the abolition of the existing 80-acre non-standard gas spacing and proration unit provided in Administrative Order NSP-1823-A(L)(SD), and the establishment of the proposed non-standard 40-acre gas units, in order to comply with pool rules prohibiting the simultaneous dedication of the same acreage to an oil well and a gas well.

No tract in the same quarter-quarter section as any of the proposed units is excluded from the proposed unit comprising that quarter-quarter section. It is understood that due notice of this application has been given to all owner in the SW/4 of Section 34 and to all operators or owners who are "affected persons" in all spacing units in the Blinebry Oil & Gas Pool and the Tubb Oil & Gas Pool that adjoin the SW/4 of Section 34.

Pursuant to the authority granted me under the provisions of Rule 15.11.B(2), Rule 4(b)2 of the Special Rules and Regulations for the Blinebry Oil and Gas Pool and the corresponding provision of the Special Rules and Regulations for the Tubb Oil and Gas Pool, this application is hereby granted. The non-standard gas spacing and proration unit comprising the E/2 of the SW/4 of Section 34, Township 21 South, Range 27 East, established by Administrative Order NSP-1823-A(L)(SD) is hereby abolished, and the above-described four non-standard 40-acre gas spacing and proration units are hereby approved. Notwithstanding the foregoing, however, **NOTHING IN THIS ORDER SHALL BE CONSTRUED TO PERMIT simultaneous dedication of any of the units hereby approved to an oil well and a gas well in the same producing formation, or to any combination of wells including an oil well and a gas well in the same producing formation.**

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

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division – Hobbs