

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



December 17, 2009

Apache Corporation
Attn: Ms. Michelle Hanson
6120 S. Yale, Suite 1500
Tulsa, OK 74136

Administrative Order NSL-6127

Re: Mark Owen Well No. 5
API No. 30-025-39558
1460 feet FSL and 1510 feet FWL
Unit L, Section 35-21S-37E
Lea County, New Mexico

Dear Ms. Hanson:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW09-33456675**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on November 30, 2009, and

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

Apache Corporation [OGRID 873] (Apache) has requested to drill the above-referenced well as a directional well; to the Blinebry, Tubb, Drinkard, Abo and Granite Wash formations. The well will be drilled from the surface location described in the caption of this letter to an unorthodox bottom hole location, 1355 feet from the South and West lines (Unit L) of Section 35, Township 21 South, Range 37 East, in Lea County, New Mexico.

The NE/4 SW/4 of Section 35 will be dedicated to this well in order to form a standard 40-acre, more or less, oil spacing unit in the Blinebry Oil and Gas Pool (Oil) (6660). Spacing in this 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. The proposed bottom hole location for this well in the Blinebry is less than 330 feet from the southern and western unit boundaries

The SW/4 of Section 35 will be dedicated to this well in order to form a standard 160-acre, more or less, gas spacing unit in the Tubb Oil and Gas Pool (Pro Gas) (86440). Spacing in



this pool is governed by the Special Rules and Regulations for the Tubb Oil and Gas Pool, as provided in Order R-8170 issued on March 28, 1986, which provide that standard gas units shall consist of 160 acres, any gas well to which a unit larger than 40 acres is dedicated shall be located at least 660 feet from any unit outer boundary and 330 feet from any quarter-quarter section line. The proposed bottom hole location for this well in the Tubb is less than 330 feet from the southern and western quarter quarter section boundaries.

The NE/4 SW/4 of Section 35 will be dedicated to this well in order to form a standard 40-acre, more or less, oil spacing unit in the Wantz-Abo Pool (62700) and the Wantz-Granite Wash Pool (62730). Spacing in these pools is governed by statewide Rule 15.9, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. The proposed bottom hole location for this well is less than 330 feet from the southern and western unit boundaries.

Your application has been duly filed under the provisions of Division Rules 15.13.C and 4.12.A(2).

It is our understanding that you are seeking this location for engineering reasons, in order to optimize drainage of the proposed units.

It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

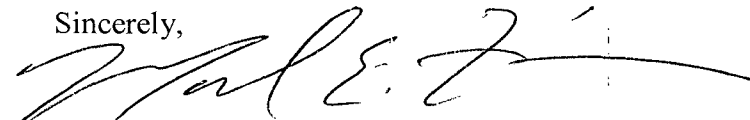
Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

The approval assumes that proposed well will produce as a gas well in the Tubb and as an oil well in the Blinebry. If this well tests as an oil well in the Tubb, IT SHALL NOT BE PRODUCED FROM THAT FORMATION until properly dedicated to a standard or approved non-standard oil unit. If this well tests as a gas well in the Blinebry, IT SHALL NOT BE PRODUCED FROM THAT FORMATION until properly dedicated to a standard or approved non-standard gas unit.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division – Aztec
United States Bureau of Land Management - Farmington