



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

November 20, 2006

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

Administrative Order NSL-5499

Re: Southland Royalty A Well No. 31
W-4-21S-37E
Lea County

Dear Mr. Bruce:

Reference is made to the following:

- (a) your application (**administrative application reference No. pTDS06-25460323**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on September 11, 2006, on behalf of Apache Corporation (Apache),
- (b) copy of "Co-operative Well Agreement (for the Southland Royalty A #31 Well)" between Apache, BP America Production Company and Chevron U.S.A. Inc.,
- (c) copy of cover letter and copy of signature page, reflecting approval of the Cooperative Well Agreement by the United States Bureau of Land Management,
- (d) your letter dated November 13, 2006, and
- (e) the Division's records pertinent to your request.

Apache has requested to drill its Southland Royalty A Well No. 31 at an unorthodox Blinbry, Tubb and Drinkard oil well location, 145 feet from the South line and 2630 feet from the East line (Unit W) of Section 4, Township 21 South, Range 37 East, N.M.P.M., in Lea County, New Mexico. The SW/4 SE/4 (Unit W) of irregular Section 4 will be dedicated to this well in order to form a standard 40-acre spacing and proration unit in the North Eunice Blinbry-Tubb-Drinkard Pool (22900).

This location is governed by Rule 2 of the Special Rules and Regulations for the North Eunice Blinebry-Tubb-Drinkard Pool, as adopted by Order R-8539, and amended by Order R-8539-A and R8541-B, effective September 24, 1990, which provides that a well shall be located at least 330 feet from any unit boundary. The proposed location is approximately 145 feet and 10 feet, respectively from the southern and western unit boundaries.

Your application on behalf of Apache has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that this location is being requested because Apache's geologic interpretation indicates that the well can tap into stranded reserves located on the margins of existing spacing units that cannot be effectively drained by wells located at standard locations.

We also understand that the parties to the cooperative well agreement filed with this application collectively own 100% of the working interest in the entire SW/4 SE/4 and SE/4 SW/4 of Section 4, and in the entire NW/4 NE/4 and NE/4 NW/4 of Section 9, Township 21S, Range 37E, including both the unit that will be dedicated to this well and the units toward which the proposed location encroaches. Accordingly, no notice of this application is required.

Pursuant to the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox well location is hereby approved.

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

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs
United States Bureau of Land Management - Roswell