



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 24, 2005

Apache Corporation
c/o **James Bruce**
P. O. Box 1056
Santa Fe, New Mexico 87504

Administrative Order NSL-4831-B

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-508151377*) on behalf of the operator, Apache Corporation ("Apache"), submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe on February 21, 2005; and (ii) the Division's records in Santa Fe, including the files on Division Administrative Orders NSL-4831 (SD) and NSL-4831-A (SD) and in Division Case No. 13256, resulting in the issuance of Order No. R-12190 on August 12, 2004: all concerning Apache Corporation's request to include the San Andres formation within the well bore of its existing State "C" Tract 12 Well No. 18 (API No. 30-025-36614), at an unorthodox oil well location 2590 feet from the North line and 1270 feet from the West line (Unit E) of Section 16, Township 21 South, Range 37 East, NMPM, East Hare-San Andres Pool (96601), Lea County, New Mexico.

By Division Administrative Order NSL-4831-A (SD), dated February 26, 2004, Apache received authorization to drill and complete its State "C" Tract 12 Well No. 18 at an unorthodox infill oil well location within an existing 40-acre oil spacing and proration unit in the Penrose Skelly (Grayburg) Pool (50350) comprising the SW/4 NW/4 (Unit E) of Section 16. Division Administrative Order NSL-4831-A (SD) also contained provisions for the distribution of proceeds attributed to Penrose Skelly (Grayburg) oil production from the State "C" Tract 12 Well No. 18 be allocated in the following manner:

- (a) 54.81% to be attributed to the subject State "C" Tract 12 lease (State lease No. B-1557-1) comprising the NW/4 of Section 16; and
- (b) 45.19% to be attributed to Apache's offsetting State "DA" lease (State lease No. B-85-16) comprising the N/2 SW/4 of Section 16.

The immediate application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described State "C" Tract 12 Well No. 18 also located at an unorthodox oil well location within East Hare-San Andres Pool is hereby approved.

For the Division's production reporting, prorationing, and well spacing purposes, San Andres oil production from this well is to be dedicated to the SW/4 NW/4 (Unit E) of Section 16, being the initial well within a standard 40-acre oil spacing and proration unit in the East Hare-San Andres Pool.

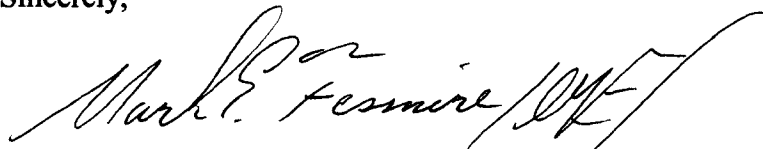
HOWEVER, the distribution of proceeds from East Hare-San Andres oil production from Apache's above-described State "C" Tract 12 Well No. 18 are also to be allocated in the following manner:

(a) 54.81% to be attributed to the subject State "C" Tract 12 lease (State lease No. B-01557-1) located in Section 16; and

(b) 45.19% to be attributed to Apache's offsetting State "DA" lease (State lease No. B-85-16) to the south also in Section 16.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MES/ms

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
Files: NSL-4831 (SD)
NSL-4831-A (SD)