



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

BETTY RIVERA

Cabinet Secretary

December 16, 2002

Lori Wrotenbery

Director

Oil Conservation Division

Apache Corporation

Attention: William "Greg" Beaty

Two Warren Place – Suite 1500

6120 South Yale

Tulsa, Oklahoma 74136-4224

Case 12986

Re: Administrative application (application reference No. pKRV0-234438285) for an exception to Rule 4 of the "Special Rules and Regulations for the Hobbs-Lower Blinebry Pool," as promulgated by Division Order No. R-9696, as amended, for Apache Corporation's existing (spud date, May 26, 2002) State "A" Well No. 6 (API No. 30-025-35304), located 990 feet from the North line and 1817 feet from the East line (Unit B) of Section 32, Township 18 South, Range 38 East, NMPM, Hobbs-Lower Blinebry Pool (31650), Lea County, New Mexico.

Dear Mr. Beaty:

Reference is made to your application filed with the New Mexico Oil Conservation Division ("Division") on December 10, 2002 and our telephone conversations on Thursday, December 12, 2002. From our conversations and the well file for the State "A" Well No. 6, it is the Divisions understanding that this well is currently completed in the Hobbs-Drinkard Pool (31730) and that Apache Corporation now intends to dually complete this well in both the Drinkard interval and the Hobbs-Lower Blinebry Pool. Both pools are currently governed under special pool-wide rules that require 80-acre oil spacing and proration units and for wells to be located within 150 feet of the center of a governmental quarter-quarter section. Both rules also allow for two producing wells within an 80-acre unit provided no more than one well is located within a single quarter-quarter section.

Pursuant to Rule 5 of the special pool rules governing the Hobbs-Drinkard Pool, Rule 5 of the special pool rules governing the Hobbs-Lower Blinebry Pool, and Division Rule 104.F (2), well location exceptions in these two pools may typically be granted for topographic and/or geologic reasons. You stated in your application:

"The State 'A' #6 well was drilled as a twin to the State 'A' #4 well. The #4 is active in the Upper Blinebry Pool (31680). It was necessary to move the #6 location sufficient distance away from the #4 to avoid interference in the drilling/completion process."

The Division's records in Santa Fe indicate that the referenced State "A" Well No. 4 (API No. 30-025-23076), located at a standard oil well location 660 feet from the North line and 2130 feet from the East line (Unit B) of Section 32, was initially drilled by Amerada Petroleum Corporation in 1969 and completed in the Hobbs-Blinebry Pool through perforations from 5912 feet to 5962 feet. The Hobbs-Blinebry Pool was redesignated the Hobbs-Upper Blinebry Pool (31680) by Division Order No. R-9696, issued in Case No. 10444 on July 17, 1992. Our records also show that this well produced 310,868 BO and 390,616 MCF of casinghead gas from 1992 to 1984 at which time this well was recompleted up-hole into the Hobbs-Paddock Pool (31860). In 1987 the well was shut-in and in 1992 was temporarily abandoned. Evidentially plans were made to recompleted this well in both the Hobbs-Lower Blinebry and Hobbs-Drinkard Pools, as evidenced by the issuance of Division Administrative Order SD-98-4, dated July 28, 1998. There is no indication however in the records this work ever occurred. Our records do show however that this well was recompleted again in the Hobbs-Upper Blinebry Pool in November, 2001 and is currently producing through

perforations from 5912 feet to 5966 feet.

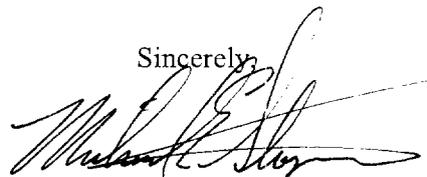
Your statement that the State "A" Well No. 6 is a "twin" to the State "A" Well No. 4 appears to be somewhat misleading and is very confusing. What factors make these two wells similar? Also no details were given as to why exactly it was necessary for the No. 4 and No. 6 wells to be 455 feet apart and what was the expected nature of this "interference." Your application for a location exception in the Lower-Blinebry interval is found to be incomplete. Also, since the rules applicable to the Hobbs-Drinkard Pool for this well do not appear to have been complied with by Apache Corporation or an exception has ever been requested, this matter will be placed on the next available docket for an Examiner's hearing scheduled for January 9, 2003. I have prepared the following advertisement in this matter:

"Application of Apache Corporation an unorthodox oil well location, Lea County, New Mexico. Applicant seeks exceptions to: (i) Rule 4 of the "Special Rules and Regulations for the Hobbs-Drinkard Pool" set forth in Division Order No. R-3811, as amended; and (ii) Rule 4 of the "Special Rules and Regulations for the Hobbs-Lower Blinebry Pool" set forth in Division Order No. R-9696, as amended, for the existing (spud on May 26, 2002) State "A" Well No. 6 (API No. 30-025-35304), located at an unorthodox infill oil well location for both the Hobbs-Drinkard (31730) and Hobbs-Lower Blinebry (31650) Pools 990 feet from the North line and 1817 feet from the East line (Unit B) of Section 32, Township 18 South, Range 38 East, NMPM Lea County, New Mexico. The N/2 NE/4 of Section 32, being a standard 80-acre lay-down oil spacing and proration unit for both pools, is currently dedicated to the applicant's State "A" Well No. 5 (API No. 30-025-23116) located at a standard oil well location for both zones 660 feet from the North and East lines (Unit A) of Section 32. The State "A" Well No. 6 is to be included within this existing 80-acre unit and will be a replacement well for Apache Corporation's State "A" Well No. 4 (API No. 30-025-23076), located at a standard oil well location for both zones 660 feet from the North line and 2130 feet from the East line (Unit B) of Section 32, which well was the subject of Division Administrative Order SD-98-04, dated July 28, 1998. This unit is located approximately one mile west of Hobbs, New Mexico."

Please provide adequate notice pursuant to Rule 1207 A (2) of the Division's Rules and Regulations for both intervals.

Should you have any questions concerning this matter, please contact your legal counsel, Mr. W. Thomas Kellahin in Santa Fe at (505) 982-4285.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
Kathy Valdes, NMOCD - Santa Fe/
W. Thomas Kellahin, Legal Counsel for Apache Corporation - Santa Fe



A note from...



Mr. Michael E. Stogner

Note to file 12986:

This packet of information
was the original affidavit
filed in this matter.

Please return.

November 21, 2002

State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505

Case 12986

RE: Application for a Non-Standard Location and Proration Unit
State A #6
Hobbs Field
Lower Blinebry Pool (31650)
Lea County, New Mexico

Apache Corporation would like to request administrative approval for a Non-Standard Location for the referenced well in the Hobbs Field, Lower Blinebry Pool. It is our understanding that 2 wells are allowed in this 80 Acre Oil Pool. Apache currently operates the State A #5 well, which is a downhole commingled Drinkard/Lower Blinebry producer. The Lower Blinebry production from the #5 well is from the Hobbs Field, Lower Blinebry Pool. The State A #6 will be the second well to produce from this pool.

To support our request, we submit the following information:

- 1) The State A #6 well was drilled as a twin to the State A #4 well. The #4 is active in the Upper Blinebry Pool (31680). It was necessary to move the #6 location sufficient distance away from the #4 to avoid interference in the drilling/completion process.
- 2) NM-OCD Form C-101 to Plug Back in the State A #6.
- 3) NM-OCD Form C-102 for the State A #6 well.
- 4) NM-OCD Form C-102 for the State A #5 well.
- 5) Plat of Section 32 with Apache's State A Acreage (Consisting of 80 Acres) outlined on the plat.

6) Copy of letter sent (by Certified Mail) to all offset operators.

If you should have any questions, or require any further information regarding this application, please contact me at 918-491-4978. Thank you for your consideration.

Sincerely,

APACHE CORPORATION

A handwritten signature in black ink that reads "William Greg Beaty". The signature is written in a cursive style with a large initial "W" and a distinct "B" at the end.

William "Greg" Beaty
Senior Production Engineer

Attachments

Cc: New Mexico Oil Conservation Division
District I
1625 N. French Dr.
Hobbs, New Mexico

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
Revised March 17, 1999

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Apache Corporation, 6120 South Yale, Suite 1500 Tulsa, OK 74136-4224		² OGRID Number 873
		³ API Number 30 - 025-35304
³ Property Code 26481	⁵ Property Name State "A"	⁶ Well No. 6

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	32	18S	38E		990	North	1817	East	Lea

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
⁹ Proposed Pool 1 Hobbs (Drinkard) - #31730					¹⁰ Proposed Pool 2 Hobbs (Lower Blinbry) - #31650				

¹¹ Work Type Code P	¹² Well Type Code 0	¹³ Cable/Rotary Pulling Unit	¹⁴ Lease Type Code P	¹⁵ Ground Level Elevation 3641
¹⁶ Multiple Y	¹⁷ Proposed Depth 7150'	¹⁸ Formation Drinkard	¹⁹ Contractor Unknown	²⁰ Spud Date Plug Back 01/13/03

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
See Initial Application					

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

See Attached

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.		OIL CONSERVATION DIVISION	
Signature: <i>Sarah Fagen</i>		Approved by:	
Printed name: Sarah Fagen		Title:	
Title: Engineering Tech		Approval Date:	Expiration Date:
Date: 11/21/02	Phone: 918-491-4816	Conditions of Approval: Attached <input type="checkbox"/>	

District I
 1625 N. French Dr., Hobbs, NM 88240
District II
 1301 W. Grand Avenue, Artesia, NM 88210
District III
 1000 Rio Brazos Rd., Aztec, NM 87410
District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

Form C-102
 Revised August 15, 2000
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-23116		² Pool Code 31650		³ Pool Name Hobbs Lower-Blinebry	
⁴ Property Code 26481		⁵ Property Name State "A"			⁶ Well Number 5
⁷ OGRID No. 000873		⁸ Operator Name Apache Corporateion			⁹ Elevation 3648

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	32	18S	38E		660	North	660	East	Lea

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 80	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

¹⁶ 	¹⁷ OPERATOR CERTIFICATION	
	<i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i>	
	 Signature	
	Tarah Fagen Printed Name Engineering Tech Title 11/23/02 Date	
¹⁸ SURVEYOR CERTIFICATION		
<i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i>		
Date of Survey Signature and Seal of Professional Surveyor:		
Certificate Number		

District I
1625 N. French Dr., Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 15, 2000
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-35304		² Pool Code 31730		³ Pool Name Hobbs Lower-Bliebray	
⁴ Property Code 26481		⁵ Property Name State "A"			⁶ Well Number 6
⁷ OGRID No. 000873		⁸ Operator Name Apache Corporateion			⁹ Elevation 3641

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	32	18S	38E		990	North	1817	East	Lea

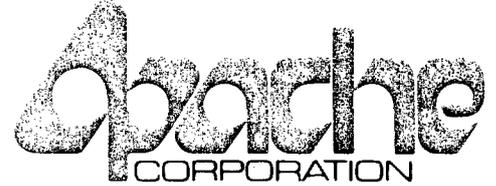
¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

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<p>¹⁶</p>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Tarah Fagen</i> Signature</p> <p>Tarah Fagen Printed Name</p> <p>Engineering Tech Title</p> <p>11/23/02 Date</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p>
	<p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p>
	<p>Certificate Number</p>



TWO WARREN PLACE, SUITE 1500 / 6120 SOUTH YALE / TULSA, OK 74136-4224

[918] 491-4900
FAX: [918] 491-4853
FAX: [918] 491-4854

November 21, 2002

Offset Operators

RE: Application for a Non-Standard Location
State A #6
Hobbs Lower Blinbry Pool (#31650)
Lea County, New Mexico

Attached please find a copy of an Application for a Non-Standard Location that Apache Corporation has filed with the New Mexico Oil Conservation Division. If you have an objection to this application, you must notify the OCD in writing within 20 days from the date of this letter.

Sincerely,

APACHE CORPORATION

A handwritten signature in cursive script that reads "Tarah Fagen".

Tarah Fagen
Engineering Tech

Attachments

WORKING INTEREST OWNERS
STATE A #6

Chevron USA, Inc.
P.O. Box 36366
Houston, TX 77236

Marathon Oil Company
P.O. Box 4814
Houston, TX 77210-4814

Occidental Permian LTD
P.O. Box 4294
Houston, TX 77210-4294

Saga Petroleum Limited Liability
415 W Wall St, Suite 1900
Midland, TX 79701-4417

Shell Oil Company
910 Louisiana Street
Houston, TX 77002-4916

Shell Western E&P Inc
P.O. Box 576
Houston, TX 77001-0576

Texland Petroleum, Inc.
777 Main St, Suite 3200
Fort Worth, TX 76102



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

July 28, 1998

Collins & Ware, Inc.
508 West Wall Avenue - Suite 1200
Midland, Texas 79701-5076
Attention: Dianne Sumrall

Administrative Order SD-98-4

Dear Ms. Sumrall:

Reference is made to your letter dated June 4, 1998. Collins & Ware, Inc. is hereby authorized to simultaneously dedicate oil production from both the Hobbs-Drinkard and Hobbs-Lower Blinebry Pools to a standard 80-acre oil spacing and proration unit for both pools that comprises the N/2 NE/4 of Section 32, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico, from its:

(a) State "A" Well No. 4 (API No. 30-025-23076)
located at a standard oil well location 660 feet from the North line
and 2130 feet from the East line (Unit B) of Section 32; and,

(b) State "A" Well No.5 (API No. 30-025-23116)
located at a standard oil well location 660 feet from the North and
East lines (Unit A) of Section 32.

Further, Collins & Ware, Inc. is permitted to produce the allowable assigned both of the subject 80-acre units from both its respective wells in any proportion.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe