



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



May 9, 2008

Mr. James Bruce
P.O. Box 1056
Santa Fe, NM 87504

Administrative Order NSL-5819

**Re: Apache Corporation
Bright Federal Well No. 5
API No. 30-015-
460 feet FSL and 660 feet FWL
Unit M, Section 21-21S-23E
Eddy County**

Dear Mr. Bruce:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-08539696**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Apache Corporation (Apache) on March 25, 2008, and

(b) the Division's records pertinent to this request.

Apache has requested to drill the above-referenced well as a directional well from the surface location described in the caption of this letter to an unorthodox bottom hole location in the Upper Pennsylvanian formation, 660 feet from the South line and 660 feet from the West line (Unit M) of Section 21, Township 21 South, Range 23 East, in Eddy County, New Mexico. All of Section 21 will be dedicated to this well in order to form a standard 640-acre spacing unit in the Indian Basin-Upper Pennsylvanian Gas Pool (79040). Spacing in this pool is governed by the Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool, as established by Order R-2440, issued in Case No. 2749 on February 28, 1963, which provide for 640-acre units with wells to be located at least 1650 feet from a unit outer boundary, and at least 330 feet from a quarter or quarter-quarter section line. This location is less than 1650 feet 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 at standard locations.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 1210.A(2), in all adjoining units towards which the proposed bottom-hole location encroaches.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

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 - Artesia
New Mexico State Land Office - Santa Fe
United States Bureau of Land Management - Carlsbad