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[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be	completed by an indi) vigual with mana	igerial and/or super	visory capacity.
	$A = \begin{bmatrix} A \end{bmatrix}$	111.	Attorney for	Applicant

James Bruce Print or Type Name

Signature

Title

Date

jamesbruc@aol.com e-mail Address

JAMES BRUCE ATTORNEY AT LAW

POST OFFICE BOX 1056 SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213 SANTA FE, NEW MEXICO 87501

(505) 982-2043 (PHONE) (505) 660-6612 (CELL) (505) 982-2151 (FAX)

jamesbruc@aol.com

RECEIVEL FEB 6 2004 Oil Conservation Division 1220 S. St. Francis Drive Santa Fe, NM 87505

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JAMES BRUCE ATTORNEY AT LAW

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jamesbruc@aol.com

February 6, 2005

Hand Delivered

Michael E. Stogner Oil Conservation Division 1220 South St. Francis Drive Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rule 104.F(2), Apache Corporation applies for administrative approval of an unorthodox oil well location for the following well:

<u>Well</u> :	State C Tract 12 Well No. 18
Location:	2590 feet FNL & 1270 feet FWL
Well Unit:	SW1/NW1/ of Section 16, Township 21 South, Range
	37 East, N.M.P.M., Lea County, New Mexico

The well will be drilled to test the Grayburg formation (Penrose Skelly (Grayburg) Pool), which is an oil pool spaced on 40 acres. (Under Commission Order R-98-B, there is no limiting gas:oil ratio in the pool.)

The SW¼NW¼ of Section 16 will be **simultaneously dedicated** to the proposed well and to the existing State C Tract 12 Well Nos. 3, 11, and 12, and applicant requests approval of the simultaneous dedication.

The application is based on geologic and engineering reasons. A complete discussion, with appropriate exhibits, is attached as Exhibit A. The proposed well will be located in the approximate center of six Grayburg wells. Based on drainage calculations and the low permeability of the reservoir, applicant believes that drilling the infill well will recover reserves which will not be recovered by the existing Grayburg wells.

Attached as Exhibit B is a land plat, highlighting the proposed well's location. The operating rights owners in the lease on which

the well is located, and in the offsetting lease, are as follows:

State Lease B-85-16 (N½SW½ §16) Apache Corporation

State Lease B-1557-1 (NW¼ §16) Apache Corporation

To allocate well costs and production equitably between the two leases, the operating rights owner and the Commissioner of Public Lands have approved a communitization agreement covering the S½NW¼ and N½SW¼ of Section 16. See Exhibit C. Production and costs are being allocated to the two leases based on hydrocarbon pore volume and an estimated 10 acre drainage area for the proposed well. This is done for purposes of allocation of production, and is <u>not</u> meant to change the 40 acre proration unit dedicated to the well. As a result, notice of this application need not be given to any offset.

Please call me if you need any further information on this matter.

Very truly yours,

James Bruc

Actorney for Apache Corporation

Application of Apache Corporation for administrative approval of an unorthodox well location:

40 acres – 2590' FNL & 1270' FWL Section 16, Township 21 South, Range 37 East, NMPM Lea County, New Mexico

PRIMARY OBJECTIVE: GRAYBURG

In support:

- Apache Corporation (Apache) is the operator of the proposed State C Tract 12 #18 well (Exhibit 1). The proposed total depth is 4125' in the San Andres formation.
- 2. The location is in the Penrose Skelly; Grayburg Oil Pool and encroaches toward the following wells (**Exhibit 2**).

OPER	WELL	LOC	RESERVOIR	CUM	DAILY
				O/G/W	O/G/W
Apache	St C Tr 12 #12	16-E	Grayburg	8/58/36	21/310/168
Apache	St C Tr 12 #11	16-E	Grayburg	23/205/38	36/294/38
Amoco	St C Tr 12 #3	16-E	Grayburg	22/181/9	0/0/0
Apache	St C Tr 12 #10	16-F	Grayburg	16/74/52	22/133/65
Apache	State DA #7	16-K	Grayburg	8/179/89	7/249/67
Apache	State DA #6	16-L	Grayburg	11/247/134	4/79/79

Oil in MBO	BOPD
Gas in MMCFG	MCFGPD
Water in MBW	BWPD

3. The proposed unorthodox **State C Tract 12 #18** Grayburg location of 2590' from north line and 1270' from west line is based on drainage considerations:

a) Grayburg Reservoir

The Grayburg is a series of alternating subtidal and supratidal dolomites, with the subtidal rock having porosity and hydrocarbons and the supratidal rock being tight. The Grayburg environments varied rapidly so that porous and tight intervals do not necessarily correlate well-to-well. Tight dolomite and/or anhydrite intervals within the Grayburg create vertical hydraulic barriers between different zones of porosity. Average porosity of the Grayburg is less than 10%, and average permeability is less than 1 millidarcy. Grayburg wells are thus not usually capable of draining the 40 Acre spacing unit.



The reservoir was analyzed by mapping Hydrocarbon Pore Volume (HCPV) (**Exhibit 3**). HCPV is the product of feet of pay (h) times average porosity (PhiA) times oil saturation (So). The map is the arithmetic product of grids interpreted from those values. The values were obtained as follows:

- 1. Net Pay was read either from modern neutron-density logs or estimated from a map developed from gross pay (clean dolomite) times net to gross ratio.
- 2. Average Porosity was calculated from modern well logs using a minimum of 6% crossplot porosity and a maximum of 20%.
- 3. Oil Saturation was calculated from a fractional flow curve using recent water cut values.

The following table provides drainage areas calculated from the HCPV map and reserves of the offsetting wells.

OPER	WELL	LOC	AREA A	EUR MBO	EUR MMCFG
Apache	St C Tr 12 #12	16-E	4	24	360
Apache	St C Tr 12 #11	16-E	19	23	345
Amoco	St C Tr 12 #3	16-E	6	22	181
Apache	St C Tr 12 #10	16-F	15	39	310
Apache	State DA #7	16-K	6	15	320
Apache	State DA #6	16-L	5	19	225

Reserves for the proposed location were calculated by planimetering the undrained area of the HCPV isopach which lies under a drainage circle (the size of which is the average of the direct offset drainage areas) centered on the proposed location. Any competitive drainage is shared between the proposed well and the existing offset wells. The results are as follows:

WELL	LOC	HCPV	AREA A	EUR MBO	EUR MMCFG
State C Tract 12 #18	16-E	3.08	10	32	384

4. Notice

a. Apache is the operator of the Grayburg wells toward which the proposed well will encroach and is also the only working interest owner.

5. Approval of this application will afford the interest owners in this spacing unit an opportunity to recover oil and gas which would not otherwise be recovered. Correlative rights of the offsetting units will be protected by a sharing agreement set forth in a letter agreement.

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EXHIBIT

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State of New Mexico Commissioner of Public Lands

310 OLD SANTA FE TRAIL P.O. BOX 1148 SANTA FE, NEW MEXICO 87504-1148

January 23, 2004

Apache Corporation Two Warren Place, Suite 1500 6120 South Yale Tulsa, Oklahoma 74136-4224 Fax (505) 827-5766 www.nmstatelands.org

COMMISSIONER'S OFFICE

Phone (505) 827-5760

IJAN 3 0 2004

Attn: Cindy McGee

Re:

PATRICK H. LYONS

COMMISSIONER

Communitization Agreement Approval (Grayburg) State C Tract 12 Well No. 18 S2NW4, and N2SW4, Section 16, Township 21 South, Range 37 East Lea County, New Mexico

Dear Ms. McGee:

The Commissioner of Public Lands has this date approved the State C Tract 12 Well No. 18 Communitization Agreement for the Grayburg formation for the S2NW4, and N2SW4, of Section 16, Township 21 South, Range 37 East, Lea County, New Mexico.

The effective date of this approval is December 5, 2003 and the term of the agreement is for one year, and so long thereafter as communitized substances are produced from the communitized area in paying quantities. Enclosed are five Certificates of Approval.

If we may be of further service, please contact Jeff Albers at (505) 827-5759.

Sincerely,

PATRICK H. LYONS COMMISSIONER OF PUBLIC LANDS

BY:

JAMI BAILEY, Director Oil, Gas & Minerals Division (505) 827-5744 PHL/JB/ja



NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

Apache Corporation State C Tract 12 Well No. 18 Lea County, New Mexico S2NW4, and N2SW4, Section 16, Township 21 South, Range 37 East Grayburg

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced agreement, dated **December 5, 2003** which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said agreement, the Commissioner finds:

(a)

That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.

(b)

(c)

That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.

That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.

(d)

That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 23rd day of January, 2004.

COMMISSIONER OF PUBLIC LANDS of the State of New Mexico