



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

May 8, 2007

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

Attention: Mr. James Bruce, Attorney

Re: **Lockhart A-17 Well No. 21**
API No. N/A
1410' FSL & 1310' FEL, Unit I,
Section 17, T-21 South, R-37 East, NMPM,
Lea County, New Mexico

Administrative Order NSL-5620

Dear Mr. Bruce:

Reference is made to the following:

(a) your application on behalf of Apache Corporation ("Apache" or "applicant") for a non-standard well location (*administrative application reference No. pCLP0712144035*) for the Lockhart A-17 Well No. 21 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on April 30, 2007;

(b) copy of "Cooperative Well Agreement (for the Lockhart A-17 Well No. 21)" executed by Apache, Chevron U.S.A., Inc. and the United States Bureau of Land Management ("BLM"); and

(c) the Division's records pertinent to your request.

The applicant requests approval of an unorthodox oil well location for its Lockhart A-17 Well No. 21 in the North Eunice Blinbry-Tubb-Drinkard Pool (Oil – 22900) which is to be drilled 1410 feet from the South line and 1310 feet from the East line (Unit I) of Section 17, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico. The NE/4 SE/4 of Section 17 is to be dedicated to the well in the North Eunice Blinbry-Tubb-Drinkard Pool forming a standard 40-acre oil spacing and proration unit.

The North Eunice Blinbry-Tubb-Drinkard Pool is currently governed by special pool rules established by Division Order No. R-8539, and amended by Orders No. R-8539-A and R-8541-B.

These rules require standard 40-acre spacing and proration units with wells to be located no closer than 330 feet to the outer boundary of the spacing unit.

Geologic and engineering evidence submitted by the applicant demonstrates that a well at the proposed unorthodox location can recover additional reserves that may otherwise not be recovered by existing wells surrounding this location.

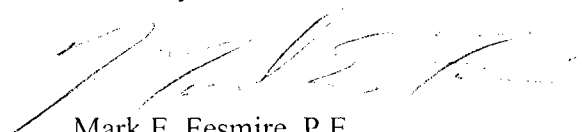
It is our understanding that Federal Lease No. LC-032096-A encompasses the E/2 NE/4 and the NE/4 SE/4 of Section 17, the Weatherly Fee Lease encompasses the W/2 NE/4 and the NW/4 SE/4 of Section 17, and the Percy Hardy Fee Lease encompasses the S/2 SE/4 of Section 17. The "Cooperative Well Agreement (for the Lockhart A-17 Well No. 21)" specifies that 27.81% of the production from the subject well shall be allocated to Federal Lease No. LC-032096-A, 27.24% of the production from the subject well shall be allocated to the Weatherly Fee Lease, and 44.95% of the production from the subject well shall be allocated to the Percy Hardy Fee Lease.

Apache is the sole working interest owner of the Weatherly and Percy Hardy Fee Leases, and Apache and Chevron U.S.A., Inc. are the working interest owners of Federal Lease LC-032096-A. Chevron U.S.A., Inc. is the only affected interest owner, and it has executed the "Cooperative Well Agreement (for the Lockhart A-17 Well No. 21)". There are no other adversely affected offset operators and/or interest owners.

Division records show that there are no other wells currently producing from the North Eunice Blinbry-Tubb-Drinkard Pool within the NE/4 SE/4 of Section 17.

Pursuant to the authority granted under the provisions of Division Rule 19.15.3.104.F(2), the above-described unorthodox oil well location in the North Eunice Blinbry-Tubb-Drinkard Pool is hereby approved.

Sincerely,



Mark E. Fesmire, P.E.
Division Director

MEF/drc

cc: Bureau of Land Management-Carlsbad
OCD-Hobbs