



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jon Goldstein
Cabinet Secretary

Jim Noel
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



January 25, 2010

Apache Corporation
Attn: Ms. Michelle Hanson
6120 S. Yale, Suite 1500
Tulsa, OK 74136

Administrative Order NSP-1939

Re: Walter Lynch Well No. 4 (API No. 30-025-09949)
Walter Lynch Well No. 6 (API No. 30-025-25131)
Walter Lynch Well No. 10 [proposed] (API No. 30-025-37512)
NW/4 of Section 1
Township 22 South, Range 37 East, NMPM,
Lea County, New Mexico

Dear Ms. Hanson:

Reference is made to the following:

(a) your administrative non-standard proration unit (NSP) application (**administrative application reference No. pTGW09-36537357**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on December 31, 2009; and

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

Apache Corporation [OGRID 873] has requested approval of four non-standard 40-acre gas spacing and proration units in the Tubb Oil and Gas (Prorated Gas) Pool (86440) consisting, respectively, of the NE/4 NW/4 of Section 1, the NW/4 NW/4 of Section 1, the SW/4 NW/4 of Section 1 and the SE/4 NW/4 of Section 1, all in Township 22 South, Range 37 East, NMPM, in Lea County, New Mexico.

The NW/4 NW/4 unit will be dedicated to your existing Walter Lynch Well No. 4, which is producing as a gas well in the Tubb formation at a location 660 feet from the North line and 585 feet from the West line (Unit D) of Section 1. The NE/4 NW/4 unit will be dedicated to your proposed Walter Lynch Well No. 10, to be drilled at a location 990 feet from the North line



and 1650 feet from the West line (Unit C) of Section 1. The SE/4 NW/4 gas unit will not be dedicated to any well at this time because there are producing Tubb oil well located on that tract. However, you have requested that this unit be authorized so that it can be dedicated to your existing Walter Lynch Well No. 6, located in Unit F of Section 1, if and when that well produces as a Tubb gas well. The SW/4 NW/4 gas unit will not be dedicated to any well at this time because there is no well producing from the Tubb on that tract. However, you have requested that this unit be authorized, so that it can be dedicated to a future Tubb gas well if needed.

Spacing in this pool is governed by the Special Rules and Regulations for the Tubb Oil and Gas Pool, as provided in Order R-8170 issued on March 28, 1986, which provide that standard gas units shall consist of 160 acres. Non-standard gas units consisting of less than 160 acres may be established by administrative order, but no unit or portion of a unit may be dedicated to both a producing gas well and a producing oil well in this pool.

Your NSP application has been duly filed under the provisions of Division Rules 15.11.B(2) and 4.12.A(3).

We understand that you are seeking the establishment of the proposed non-standard 40-acre units because your Walter Lynch Well No. 4 (API No. 30-025-09949), located in the NW/4 NW/4 of Section 1, is now classified as a Tubb gas well. However, portions of the NW/4 of Section 1 are dedicated to existing, producing oil wells in the Tubb formation, thus precluding dedication of a standard 160-acre Tubb gas unit to the Walter Lynch Well No. 4, and also because the Walter Lynch Well No. 4 is located less than 660 feet from the western boundary of Section 1, which would be an unorthodox location in a standard 160-acre Tubb gas unit.

It is further understood that no notice to owners within the NW/4 of Section 1 is required since ownership of all interests is uniform throughout that quarter section. It is also understood that due notice of this application has been given to all offsetting operators and owners pursuant to the Division's directive for this application.

Pursuant to the authority of Rule 15.11.B(2), the above-described non-standard 120-acre spacing and proration unit is hereby approved; PROVIDED, HOWEVER, that nothing in this Order shall authorize the simultaneous dedication of any of the units hereby established to both a gas well and an oil well producing in the Tubb formation.

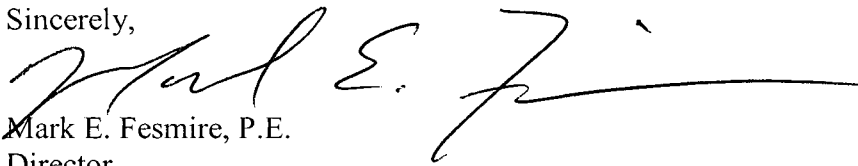
This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9.

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Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', followed by a long horizontal line.

Mark E. Fesmire, P.E.

Director

MEF/db

cc: New Mexico Oil Conservation Division – Hobbs