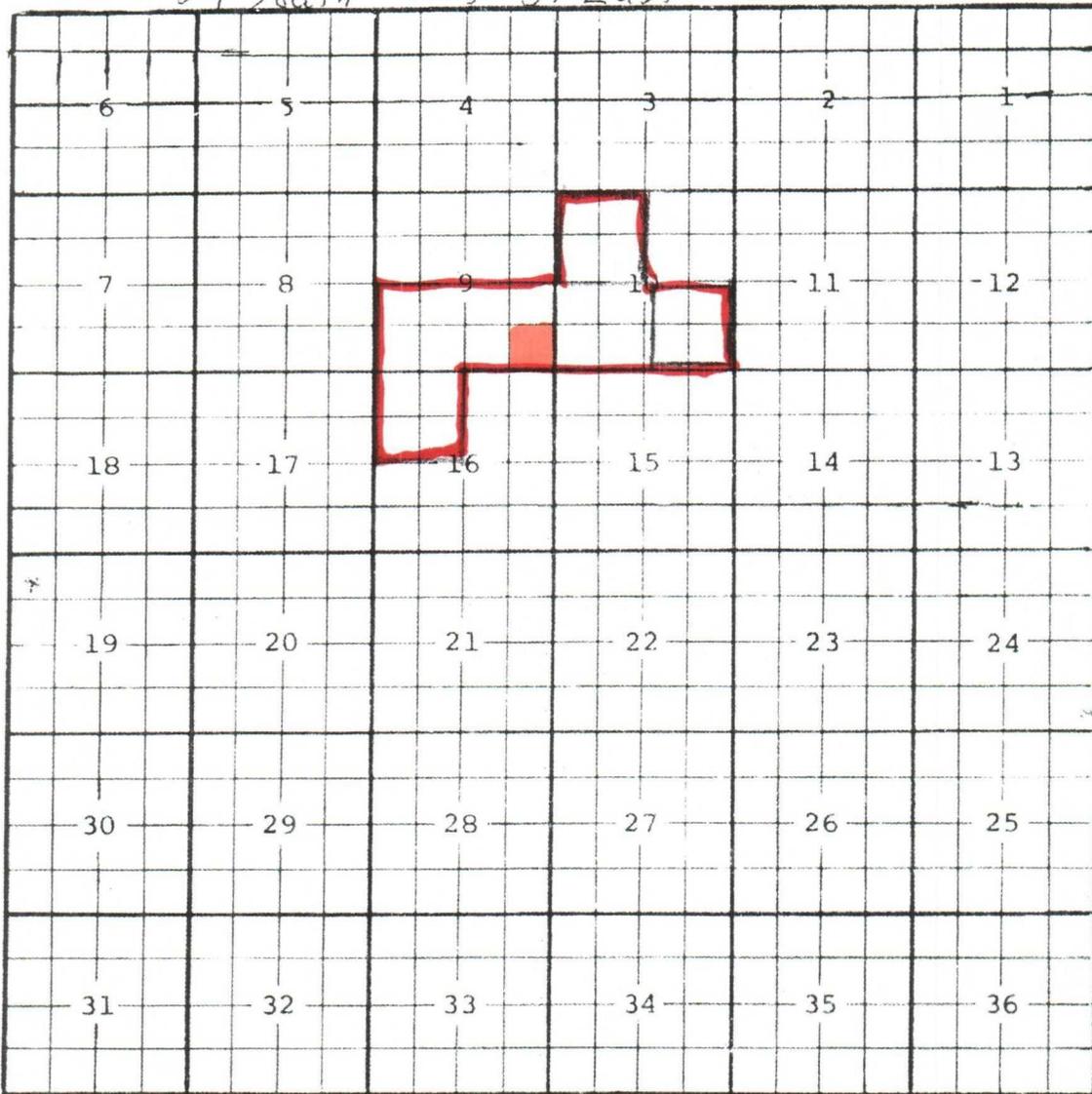


County Lea Pool East Hare-San Andres

TOWNSHIP 21 South Range 37 East NMPM



Description: ^{SE}/₄ Sec. 10 (R-10776, 2-28-97)

Ext: ^{SW}/₄ Sec. 9, ^{SW}/₄ Sec. 10, ^{NW}/₄ Sec. 16 (R-12190, 8-12-94) EXT. ^{NW}/₄ Sec. 10 (R-12531, 3-30-06)

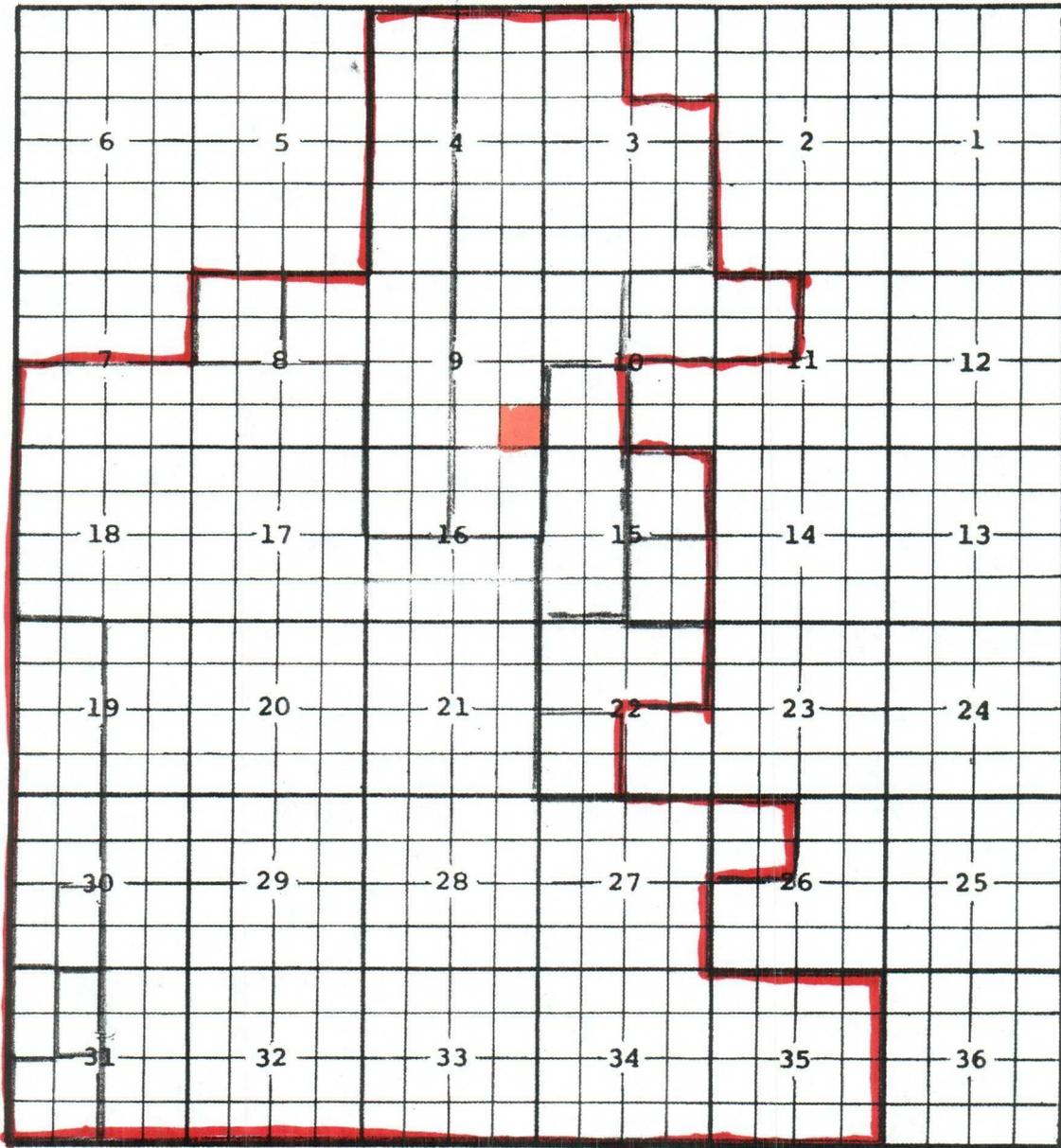
COUNTY Lea

POOL Penrose-Skelly

TOWNSHIP 21 South

RANGE 37 East

NMPM



Description: $\frac{S}{2}$ Sec. 7; $\frac{S}{2}$ Sec. 8; $\frac{S}{2}$ Sec. 16; All Sec. 17 & 18; $\frac{E}{2}$ Sec. 19;
 All Sec. 20, 21, 27, 28 & 29; $\frac{E}{2}$ Sec. 30; $\frac{E}{2}$ Sec. 31; All Sec. 32 thru 35; Vertical
 limits contracted to Grayburg formation only (R-767-A, 4-1-56)

Ext: $\frac{W}{4}$ Sec. 4; $\frac{NE}{4}$ Sec. 8; $\frac{W}{2}$ Sec. 9; $\frac{NW}{4}$ Sec. 16 (R-947, 1-30-57) - $\frac{E}{2}$ $\frac{NW}{4}$ Sec. 31 (R-1017, 6-28-57)
 - $\frac{E}{2}$ $\frac{SW}{4}$ Sec. 30 (R-1105, 12-30-57) - $\frac{W}{2}$ Sec. 19; $\frac{NW}{4}$ & $\frac{W}{2}$ $\frac{SW}{4}$ Sec. 30 (R-1129, 2-20-58)
 $\frac{SW}{4}$ Sec. 31 (R-1143, 3-25-58) - $\frac{W}{2}$ $\frac{NW}{4}$ Sec. 31 (R-1312, 1-1-59)

Ext: $\frac{SW}{4}$ Sec. 22 (R-7396, 12-8-83) Ext: $\frac{SW}{4}$ Sec. 10, $\frac{W}{2}$ Sec. 15, $\frac{NW}{4}$ Sec. 26 (R-10091,
 3-28-94) Ext: $\frac{N}{2}$ Sec. 22 (R-10776, 2-28-97)

Ext: Lots 3, 4, 5, 6, 9, 10, 11, 12, 13, 14, 15, 16 and $\frac{S}{2}$ Sec. 3; Lots 1, 2, 7, 8, 9, 10, 13, 14 and $\frac{SE}{4}$ Sec. 4, $\frac{E}{2}$ Sec. 9,
 $\frac{NW}{4}$ Sec. 10, $\frac{SE}{4}$ Sec. 15, $\frac{NE}{4}$ Sec. 16 (R-11633, 8-10-01) Ext: $\frac{NE}{4}$ Sec. 10, $\frac{NW}{4}$ Sec. 11 (R-11728, 2-20-02)
 Ext: $\frac{NW}{4}$ Sec. 8, $\frac{NE}{4}$ Sec. 15 (R-12046, 11-3-02)

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 13256
ORDER NO. R-12190**

**APPLICATION OF APACHE CORPORATION FOR CONTRACTION OF THE
HARE-SAN ANDRES GAS POOL, EXPANSION OF THE EAST HARE-SAN
ANDRES POOL, AND SPECIAL POOL RULES FOR THE EAST HARE-SAN
ANDRES POOL, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 29, 2004, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 12th day of August, 2004, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.
- (2) Apache Corporation ("applicant"), seeks an order:
 - (a) Contracting the horizontal boundaries of the Hare-San Andres Gas Pool (78080) by deleting the following acreage;

Township 21 South, Range 37 East, NMPM
Section 10: S/2
 - (b) Expanding the horizontal boundaries of the East Hare-San Andres Pool (96601) by adding thereto the following acreage; and

Township 21 South. Range 37 East. NMPM
Section 9: S/2
Section 10: SW/4
Section 16: NW/4

(c) Creating Special Pool Rules for the East Hare-San Andres Pool, providing for; (i) a gas-oil ratio of 5000 cubic feet of gas for each barrel of oil produced, and (ii) all other rules to comply with statewide rules.

(3) The Hare-San Andres Gas Pool was created by Division order No. R-4423 in Case No. 4848, issued on November 1, 1972, and currently covers the following acreage:

Township 21 South. Range 37 East. NMPM
Section 10: S/2
Section 15: W/2
Section 21: S/2
Section 22: NE/4 and W/2
Section 27: W/2
Section 28: S/2

The Hare-San Andres Gas Pool was discovered by the Shell Oil Company Turner Well No. 16, located in Unit M of Section 22, Township 21 South, Range 37 East, NMPM. It was completed in the San Andres formation on June 2, 1972, with the top perforation at 4004 feet. The pool has no special pool rules and is therefore being developed on statewide rules with 160-acre gas spacing units and only one well allowed per unit.

(4) The East Hare-San Andres Pool was created by Division order No. R-10776 in Case No. 11737 issued on February 28, 1997, and currently covers the following acreage:

Township 21 South. Range 37 East, NMPM
Section 10: SE/4

The East Hare-San Andres Pool was discovered by the Exxon Corporation New Mexico "PO" State Well No. 1 located in Unit O of Section 10, Township 21 South, Range 37 East, NMPM. It was completed in the San Andres formation on October 13, 1996, with the top perforation at 4,022 feet. The pool has no special pool rules and is therefore being developed on statewide rules with 40-acre oil proration units, 40-acre depth bracket oil discovery allowable, and a 2,000:1 gas-oil ratio.

(5) Notice was provided to operators within the East Hare-San Andres Pool and within one mile surrounding the pool. No one appeared at the hearing or otherwise opposed this application.

(6) Exxon Mobil Corporation ("ExxonMobil") operates a San Andres gas well located within the SW/4 of Section 10 and within the current boundaries of the Hare-San Andres Gas Pool. The applicant provided testimony that the entire S/2 of Section 10 is a single State of New Mexico lease with identical ownership and Exxon would therefore not be affected by switching the SW/4 of Section 10 from the Hare-San Andres Gas Pool to the East Hare-San Andres Pool. Division records indicate that ExxonMobil's well has not in the past produced enough gas, on the average, to be restricted in the future by the applicant's proposed 5,000:1 gas-oil ratio limitation.

(7) The applicant provided geological and engineering testimony as follows:

(a) The productive portion of the San Andres reservoir in this area does not behave in a conventional manner, with gas over oil, and oil over water. Some wells will produce primarily gas even though they are lower in structure than offsetting oil producers.

(b) The San Andres reservoir provides water supply wells for the deeper Drinkard formation waterflood in this area. Some of these water supply wells actually flow gas at the same time as water is being pumped and are classified as gas wells.

(c) Oil wells in this area producing from the Grayburg formation, which is stratigraphically higher than the San Andres, are spaced on 40-acres. If this application is approved, these existing Grayburg wells can be deepened without obtaining Division approval for rule exceptions, the San Andres formation can be developed, and the wells possibly downhole commingled.

(d) The producing lenses in the San Andres formation are at various stages of pressure depletion. Original reservoir pressure was approximately 1,700-psi and the pressure in some wells is still above the bubble point.

(e) Ultimate primary oil and gas production from this reservoir will not be decreased as a result of allowing a 5,000:1 or higher producing gas-oil ratio. The applied for 5,000:1 gas-oil ratio limit is consistent with the special pool rules existing on other San Andres oil pools in this area.

(f) To aid in determining the limits of the East Hare-San Andres Pool as applied for herein, the applicant has drilled three delineation wells, each in the center of a possible 160-acre San Andres gas spacing unit. One well is in the NW/4 of Section 16, one is in the SW/4 of Section 9, and one is in the SE/4 of Section 9. Each of these wells is an infill location Grayburg well as well as standard location gas wells. If these had tested as gas wells in the San Andres, they would have been the only San Andres wells allowed within each of these 160-acre units.

(8) Implementation of the proposed gas pool contraction, oil pool expansion, and 5,000:1 gas-oil ratio limit for the oil pool, will allow the operators of wells completed in the San Andres formation in this area the opportunity to recover additional hydrocarbons, prevent waste, and will protect correlative rights.

IT IS THEREFORE ORDERED THAT :

(1) The application of Apache Corporation for the following three items is hereby approved:

(a) The following acreage is deleted from the boundaries of the Hare-San Andres Gas Pool (78080):

Township 21 South, Range 37 East, NMPM
Section 10: S/2

(b) The following acreage is added to the boundaries of the East Hare-San Andres Pool (96601):

Township 21 South, Range 37 East, NMPM

Section 9: S/2
Section 10: SW/4
Section 16: NW/4

(c) The "Special Pool Rules for the East Hare-San Andres Pool," are hereby established and shall read in their entirety as follows:

SPECIAL POOL RULES
FOR THE
EAST HARE-SAN ANDRES POOL

RULE 1. Each well completed in or recompleted in the East Hare-San Andres Pool, or in the San Andres formation within one mile thereof and not nearer to or within the limits of another designated San Andres pool, shall be spaced, drilled, operated, and produced in accordance with the special rules hereinafter set forth.

RULE 2. The limiting gas-oil ratio shall be 5,000 cubic feet of gas per barrel of oil.

RULE 3. Statewide rules shall govern this pool except as stated in RULE 2 above.

(2) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.
Director



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

October 31, 2003

Lori Wrotenbery

Director

Oil Conservation Division

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

Administrative Order NSL-4955 (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-328843404*) dated October 28, 2003 on behalf of the operator Apache Corporation; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Apache Corporation's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the SE/4 SE/4 (Unit P) of Section 9, Township 21 South, Range 37 East, NMPM, Penrose Skelly (Grayburg) Pool (50350), Lea County, New Mexico.

This 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.

This 40-acre Grayburg unit is currently dedicated to Apache Corporation's Hawk "B-1" Well No. 27 (API No. 30-025-35806) located at a standard oil well location 830 feet from the South line and 900 feet from the East line of Section 9.

It is our 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, both in Township 21 South, Range 37 East, NMPM, Penrose Skelly (Grayburg) Pool (50350), Lea County, New Mexico, comprise a single federal lease (U. S. Government lease No. NM-90161) with common mineral interest in which Apache Corporation is the leasehold operator; therefore, there are no adversely effected offsets to the subject 40-acre tract within the Grayburg interval.

It is further understood that such unorthodox location is necessitated for geologic and engineering reasons in that this location is approximately equidistance to other offsetting Penrose Skelly (Grayburg) oil producers within this Federal lease. The proposed infill oil well location will enable Apache Corporation to further develop and deplete the Grayburg reserves within the Hawk "B-1" federal lease that might not otherwise be recovered.

By the authority granted me under the provisions of Division Rule 104.F (2), the following described well to be drilled at an unorthodox "infill" oil well location within the SE/4 SE/4 (Unit P) of Section 9 is hereby approved:

**Hawk "B-1" Well No. 36
1310' FS & EL.**

Apache Corporation
October 31, 2003
Page 2

Division Administrative Order NSL-4955 (SD)

Further, both the existing Hawk "B-1" Well No. 27 and the proposed Hawk "B-1" Well No. 36 are to be simultaneously dedicated to the subject 40-acre unit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenberg" followed by a stylized flourish.

Lori Wrotenberg
Director

LW/mes

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad



NSL-4955(SA)

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

March 26, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

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

Administrative Order NSL-4955-A (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-408553292*) dated February 5, 2004 filed on behalf of the operator, Apache Corporation ("Apache"); (ii) your e-mail on Monday morning, February 23, 2004; (iii) our telephone conversation late Monday afternoon, February 23, 2004; (iv) Ms. Cindy McGee's e-mail with attachments on Tuesday, February 24, 2004 to supplement this application; (v) our e-mail correspondence on Wednesday, February 25, 2004; (vi) your e-mail on Tuesday morning March 23, 2004 checking on the status of Apache's remaining applications in this area; and (vii) the Division's records in Santa Fe, including the files on Division Administrative Orders NSL-4955 (SD) and NSL-4959 (SD); all concerning Apache Corporation's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the SE/4 SE/4 (Unit P) of Section 9, Township 21 South, Range 37 East, NMPM, Penrose Skelly (Grayburg) Pool (50350), Lea County, New Mexico.

The Division Finds That:

(1) All of Section 9 is within the Penrose Skelly (Grayburg) Pool; an oil pool governed under Division Rule 104.B (1), which provides for 40-acre oil spacing and proration units and requires wells be located no closer than 330 feet to the outer boundary of such unit.

(2) The 958.25-acre area in Lea County, New Mexico comprising the SW/4 NE/4 and NW/4 SW/4 of Section 13, Township 20 South, Range 37 East, NMPM; Lot 1 of Section 30, Township 20 South, Range 38 East, NMPM; and Lots 3 and 6 of Section 4, the NE/4 SE/4 and S/2 SE/4 of Section 6; the E/2 SW/4 and SE/4 of Section 8; and the E/2 NW/4 and S/2 of Section 9, all in Township 21 South, Range 37 East, NMPM, is a single federal lease (Hawk "B-1") issued by the U. S. Bureau of Land Management (U. S. government lease No. NM-90161) with common ownership in which: (i) Apache, Chevron U.S.A., Inc. ("Chevron"), and BP America Production Company ("BP") each own undivided operating rights; and (ii) Apache is the leasehold operator.

(3) This 40-acre Grayburg unit is currently simultaneously dedicated to Apache's Hawk "B-1" Well No. 27 (API No. 30-025-35806) located at a standard oil well location 830 feet from the South line and 900 feet from the East line of Section 9.

(b) 43.44% attributed to Chevron's Harry Leonard NCT-E state lease (State lease No. B-1732-1).

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MICHAEL E. STOGNER
Engineer/Hearing Officer

MS/mes

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
U. S. Bureau of Land Management - Roswell
U. S. Bureau of Land Management - Carlsbad
File: NSL-4955 (SD)



NSL-4955(SA)

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

March 26, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

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

Administrative Order NSL-4955-A (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-408553292*) dated February 5, 2004 filed on behalf of the operator, Apache Corporation ("Apache"); (ii) your e-mail on Monday morning, February 23, 2004; (iii) our telephone conversation late Monday afternoon, February 23, 2004; (iv) Ms. Cindy McGee's e-mail with attachments on Tuesday, February 24, 2004 to supplement this application; (v) our e-mail correspondence on Wednesday, February 25, 2004; (vi) your e-mail on Tuesday morning March 23, 2004 checking on the status of Apache's remaining applications in this area; and (vii) the Division's records in Santa Fe, including the files on Division Administrative Orders NSL-4955 (SD) and NSL-4959 (SD): all concerning Apache Corporation's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the SE/4 SE/4 (Unit P) of Section 9, Township 21 South, Range 37 East, NMPM, Penrose Skelly (Grayburg) Pool (50350), Lea County, New Mexico.

The Division Finds That:

(1) All of Section 9 is within the Penrose Skelly (Grayburg) Pool; an oil pool governed under Division Rule 104.B (1), which provides for 40-acre oil spacing and proration units and requires wells be located no closer than 330 feet to the outer boundary of such unit.

(2) The 958.25-acre area in Lea County, New Mexico comprising the SW/4 NE/4 and NW/4 SW/4 of Section 13, Township 20 South, Range 37 East, NMPM; Lot 1 of Section 30, Township 20 South, Range 38 East, NMPM; and Lots 3 and 6 of Section 4, the NE/4 SE/4 and S/2 SE/4 of Section 6; the E/2 SW/4 and SE/4 of Section 8; and the E/2 NW/4 and S/2 of Section 9, all in Township 21 South, Range 37 East, NMPM, is a single federal lease (Hawk "B-1") issued by the U. S. Bureau of Land Management (U. S. government lease No. NM-90161) with common ownership in which: (i) Apache, Chevron U.S.A., Inc. ("Chevron"), and BP America Production Company ("BP") each own undivided operating rights; and (ii) Apache is the leasehold operator.

(3) This 40-acre Grayburg unit is currently simultaneously dedicated to Apache's Hawk "B-1" Well No. 27 (API No. 30-025-35806) located at a standard oil well location 830 feet from the South line and 900 feet from the East line of Section 9.

(4) By Division Administrative Order NSL-4955 (SD), dated October 31, 2003, Apache was granted authorization to drill its Hawk "B-1" Well No. 36 (API No. 30-025-36530) at an unorthodox infill oil well location 1310 feet from the South and East lines of Section 9 and to simultaneously dedicate this well to the subject 40-acre Grayburg unit.

(5) Apache now seeks to drill its Hawk "B-1" Well No. 35 at an unorthodox infill oil well location within this 40-acre Grayburg unit 160 feet from the South line and 1310 feet from the East line of Section 9.

(6) The NE/4 of Section 16, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico is a single state lease (Harry Leonard NCT-E) issued by the New Mexico State Land Office (State Lease No. B-1732-1) with common ownership in which Chevron is the lessee of record and leasehold operator. The two-affected standard 40-acre Grayburg oil spacing and proration units operated by Chevron to the south that Apache's proposed Hawk "B-1" Well No. 35 is encroaching are:

(a) the NE/4 NE/4 (Unit A) of Section 16 which is currently dedicated to Chevron's Harry Leonard NCT-E Well No. 6 (API No. 30-025-25198), located at a standard oil well location 330 feet from the North line and 600 feet from the East line of Section; and

(b) the NW/4 NE/4 (Unit B) of Section 16 which is currently dedicated to Chevron's Harry Leonard NCT-E Well No. 3 (API No. 30-025-06622), located at a standard oil well location 660 feet from the North line and 1980 feet from the East line of Section 16.

(7) This request is based on geologic and engineering reasons in that this location is approximately equidistance to other offsetting Penrose Skelly (Grayburg) oil producers within the immediate area.

(8) Apache, BP, Chevron, the New Mexico State Land Office, and the U. S. Bureau of Land Management have entered into a "cooperative lease/well agreement" providing for the allocation of proceeds of Penrose Skelly (Grayburg) oil production from Apache's proposed Hawk "B-1" Well No. 35 in the following manner:

(a) 56.56% to be attributed to the subject Hawk "B-1" federal lease (U. S. government lease No. NM-90161); and

(b) 43.44% attributed to Chevron's Harry Leonard NCT-E state lease (State lease No. B-1732-1).

(9) This allocation formula for the proceeds from Apache's proposed Hawk "B-1" Well No. 35 serves to benefit all mineral interests within the Penrose Skelly (Grayburg) Pool to be impacted by this well's drainage.

(10) Approval of this application is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering practices, and allows for the recovery of additional reserves that might not otherwise be produced.

It Is Therefore Ordered That:

(1) Pursuant to Division Rule 104.F (2), of the New Mexico Oil Conservation Division's ("Division") Rules and Regulations, the administrative application of Apache Corporation (Apache") (*administrative application reference No. pMES0-408553292*) for its proposed Hawk "B-1" Well No. 35 to be drilled at an unorthodox infill oil well location 160 feet from the South line and 1310 feet from the East line (Unit P) of Section 9, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, and completed in the Penrose Skelly (Grayburg) Pool (50350), is hereby approved.

(2) For the Division's production reporting, prorationing, and well spacing purposes, Grayburg oil production from the above-described Hawk "B-1" Well No. 35 is to be simultaneously dedicated, with the following two wells, to the SE/4 SE/4 (Unit P) of Section 9, being a standard 40-acre oil spacing and proration unit in the Penrose Skelly (Grayburg) Pool:

(a) Apache's existing Hawk "B-1" Well No. 27 (API No. 30-025-35806) located at a standard oil well location 830 feet from the South line and 900 feet from the East line of Section 9; and

(b) Apache's proposed Hawk "B-1" Well No. 36 (API No. 30-025-36530) to be located at an unorthodox infill oil well location [approved by Division Administrative Order NSL-4955 (SD), dated October 31, 2003] 1310 feet from the South and East lines of Section 9.

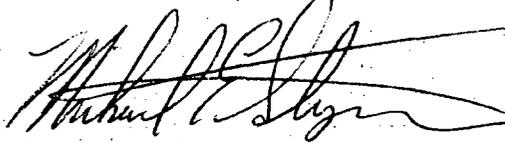
(3) The distribution of proceeds from Penrose Skelly (Grayburg) oil production from Apache's proposed Hawk "B-1" Well No. 35 are to be allocated in the following manner:

(a) 56.56% attributed to the subject Hawk "B-1" federal lease (U. S. government lease No. NM-90161); and

(b) 43.44% attributed to Chevron's Harry Leonard NCT-E state lease (State lease No. B-1732-1).

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MICHAEL E. STOGNER
Engineer/Hearing Officer

MS/mes

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
U. S. Bureau of Land Management - Roswell
U. S. Bureau of Land Management - Carlsbad
File: NSL-4955 (SD)



pMESD-328843404

NSL-4955(50)

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

March 29, 2005

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-4955-B (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your two applications, which were consolidated into one (*administrative application reference No. pMESD-508738512*), filed on behalf of the operator, Apache Corporation ("Apache"), and 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-4955 (SD) and NSL-4955-A (SD) and in Division Case No. 13256, resulting in the issuance of Order No. R-12190 on August 12, 2004: all concerning Apache's request to include the East Hare-San Andres Pool (96601) within the provisions of two previously issued Division administrative orders authorizing unorthodox oil well locations within the SE/4 SE/4 (Unit P) of Section 9, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.

Division Administrative Order NSL-4955 (SD), dated October 31, 2003, approved Apache's application for its Hawk "B-1" Well No. 36 (API No. 30-025-36530) to be drilled and completed as an infill oil well location within the SE/4 SE/4 of Section 9 in the Penrose Skelly (Grayburg) Pool (50350) at an unorthodox location 1310 feet from the South and East lines of Section 9.

By Division Administrative Order NSL-4955-A (SD), dated March 26, 2004, Apache received approval for its Hawk "B-1" Well No. 35 (API No. 30-025-36662) to also be drilled and completed at an unorthodox Grayburg infill oil well location 160 feet from the South line and 1310 feet from the East line of Section 9. Division Administrative Order NSL-4955-A (SD) also contained provisions for the distribution of proceeds attributed to Penrose Skelly (Grayburg) oil production from the Hawk "B-1" Well No. 35 to be allocated in the following manner:

- (a) 56.56% to be attributed to the subject Hawk "B-1" federal lease (U. S. government lease No. NM-90161) comprising the 958.25-acre area in Lea County, New Mexico comprising the SW/4 NE/4 and NW/4 SW/4 of Section 13, Township 20 South, Range 37 East, NMPM; Lot 1 of Section 30, Township 20 South, Range 38 East, NMPM; and Lots 3 and 6 of Section 4, the NE/4 SE/4 and S/2 SE/4 of Section 6; the E/2 SW/4 and SE/4 of Section 8; and the E/2 NW/4 and S/2 of Section 9, all in Township 21 South, Range 37 East, NMPM; and

(b) 43.44% to be attributed to Chevron U.S.A., Inc.'s ("Chevron") offsetting Harry Leonard NCT-E state lease (State lease No. B-1732-1) comprising the NE/4 of Section 16, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.

Your consolidated 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 two above-described Hawk "B-1" Wells No. 35 and 36 also located at unorthodox oil well locations within East Hare-San Andres Pool are hereby approved.

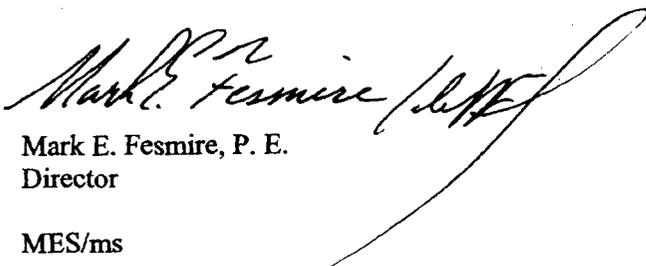
For the Division's production reporting, prorationing, and well spacing purposes, San Andres oil production from both wells are to be simultaneously dedicated to the SE/4 SE/4 (Unit P) of Section 9, being a standard 40-acre oil spacing and proration unit in the East Hare-San Andres Pool.

HOWEVER, the distribution of proceeds from East Hare-San Andres oil production from Apache's above-described Hawk "B-1" Well No. 35 are also to be allocated in the following manner:

- (a) 42.47% attributed to the Apache operated Hawk "B-1" federal lease (U. S. Government lease No. NM-90161); and
- (b) 57.53% attributed to Chevron's Harry Leonard NCT-E state lease (State lease No. B-1732-1).

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
U. S. Bureau of Land Management - Roswell
Files: NSL-4955 (SD)
NSL-4955-A (SD)