Telephone (918) 491-4900 WWW.APACHECORP.COM

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

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

> Oil Conservation Division Case No.

Exhibit No.

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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 > Morea /

Mario R. Moreno, Jr. Senior Staff Landman

Encls: