



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jon Goldstein
Cabinet Secretary

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Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



January 11, 2010

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

Administrative Order NSL-5758-A

**Re: Apache Corporation
DC Hardy Well No. 11
1310 feet FSL and 1250 feet FEL
Unit P, Section 20-21S-37E
Lea County**

Dear Ms. Hanson:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW09-36533414**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Apache Corporation (Apache), on December 31, 2009, and

(b) the Division's records pertinent to this request, including the Division's records pertaining to Administrative Order NSL-5758, issued on January 9, 2008.

Apache now requests to drill the above-referenced well vertically at an unorthodox Blinebry/Tubb/Drinkard/Abo oil well location, 1310 feet from the South line and 1250 feet from the East line (Unit P) of Section 20, Township 21 South, Range 37 East, N.M.P.M., in Lea County, New Mexico. We understand that this proposed location is being requested in lieu of the location approved for this well in Order NSL-5758. The SE/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), the Tubb Oil & Gas Pool (86440), the Drinkard Pool (19190) and the undesigned Wantz-Abo Pool (62700).



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. Spacing in the Drinkard Pool and in the Wantz-Abo 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 northern and eastern unit boundaries.

Your application 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 owned by a wholly owned subsidiary of Apache.

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 black ink, appearing to read "Mark E. Fesmire", with a stylized flourish at the end.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs