



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

June 5, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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

Administrative Order NSL-5386 (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-611843921*) dated April 28, 2006 and filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on behalf of the operator Apache Corporation; and (ii) the Division's records in Santa Fe: all concerning their request to drill the Hawk "A" Well No. 20 1510 feet from the North line and 1370 feet from the East line (Unit G) in Section 8, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, in order to test the: (i) deeper San Andres formation for gas within the NW/4 of Section 8, being a standard 160-acre gas spacing unit for the Undesignated North Eunice-San Andres Gas Pool (76520); and (ii) shallower Grayburg formation for oil within the SW/4 NE/4 of Section 8, being a standard 40-acre oil spacing and proration unit within the Penrose Skelly (Grayburg) Pool (96601).

Your application for Apache Corporation has been duly filed under the provisions of Division Rules 104.F and 1210.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].

Pursuant to Division Rule 104.C (3) the proposed location is considered to be standard for the 160-acre San Andres gas test, but, pursuant to Division Rule 104.B (1) is unorthodox within the corresponding 40-acre Grayburg oil unit.

This 40-acre Grayburg unit is currently dedicated to Apache Corporation's Hawk "A" Well No. 10 (API No. 30-025-35803), located at a standard oil well location 2100 feet from the North and West lines of Section 8.

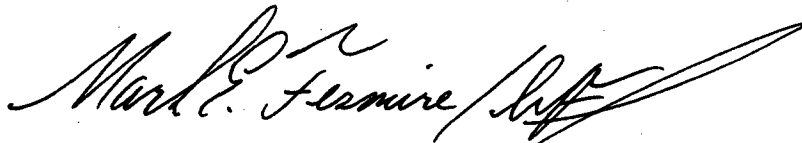
It is the Division's understanding that the NE/4 of Section 8, is included within a single fee lease with common ownership in which Apache Corporation is the leasehold operator; therefore, there are no adversely affected interests to the proposed 40-acre oil spacing and proration unit within the Grayburg interval.

By the authority granted me under the provisions of Division Rule 104.F (2) the above-described unorthodox infill Penrose Skelly (Grayburg) oil well location for Apache Corporation's proposed Hawk "A" Well No. 20 is hereby approved.

Further, both the existing Hawk "A" Well No. 10 and proposed Hawk "A" Well No. 20 are to be simultaneously dedicated to the subject 40-acre unit within the Penrose Skelly (Grayburg) Pool.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire" followed by a stylized flourish.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs