



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson

Governor

Joanna Prukop

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

January 22, 2003

Apache Corporation
c/o W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504

Telefax No. (505) 982-2047

Administrative Order NSL-4832 (SD)

Dear Mr. Kellahin:

Reference is made to the following: (i) your application (*application reference No. pKRV0-300352128*) dated January 2, 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 NE/4 SE/4 (Unit I) of Section 17, 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 Lockhart "A-17" Well No. 2 (API No. 30-025-06637) located at a standard oil well location 1980 feet from the South line and 660 feet from the East line of Section 17.

It is our understanding that the E/2 NE/4 and NE/4 SE/4 of Section 17 comprise a portion of a single federal lease (U. S. Government lease No. LC-032096-A) with common ownership in which Apache Corporation is the leasehold operator.

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 the lower 2/3-rds of its lease. The proposed infill oil well location will enable Apache Corporation to further develop and deplete the Grayburg reserves within its Lockhart "A-17" 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 NE/4 SE/4 (Unit I)

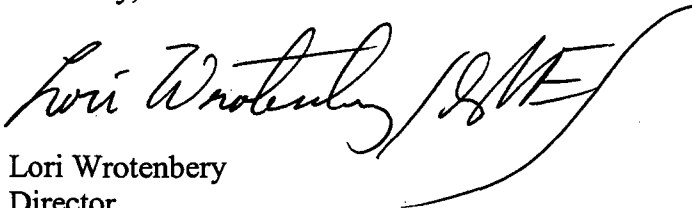
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of Section 17 is hereby approved:

**Lockhart "A-17" Well No. 7
2630' FSL & 990' FEL.**

Further, both the existing Lockhart "A-17" Well No. 2 and the proposed Lockhart "A-17" Well No. 7 are to be simultaneously dedicated to the subject 40-acre unit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery" followed by a stylized flourish or set of initials.

Lori Wrotenbery
Director

LW/MES/kv

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