

State C Tract 12 #17

DATE IN 2-21-2005	SUSPENSE 3-14-2005	ENGINEER MES	LOGGED IN ms	TYPE NSL	APP NO. DME50-308148420
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] TYPE OF APPLICATION - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
- [D] Other: Specify _____

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 Oil Conservation Division
 1220 S. St. Francis Drive
 Santa Fe, NM 87505

- [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply
- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[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 individual with managerial and/or supervisory capacity.

James Bruce		Attorney for Applicant	2/20/05
Print or Type Name	Signature	Title	Date
		jamesbruc@aol.com	
		e-mail Address	

JAMES BRUCE
ATTORNEY AT LAW

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SANTA FE, NEW MEXICO 87504

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jamesbruc@aol.com

February 21, 2005

Hand Delivered

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

Re: Request to Amend Division Administrative Order NSL-4957-A(SD) to include the San Andres formation

Dear Mr. Stogner:

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

<u>Well:</u>	State C Tract 12 Well No. 17
<u>Location:</u>	1310 feet FNL & 2590 feet FWL
<u>Well Unit:</u>	NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 16, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico

The well was originally drilled to and completed in the Grayburg formation (Penrose Skelly (Grayburg) Pool). The Grayburg unorthodox location was approved by NSL-4957-A(SD).

The well is in the East Hare-San Andres (Oil) Pool,¹ which is developed on statewide rules, with 40 acre spacing and wells to be located no closer than 330 feet to a quarter-quarter section line.

The application is based on several reasons: (1) the well was drilled to the Grayburg, with a "tail" in the San Andres formation, and thus testing the San Andres will be very economical; and (2) applicant's other San Andres wells in this township indicate that there are San Andres reserves underlying this lease. A complete discussion, with appropriate exhibits, is attached as Exhibit A.

¹ See Division Order No. R-12190.

Applicant has an ongoing program to drill infill Grayburg (and other) wells in this township, and the San Andres, which lies immediately below the Grayburg, can be accessed at a low cost. In some cases it may not be economically feasible to drill a stand alone San Andres well, and completing the wells in both zones makes the wells more economical and extends their lives, thus preventing waste and protecting correlative rights.

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-1732-1 (Harry Leonard NCT-E State Lease)
Chevron Texaco Inc.

State Lease B-1557-1 (State C Tract 12 Lease)
Apache Corporation

For purposes of allocation of production, the Commissioner of Public Lands previously approved a communitization agreement covering the W $\frac{1}{2}$ NE $\frac{1}{4}$ and E $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 16, which was submitted with the original application. The communitization agreement has now been amended to include the San Andres formation, as shown on Exhibit C. **Please note that the distribution of proceeds of production from the San Andres formation will be the same as that in the Grayburg formation.** The agreement is for purposes of allocation of production, and is not meant to change the 40 acre proration unit dedicated to the well. Because all interest owners have approved this application and the communitization agreement, notice has not be given to anyone.

APPLICANT ALSO REQUESTS APPROVAL OF SIMULTANEOUS DEDICATION IN THE SAN ANDRES FORMATION WITH THE STATE C TRACT 12 WELL NO. 15, LOCATED 1240 FEET FNL AND 1400 FEET FWL OF SECTION 16.

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

Very truly yours,


James Bruce

Attorney for Apache Corporation

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

40 acres – 1310' FNL & 2590' FWL
 Section 16, Township 21 South, Range 37 East, NMPM
 Lea County, New Mexico

PRIMARY OBJECTIVE: SAN ANDRES

In support:

1. Apache Corporation (Apache) is the operator of the **State C Tract 12 #17** well. The total depth drilled is 4355' in the San Andres formation. The well is currently perforated in and productive from the Grayburg.
2. The well was drilled in the Penrose Skelly; Grayburg Oil Pool with a "tail" into the San Andres Formation. Administrative Order NSL-4957-A was issued for the Grayburg reservoir. Order R-12190 now extends the East Hare San Andres Oil Pool over this location. As to the San Andres reservoir, the location encroaches toward the following well (**Exhibit 1**):

OPER	WELL	LOC	RESERVOIR	CUM O/G/W	DAILY O/G/W
Apache	State C Tr 12 #15	16-C	San Andres	0/12/7	8/216/118

MBO BOPD
 MMCFG MCFGPD
 MBW BWPD

3. The unorthodox **State C Tract 12 #17** San Andres location of 1310' from north line and 2590' from west line is based upon wellbore availability.
 - a. **Exhibit 2** (San Andres Net Pay) illustrates that sufficient reservoir is present to contain and produce commercial amounts of hydrocarbons.
 - b. Oil production from the San Andres is newly established in the immediate area. Drilling a separate well for these reserves is not economically prudent.
 - c. The following table provides drainage areas calculated from the net pay map and reserves of offsetting San Andres well.

WELL	LOC	AREA A	EUR MBO	EUR MMCFG
State C Tr 12 #15	16-C	40	21	1050



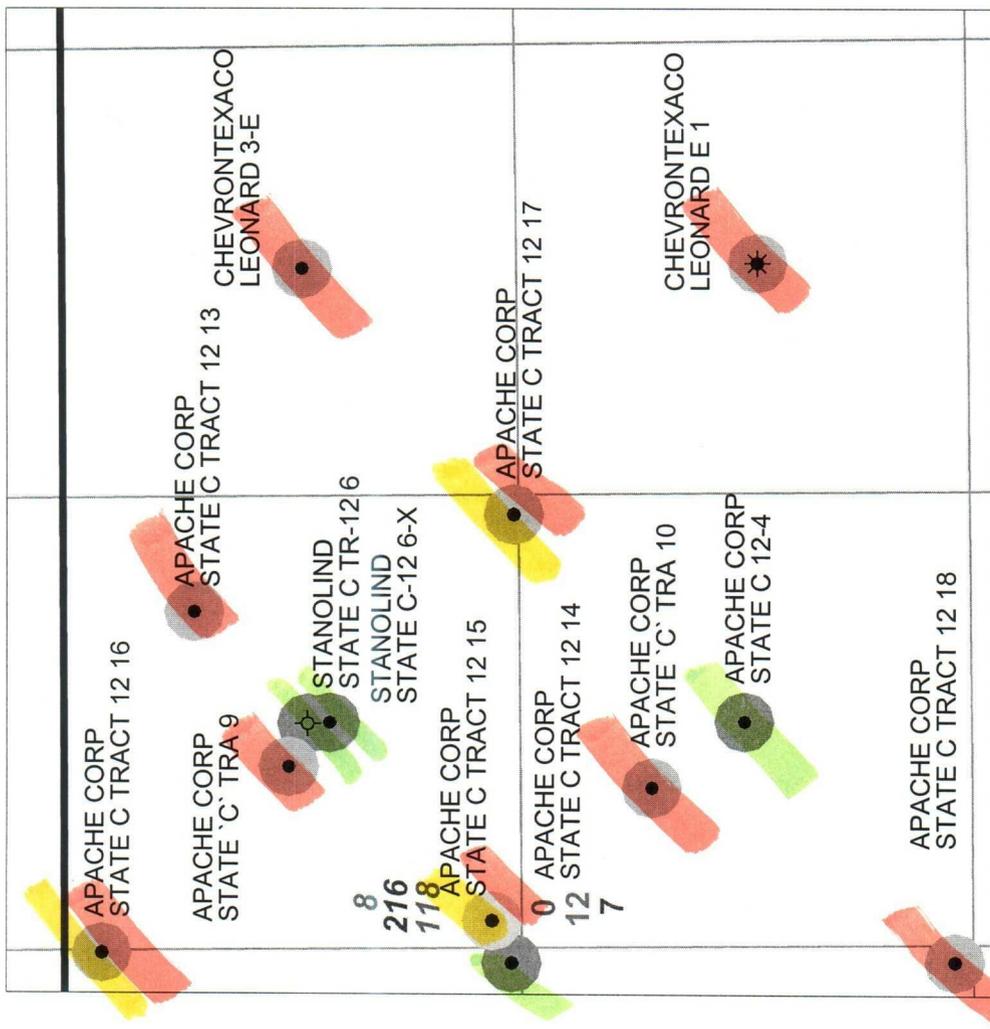
d) Volumetrics and reserves for the **State C Tract 12 #17** are:

WELL	LOC	AREA A	EUR MBO	EUR MMCFG
State C Tract 12 #17	16-C	40	21	1050

4. Notice

a. Apache will be the operator of all San Andres wells to the west toward which the **State C Tract 12 #17** would encroach. ChevronTexaco will be the operator of all San Andres wells to the east toward which the well would encroach. The State C Tract 12 Lease covers the NW/4 Section 16 and the Leonard Lease covers the NE/4 Section 16. Interest ownership in the **State C Tract 12 # 17** being Apache Corp, ChevronTexaco, in the San Andres formation is common in the lease. Therefore, there are no adversely affected parties, and no one was notified of this application.

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.



WELL SYMBOLS

- Location Only
- Oil Well
- ☀ Gas Well
- ⊖ Dry

POSTED WELL DATA

- OPERATOR WELL LABEL
- CURRENT BOPD
- CURRENT MCFD
- CURRENT BWPD
- MBO
- MMCFG
- MBW



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

CENTRAL REGION

STATE C TR. 12 #17

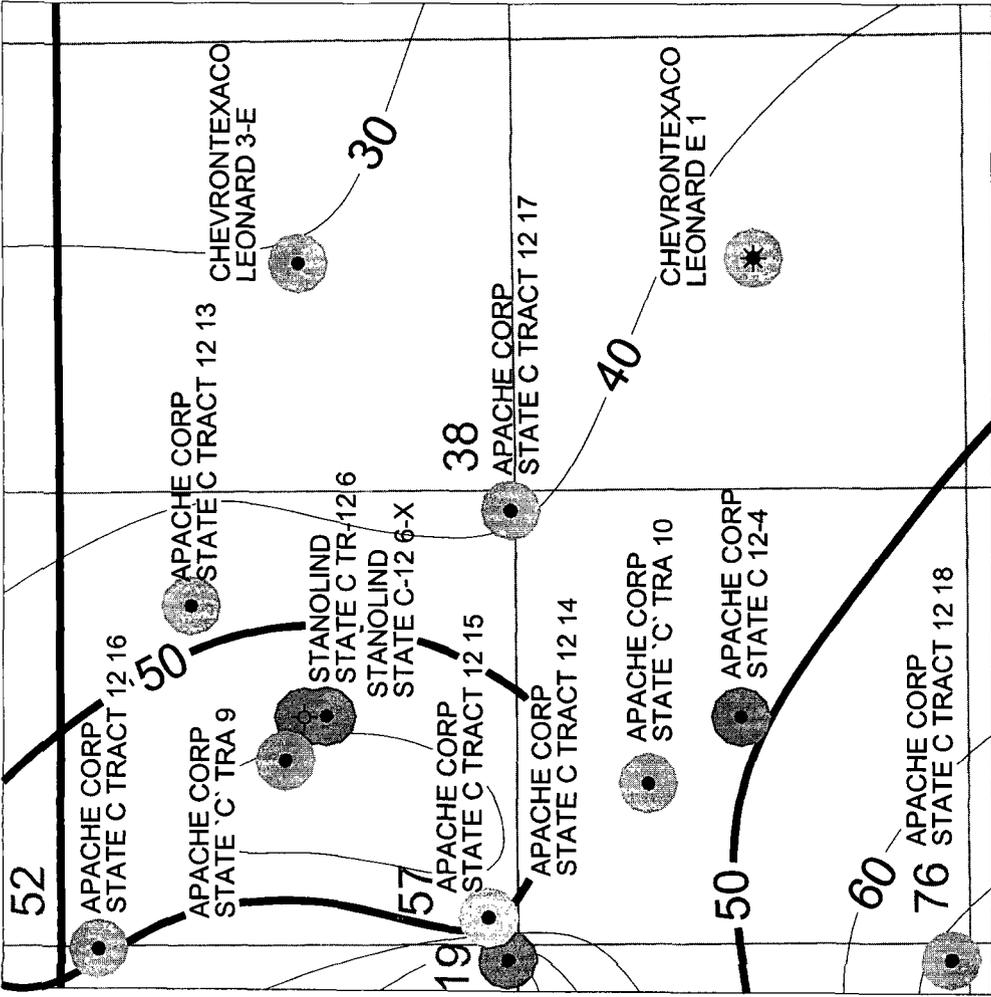
SEC 16-T21S-R37E
LEA COUNTY, NEW MEXICO

EXHIBIT 1
WELL INFORMATION

DATE: 5/26/04 DWG: PROD (CURTIS)OCD-NM/2004 SAN ANDRES)

- BLINEBRY-TUBBS-DRINKARD
- ABO
- LOWER PALEOZOIC
- YATES-SEVEN RIVERS-QUEEN
- GRAYBURG
- SAN ANDRES





POROSITY \geq 6%
 GAMMA RAY \leq 30 APIU
 WATER SATURATION \leq 50%

WELL SYMBOLS

- Location Only
- Oil Well
- ☀ Gas Well
- Dry

POSTED WELL DATA

SAN ANDRES ● OPERATOR
NET PAY ● WELL LABEL

	TWO WARREN PLACE, SUITE 1500 6120 SOUTH YALE TULSA, OKLAHOMA 74136-4224
	CENTRAL REGION
STATE C TR. 12 #17	
SEC 16-T21S-R37E LEA COUNTY, NEW MEXICO	
EXHIBIT 2 SAN ANDRES NET PAY	
DATE: 5/26/04	DWG: PROD (CURTIS/OCD-NM/2004 SAN ANDRES)



PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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

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TUL.
LAND DEPT.

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

www.nmstatelands.org

November 8, 2004

Apache Corporation
Two Warren Place, Suite 1500
6120 South Yale
Tulsa, Oklahoma 74136-4224

Attn: Mario R. Moreno, Jr.

Re: Communitization Agreement Approval: Amendment
State C Tract 12 Well No. 17
W2NE4, and E2NW4, Section 16, Township 21 South, Range 37 East
Lea County, New Mexico

Dear Mr. Moreno:

The Commissioner of Public Lands approved the State C Tract 12 Well No. 17 Communitization Agreement for the Grayburg formation for the W2NE4, and E2NW4, Section 16, Township 21 South, Range 37 East, Lea County, New Mexico on January 23, 2004, effective December 5, 2003.

You have requested by letter dated November 4, 2004, that the San Andres formation be added as a communitized interval to the existing Grayburg formation. You have included with your request the appropriate ratification(s) required to process this request.

Therefore, the Communitization Agreement has been amended to reflect the change referenced above. The effective date of the agreement will remain unchanged from the referenced date in the original approval, December 5, 2003. Also enclosed you will find five amended Certificates of Approval reflecting the change noted above.



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

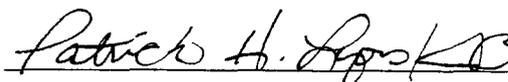
Apache Corporation
State C Tract 12 Well No. 17
Lea County, New Mexico
W2NE4, and E2NW4, Section 16, Township 21 South, Range 37 East
Grayburg and San Andres (AMENDED)

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) 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.
- (c) 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 **8th day of November, 2004**.



COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico