



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-5504

Re: Lockhart A-17 Well No. 23
I-17-21S-37E
Lea County

Dear Mr. Bruce:

Reference is made to the following:

- (a) your application (**administrative application reference No. pTDS06-25459859**) 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 "Cooperative Well Agreement (for the Lockhart A-17 #23 Well)" between Apache and Chevron U.S.A. Inc.,
- (c) copy of Communitization Agreement executed by the same parties,
- (d) copy of approval of Communitization agreement by the New Mexico State Land Office
- (e) copy of cover letter and copy of signature page, reflecting approval of the Cooperative Well Agreement by the United States Bureau of Land Management,
- (f) your letter dated November 13, 2006, and
- (g) the Division's records pertinent to your request.

Apache has requested to drill its Lockhart A-17 Well No. 23 at an unorthodox Blinebry, Tubb and Drinkard oil well location, 2630 feet from the South line and 120 feet from the East line (Unit I) of Section 17, Township 21 South, Range 37 East, N.M.P.M., in Lea County, New Mexico. The NE/4 SE/4 of Section 17 will be dedicated to this well in order to form a standard 40-acre spacing and proration unit in the North Eunice Blinebry-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 R-8541-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 10 feet and 120 feet, respectively from the northern and eastern 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 NW/4 and NW/4 SW/4 of Section 16 and the entire SE/4 NE/4 and NE/4 SE/4 of Section 17, Township 21S, Range 37E, including all of the units towards which this location encroaches, as well as the unit that will be dedicated to this well. 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
New Mexico State Land Office - Santa Fe
United States Bureau of Land Management - Roswell