



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



January 27, 2010

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

Administrative Order NSP-1936-A-npt

Re: Walter Lynch Well No. 4 (API No. 30-025-09949)
Walter Lynch Well No. 6 (API No. 30-025-25131)
Walter Lynch Well No. 8 (API No. 30-025-25644)
Walter Lynch Well No. 10 [proposed] (API No. 30-025-39550)
NW/4 of Section 1
Township 22 South, Range 37 East, NMPM,
Lea County, New Mexico

Dear Ms. Hanson:

This order is issued *nunc pro tunc*, to correct clerical errors in Administrative Order NSP-1936, issued on December 22, 2009.

Reference is made to the following:

(a) your administrative non-standard proration unit (NSP) application (**administrative application reference No. pTGW09-33553315**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on December 1, 2009;

(b) your administrative simultaneous dedication (SD) application (**administrative application reference No. pTGW09-33554768**), submitted the same date; and

(c) the Division's records pertinent to Apache's request.

Non-Standard Proration Unit (NSP) Application for the Blinebry Oil and Gas Pool:

Apache Corporation [OGRID 873] has requested approval of four non-standard 40-acre gas spacing and proration units in the Blinebry Oil and Gas (Prorated Gas) Pool (72480) consisting, respectively, of the NE/4 NW/4 of Section 1, the NW/4 NW/4 of Section 1, the SW/4



NW/4 of Section 1 and the SE/4 NW/4 of Section 1, all in Township 22 South, Range 37 East, NMPM, in Lea County, New Mexico.

The SW/4 NW/4 unit will be dedicated to your existing Walter Lynch Well No. 8, which is producing as a gas well in the Blinebry formation at a location 1880 feet from the North line and 760 feet from the West line (Unit E) of Section 1. The NE/4 NW/4 unit will be dedicated to your proposed Walter Lynch Well No. 10, to be drilled at a location 990 feet from the North line and 1650 feet from the West line (Unit C) of Section 1. The NW/4 NW/4 and SE/4 NW/4 gas units will not be dedicated to any well at this time because there are producing Blinebry oil wells located on those tracts. However, you have requested that these units be authorized, so that they can be dedicated, respectively, to your existing Walter Lynch Well No. 4, located in Unit D of Section 1, and Walter Lynch Well No. 6, located in Unit F of Section 1, if and when either of those wells produces as a Blinebry gas well.

Spacing in this pool is governed by the Special Rules and Regulations for the Blinebry 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. Non-standard gas units consisting of less than 160 acres may be established by administrative order, but no unit or portion of a unit may be dedicated to both a producing gas well and a producing oil well in this pool.

Your NSP application 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 establishment of the proposed non-standard 120-acre units because your Walter Lynch Well No. 8 (API No. 30-025-25644), located in the SW/4 NW/4 of Section 1, is now classified as a gas well. However, portions of the NW/4 of Section 1 are dedicated to existing, producing oil wells in the Blinebry formation, thus precluding dedication of a standard 160-acre Blinebry gas unit to the Walter Lynch Well No. 8 unless the Walter Lynch Wells Nos. 4 and 6 are shut in.

It is further understood that no notice to owners within the NW/4 of Section 1 is required since ownership of all interest is uniform throughout that quarter section. It is also understood that due notice of this application has been given to all offsetting operators and owners pursuant to the Division's directive for this application.

Pursuant to the authority of Rule 15.11.B(2), the above-described non-standard 40-acre gas spacing and proration units are hereby approved; PROVIDED, HOWEVER, that nothing in this Order shall authorize the simultaneous dedication of any of the units hereby established to both a gas well and an oil well producing in the Blinebry formation.

Simultaneous Dedication Application – Tubb:

Apache Corporation [OGRID 873] has also requested approval to simultaneously dedicate the NW/4 of Section 1, Township 22 South, Range 37 East, NMPM, in Lea County, New Mexico, as a standard, 160-acre gas spacing and proration unit in the Tubb Oil and Gas (Prorated Gas) Pool (86440), to the following wells:

Walter Lynch Well No. 4 (API No. 30-025-09949), located 660 feet from the North line and 585 feet from the West line (Unit D) of Section 1;

Walter Lynch Well No. 6 (API No. 30-025-25131), located 2310 feet from the North line and 1980 feet from the West line (Unit N) of Section 35; and

Walter Lynch Well No. 10 (API No. 30-025-39550), to be located 990 feet from the North line and 1650 feet from the West line (Unit D) of Section 1.

Your request for simultaneous dedication cannot be granted at this time because the Walter Lynch Well No.4 and the Walter Lynch Well No. 6 are at locations that are unorthodox for a 160-acre gas unit under Rule 2(b) 1 of the Special Rules and Regulations for the Tubb Oil and Gas Pool. That provision requires that any gas well dedicated to a unit larger than 40 acres be located at least 660 feet from any outer boundary of the unit.

Accordingly, your simultaneous dedication (SD) request is hereby without prejudice.

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