

# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**  
Governor  
**Joanna Prukop**  
Cabinet Secretary

September 25, 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-5464 (SD)*

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-625458680*) filed on behalf of the operator, Apache Corporation ("Apache"), and submitted to the New Mexico Oil Conservation Division ("Division") on September 11, 2006; (ii) the supplemental information you provided Mr. Michael E. Stogner, Staff Engineer with the Division in Santa Fe on August 28, 2006; and (iii) the Division's records in Hobbs and Santa Fe: all concerning Apache's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the NE/4 SE/4 (Unit I) of Section 8, Township 21 South, Range 37 East, NMPM, North Eunice Blinebry-Tubb-Drinkard Pool (22900), Lea County, New Mexico.

## **The Division Finds That:**

(1) The E/2, NE/4 NW/4, and the E/2 SW/4 of Section 8 is within the North Eunice Blinebry-Tubb-Drinkard Pool (see Division Order No. R-12538, issued in Case No. 13696 on April 28, 2006 and made effective on May 1, 2006); an oil pool governed under the "*Special Rules and Regulations for the North Eunice Blinebry-Tubb-Drinkard Pool*," as promulgated by Division Order No. R-8539-A/R-8541-B, issued in Case No. 10052 on November 9, 1987, 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 Irregular Section 4, the NE/4 SE/4 and S/2 SE/4 of Irregular 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) The subject 40-acre North Eunice Blinebry-Tubb-Drinkard oil spacing and proration unit (*Unit "I" of Section 8*) is currently dedicated to Apache's Hawk "B-1" Well No. 11 (*API No. 30-025-06434*), located at a standard oil well location 1980 feet from the South line and 660 feet from the East line of Section 8.

(4) Apache now seeks to drill its Hawk "B-1" Well No. 66 within this 40-acre oil unit at an unorthodox infill oil well location 2620 feet from the South line and 20 feet from the East line of Section 16.

(5) The 400-acre area in Lea County, New Mexico comprising the W/2 SW/4 of Irregular Section 4, the NE/4 and N/2 NW/4 of Section 8, and the W/2 NW/4 of Section 9, all in Township 21 South, Range 37 East, NMPM, is a single federal lease (Hawk "A") issued by the U. S. Bureau of Land Management (U. S. government lease No. LC-031741-a) with common ownership in which: (i) Apache, Chevron, and BP each own undivided operating rights; and (ii) Apache is the leasehold operator.

(6) The three affected standard 40-acre Blinebry-Tubb-Drinkard oil spacing and proration units that Apache's proposed Hawk "B-1" Well No. 66 is encroaching: (i) to the east in Unit "L" of Section 9 is within the Hawk "B-1" federal lease; and (ii) to the north in Unit "H" of Section 8 and northeast in Unit "E" of Section 9 are within the offsetting Hawk "A" federal lease.

(7) This request is based on geologic and engineering reasons in that this location is approximately equidistance to other offsetting North Eunice Blinebry-Tubb-Drinkard oil producers within the immediate area.

(8) Apache, BP, Chevron, and the U. S. Bureau of Land Management have entered into a "cooperative lease/well agreement" providing for the allocation of proceeds of North Eunice Blinebry-Tubb-Drinkard oil production from Apache's proposed Hawk "B-1" Well No. 66 in the following manner:

- (a) 52.95% to be attributed to the subject Hawk "B-1" federal lease (*U. S. government lease No. NM-90161*); and
- (b) 47.05% attributed to the offsetting Hawk "A" federal lease (*U. S. government lease No. LC-031741-a*).

(9) This allocation formula for the proceeds from Apache's proposed Hawk "B-1" Well No. 66 serves to benefit all mineral interests within the North Eunice Blinebry-Tubb-Drinkard 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 the "*Special Rules and Regulations for the North Eunice Blinebry-Tubb-Drinkard Pool*," as promulgated by Division Order No. R-8539-A/R-8541-B, issued in Case No. 10052 on November 9, 1987, and Division Rule 104.F (2) the administrative application of Apache Corporation ("Apache") (*administrative application reference No. pTDS0-625458680*) for its proposed Hawk "B-1" Well No. 66 to be drilled at an unorthodox infill oil well location 2620 feet from the South line and 20 feet from the East line (Unit I) of Section 8, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, and completed in the North Eunice Blinebry-Tubb-Drinkard Pool (**22900**), is hereby approved.

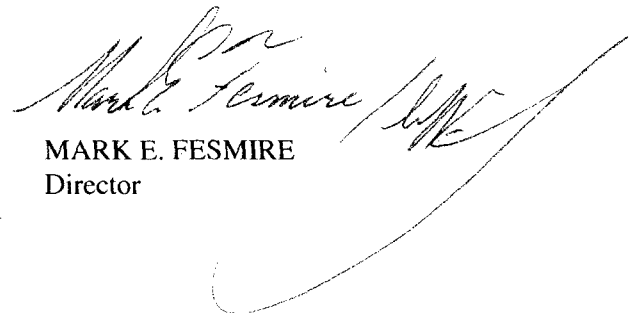
(2) For the Division's production reporting, prorationing, and well spacing purposes, North Eunice Blinebry-Tubb-Drinkard oil production from the NE/4 SE/4 of Section 8, being a standard 40-acre oil spacing and proration unit in the North Eunice Blinebry-Tubb-Drinkard Pool, is to be simultaneously dedicated to Apache's: (i) above-described Hawk "B-1" Well No. 66; and (ii) Hawk "B-1" Well No. 11 (*API No. 30-025-06434*), located at a standard oil well location 1980 feet from the South line and 660 feet from the East line of Section 8.

(3) The distribution of proceeds from North Eunice Blinebry-Tubb-Drinkard oil production from Apache's proposed Hawk "B-1" Well No. 66 are to be allocated in the following manner:

- (a) 52.95% to be attributed to the subject Hawk "B-1" federal lease (*U. S. government lease No. NM-90161*); and
- (b) 47.05% attributed to the offsetting Hawk "A" federal lease (*U. S. government lease No. LC-031741-a*).

(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



MARK E. FESMIRE  
Director

MEF/ms

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