



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

January 13, 2006

Mark Fesmire

Director

Oil Conservation Division

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

Administrative Order NSL-5326 (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your initial applications filed on behalf of the operator, Apache Corporation, and submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on August 15, 2005 (***administrative application reference Nos. pSEM0-522746044 and pSEM0-522746168***); (ii) the Division's first response by Mr. Michael E. Stogner, Staff Engineer in Santa Fe, New Mexico, by e-mail sent on Monday, September 19, 2005; (iii) Mr. Stogner's second response by letter dated October 28, 2005 **denying** both applications; (iv) your amended application (***administrative application reference No. pMES0-601339186***) dated December 18, 2005 that also consolidated the two previous filings; and (v) the Division's records in Hobbs and Santa Fe, including the files on Division Administrative Orders NSL-4923, NSL-5142, NSL-5254, and NSL-5280 (SD): all concerning Apache Corporation's request to drill the following two wells as infill oil wells in both the Drinkard (Oil) Pool (19190) and Blinebry Oil and Gas Pool (6660) at unorthodox locations within the NW/4 SE/4 (Unit J) of Section 9, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico:

- (a) Hawk "B-1" Well No. 47
1330' FSL & 2400' FEL; and
- (b) Hawk "B-1" Well No. 48
1440' FSL & 1332' FEL.

Your amended application for Apache Corporation for both wells has been duly filed under the provisions of: (i) Division Rules 104.F and 1207.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005]; and (ii) the "*Special Rules and Regulations for the Blinebry Oil and Gas Pool*", as promulgated by Division Order No. R-8170, as amended.

Oil production from the Drinkard (Oil) and Blinebry Oil and Gas Pools is to be included within an existing standard 40-acre oil spacing and proration unit for both pools comprising the NW/4 SE/4 (Unit J) of Section 9, which production is currently dedicated to Apache Corporation's dually completed Hawk "B-1" Well No. 2 (API No. 30-025-06438), located at a standard oil well location 1980 feet from the South and East lines of Section 9.

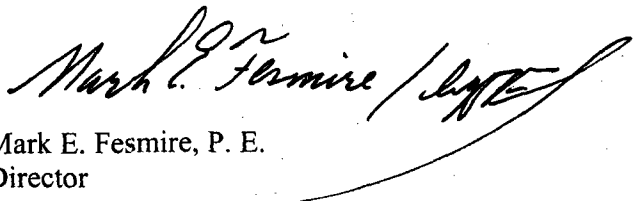
It is the Division's understanding that the E/2 SW/4 and the SE/4 of Section 8 and the E/2 NW/4 and the S/2 of Section 9, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, comprises a single federal lease (*U. S. Government lease No. NM-90161*) with common mineral interests in which Apache Corporation is the leasehold operator; therefore, there are no adversely affected interests to the proposed 40-acre oil spacing and proration unit within these two oil-bearing intervals.

Approval of the proposed unorthodox oil well location request should enable Apache Corporation to further develop and deplete oil reserves from both the Blinebry and Drinkard intervals within its Hawk "B-1" federal lease that might not otherwise be recovered.

By the authority granted me under the provisions of Division Rules 104.F (2) and the applicable provisions of the special pool rules governing the Blinebry Oil and Gas Pool, the above-described unorthodox oil well locations of Apache Corporation's proposed Hawk "B-1" Wells No. 47 and 48 are hereby approved for the Drinkard (Oil) and Blinebry Oil and Gas Pools.

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

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs
U. S. Bureau of Land Management – Carlsbad
File: NSL-4923
NSL-5142
NSL-5254
NSL-5280 (SD)