

**JAMES BRUCE**  
ATTORNEY AT LAW

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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)

[jamesbruce@aol.com](mailto:jamesbruce@aol.com)

11  
April 16, 2007

Mark E. Fesmire, P.E.  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

*New case - set 5/10*

Case No. 13,911

Dear Mr. Fesmire:

Enclosed is Apache Corporation's motion for emergency relief in the above matter. Please call me if you would like to discuss this motion.

Very truly yours,

  
James Bruce

Attorney for Apache Corporation

COPY

2007 APR 17 PM 1:52  
BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF APACHE CORPORATION  
TO AMEND THE SPECIAL RULES AND  
REGULATIONS FOR THE SOUTH EUNICE-  
SAN ANDRES POOL, LEA COUNTY, NEW MEXICO.

Case No. 13,911

MOTION FOR EMERGENCY ORDER

Apache Corporation applies for an order allowing it to produce certain wells, pending a full hearing in the above case, which exceed the well density requirements of the rules for the South Eunice-San Andres Pool (the "Pool"). In support thereof, applicant states:

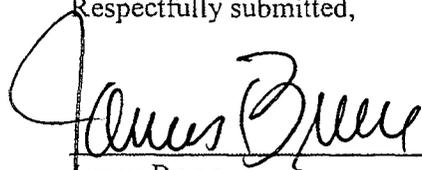
1. By letter dated March 15, 2007, the Division notified applicant that it had more than one well per quarter-quarter section on **three** 80 acre well units in the Pool. **Exhibit A.**
2. On April 3, 2007 applicant's representatives met with the Division to discuss resolution of this issue. At the meeting, applicant presented geological and engineering data to the Division that wells in the pool drain approximately 14 acres. As a result of the meeting, applicant filed Case No. 13,911 to amend the special rules and regulations for the Pool, to allow two wells to be located on each quarter-quarter section.
3. At the meeting, the Division informed applicant that it must shut-in the offending wells until an order is issued in Case No. 13,911.
4. On April 4, 2007, applicant wrote to the Division stating that it does not want to shut-in wells on **two** of the well units, because shutting them in pending hearing will cause loss of production capacity and reserves. **Exhibit B.** Thus, granting this motion will prevent waste.
5. Applicant requests that this motion be granted without hearing, as allowed by NMAC 19.15.14.1225(A).

6. Case No. 13,911 is set for the May 10<sup>th</sup> Examiner docket. If the Division desires a hearing before that date, applicant requests that the date and notice period be set by the Division pursuant to NMAC 19.15.14.1225(B).

7. The granting of this motion is in the interests of conservation, the prevention of waste, and the protection of correlative rights.

**WHEREFORE**, applicant requests that the Division grant the relief requested above.

Respectfully submitted,



James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Apache Corporation

VERIFICATION

STATE OF OKLAHOMA    )  
                                  ) ss.  
COUNTY OF TULSA     )

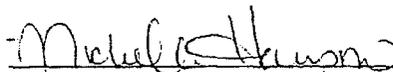
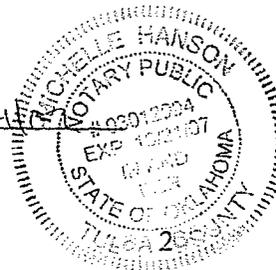
Clint Mills, being duly sworn upon his oath, deposes and states that: I am an engineer for Apache Corporation; I am authorized to make this verification on its behalf; I have read the foregoing statement, and know the contents thereof; and the same is true and correct to the best of my knowledge, information, and belief.



Clint Mills

SUBSCRIBED AND SWORN TO before me this 17 day of April, 2007 by Clint Mills.

My Commission Expires: 10/2/07



Notary Public

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 17th day of April, 2007 via hand delivery:

Gail MacQuesten  
Oil Conservation Commission  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

  
James Bruce



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

**Oil Conservation Division**

March 15, 2007

Apache Corp.  
6120 S. Yale, Suite 1500  
Tulsa, OK 74136  
[address of record]

## LETTER OF VIOLATION

Operator:

Apache Corp., OGRID 873

Facilities:

- 1) Wells located in a 79.54-acre South Eunice-San Andres Pool spacing and proration unit consisting of the N/2 NW/4 of Section 2, T22S, R37E, Lea Co.:
  - New Mexico S State #042, API 30-025-37245, 4-2-22S-37E
  - New Mexico S State #046, API 30-025-37603, 4-2-22S-37E
  - New Mexico S State #056, API 30-025-38120, 3-2-22S-37E
- 2) Wells located in an 80-acre South Eunice-San Andres Pool spacing and proration unit consisting of the S/2 NW/4 of Section 2, T22S, R37E, Lea Co.:
  - New Mexico S State #047, API 30-025-37607, E-2-22S-37E
  - New Mexico S State #050, API 30-025-37668, E-2-22S-37E
  - New Mexico S State #048, API 30-025-37608, F-2-22S-37E
  - New Mexico S State #049, API 30-025-37609, F-2-22S-37E
- 3) Wells located in an 80-acre South Eunice-San Andres Pool spacing and proration unit consisting of the N2 SW4 of Section 2, T22S, R37E, Lea Co.
  - New Mexico S State #053, API 30-025-37671, L-2-22S-37E
  - New Mexico S State #043, API 30-025-37335, L-2-22S-37E

Violation:

Well density requirements of Division Orders Nos. R-3706, and R-3706-A

Dear Operator:

The Oil Conservation Division (OCD) has reviewed its records for the South Eunice-San Andres Pool spacing and proration units identified above, and discovered that its records indicate that Apache Corp. (Apache) is producing at least one more well than it is allowed in each unit.

Order No. R-3706, made permanent by Order No. R-3706-A, established special pool rules for the South Eunice-San Andres Pool. Those rules include the following:

Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2 or S/2 of a governmental quarter section; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

The OCD interprets the special rules for the pool as permitting no more than one oil well in each quarter-quarter section of the unit.

Each of the three units at issue is a San Andres unit in of Section 2, Township 22 South, Range 37 East, in Lea County, New Mexico.

The first unit at issue consists of the north half of the northwest quarter. Apache has two wells located in the NW/4 NW/4.

The second unit at issue consists of the south half of the northwest quarter. Apache has two wells located in SW/4 NW/4 and two wells located in the SE/4 NW/4.

The third unit at issue consists of the north half of the southwest quarter. Apache has two wells located in the NW/4 SW/4.

Apache appears to be operating in violation of the spacing requirements of Orders Nos. R-3706 and R-3706-A. Please contact the OCD within ten days of the date of this letter to schedule a compliance conference to discuss the spacing of Apache wells in the South Eunice-San Andres Pool. Please be prepared to provide copies of any documents Apache contends allow it to produce more than two wells in each quarter-quarter section. Please also be prepared to discuss whether any other Apache units in the South Eunice-San Andres Pool violate the density requirements.

If the OCD determines that Apache knowingly and willfully violated the spacing requirements of Orders Nos. R-3706 and R-3706 the OCD may take further enforcement action.

Sincerely,



Daniel Sanchez, OCD Enforcement and Compliance Manager

Cc: Gail MacQuesten, OCD Attorney  
Will Jones, OCD Engineer  
Chris Williams, Division I  
Tim Gum, Division II  
Charlie Perrin, Division III

April 4, 2007

New Mexico Oil Conversation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Attn: Mr. Daniel Sanchez

**RE: Letter of Violation dated March 15, 2007  
New Mexico State "S" Lease  
Apache Corporation Operator, OGRID 873  
Section 2, T22S, R37E  
Lea County, New Mexico**

Gentlemen:

Reference is made to Oil Conversation Division's (OCD) letter dated March 15, 2007 and Apache Corporation's (Apache) meeting with Mr. Daniel Sanchez and Ms. Gail MacQuesten on April 3, 2007 pertaining to the New Mexico State "S" Lease. Pursuant to Apache's discussions with the OCD, this letter will represent Apache's request for an Emergency Order to allow Apache to continue producing the S/2NW/4 Section 2 Unit which includes the New Mexico State "S" #'s 047, 050, 048, and 049 wells and the N/2SW/4 Section 2 Unit which includes the New Mexico State "S" #'s 43 and 53 wells.

If Apache were forced to shut any of the aforementioned wells in, the result would mean loss of production capacity and reserves. As discussed in our meeting, the San Andres zone is comprised of several different stringers; some of these stringers contain hydrocarbons while some contain only water. By shutting in any of the violation wells, this will allow the wet stringers to flood our productive intervals which will end up pushing the hydrocarbons away from the well bore which can result in irreparable damage to the formation. An example of this is the New Mexico State "S" # 42 well. From December 2005 to September 2006, the well was averaging 125 BO/D and 175 MCF/D. The well was shut in for one (1) week in October 2006 due to bad weather. As a result, production from this well never fully recovered to pre-shut in production levels. Since October 2006 this well has averaged 75 BO/D and 100 MCF/D (see attached graph).

An exception to Apache's request for an Emergency Order to continue producing the S/2NW/4 and N/2SW/4 Section 2 Units is the N/2NW/4 Section 2 Unit. This unit can be brought into compliance by plugging back the San Andres zone in the New Mexico State "S" # 46 well as this zone has added only water, so much water that it has actually decreased our hydrocarbon production (see attached graph). Apache intends to plug back the San Andres zone in hopes of regaining our previous production rate thus making this well a Grayburg producer only.

EXHIBIT

**B**

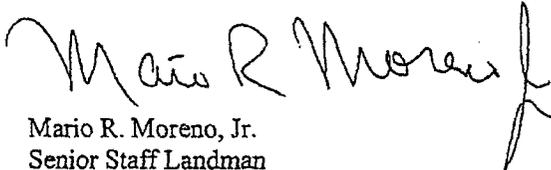
Page 2- New Mexico State "S" Lease

Since Apache did not knowingly or willfully violate the spacing requirements of Orders Nos R-3706 and R-3706-A, it does now acknowledge that it has been operating in violation of the spacing requirements of Orders Nos. R-3706 and R-3706-A. Given our most recent meeting and the discussions above, Apache hereby requests the OCD consideration in granting an Emergency Order which will allow Apache to continue producing the aforementioned violation wells until such time as Apache can obtain a hearing date as early in May as possible so as to provide evidence to the OCD to allow for two (2) producing wells per quarter/quarter section in a unit.

Please advise if the New Mexico Energy, Minerals and Natural Resources Department can grant Apache such a request for an Emergency Order as requested above or please advise as to what steps Apache will need to take in order to get said request reviewed by the proper governing authority.

Thank you for your attention in this matter and we look forward to your early response. Should you wish to discuss this matter or require any additional information, please do not hesitate calling the undersigned at (918) 491-4963.

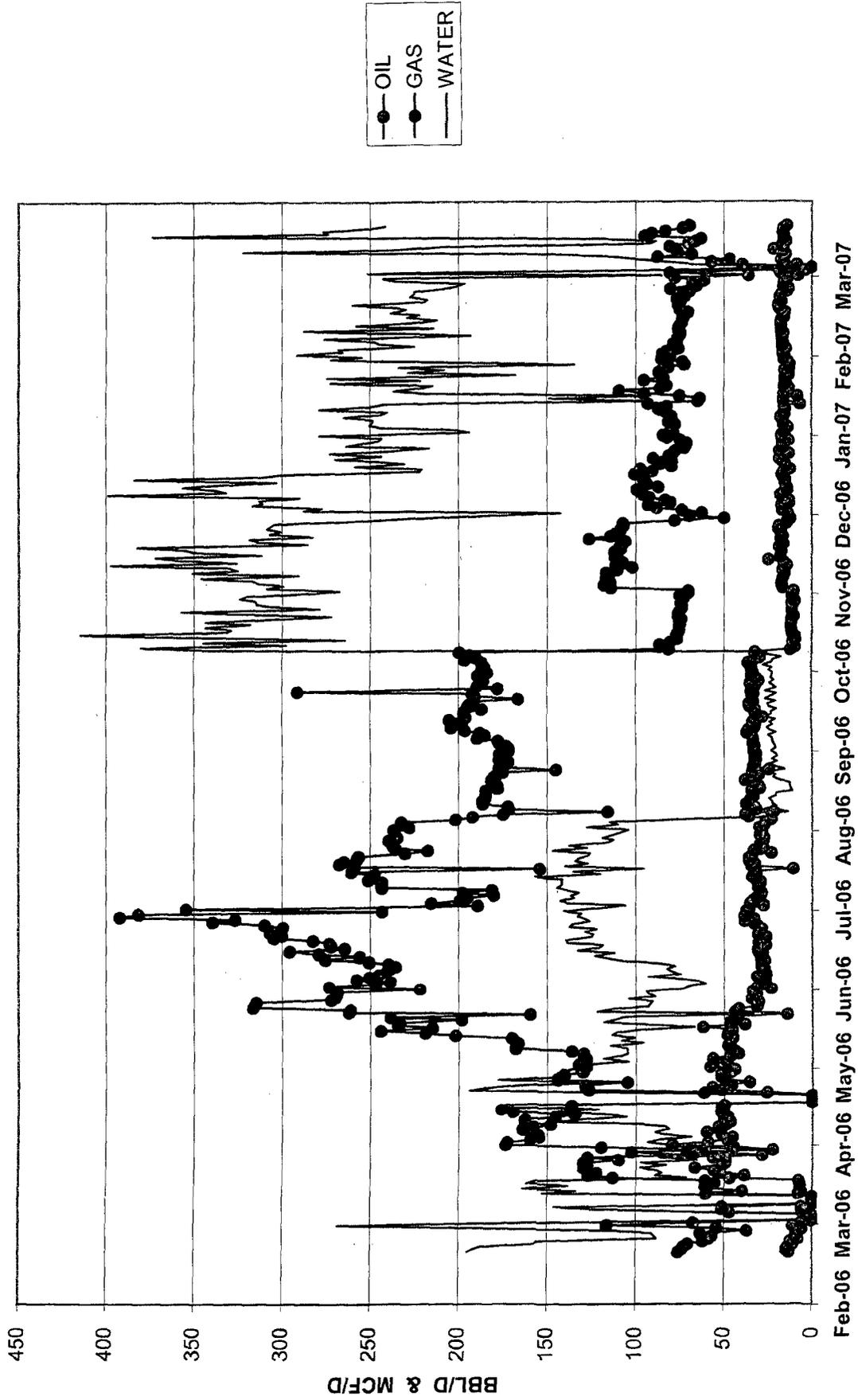
Yours truly,  
**APACHE CORPORATION**

A handwritten signature in black ink that reads "Mario R. Moreno, Jr." with a stylized flourish at the end.

Mario R. Moreno, Jr.  
Senior Staff Landman

Encls:

NM STATE S # 46



NM STATE S # 42

