



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-4830

Dear Mr. Kellahin:

Reference is made to the following: (i) your application (*application reference No. pKRV0-300352546*) 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, including the file on Division Administrative Order PC-289, dated December 7, 1965: all concerning Apache Corporation's request for an unorthodox Grayburg replacement oil well location within a former standard 40-acre oil spacing and proration unit in the Penrose Skelly (Grayburg) Pool (**50350**) comprising the SW/4 SE/4 (Unit O) of Section 20, Township 21 South, Range 37 East, NMPM, 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.

It is our understanding that initial development of Grayburg oil production within this 40-acre unit commenced in the 1937 when Getty Oil Company drilled and completed the D. C. Hardy Well No. 2 (**API No. 30-025-06691**) at a standard oil well location 660 feet from the South line and 1980 feet from the East line of Section 20. Penrose Skelly (Grayburg) oil production ceased in this well in February, 1970 and in November, 1991 this well was finally plugged and abandoned.

Further, the S/2 SE/4 of Section 20 is a single fee lease 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 former Penrose Skelly (Grayburg) oil producers within this lease. This replacement well at the proposed unorthodox oil well location will enable Apache Corporation to further develop and deplete the Grayburg reserves within this 80-acre 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 as a replacement Grayburg oil well within this former 40-acre unit at an

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Apache Corporation

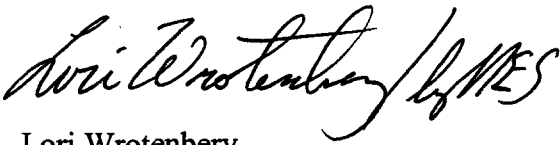
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unorthodox oil well location is hereby approved:

**D. C. Hardy Well No. 6
330' FSL & 1330' FEL.**

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery / by MES".

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs