



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-1784-A

Re: Marshall B Well No. 1 (API No. 30-025-09934)
Marshall B Well No. 10 (API No. 30-025-29797)
Marshall B Well No. 14 [proposed] (API No. 30-025-39551)
SW/4 of Section 27
Township 21 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. pTGW10-01231328**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on December 15, 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 Blinebry Oil and Gas (Prorated Gas) Pool (72480) consisting, respectively, of the NE/4 SW/4 of Section 27, the NW/4 SW/4 of Section 27, the SW/4 SW/4 of Section 27 and the SE/4 SW/4 of Section 27, all in Township 21 South, Range 37 East, NMPM, in Lea County, New Mexico.

Administrative Order No. NSP-1784 established a non-standard, 40-acre unit in the Blinebry Oil and Gas Pool comprising the SE/4 SW/4 of Section 27, and dedicated that unit to your existing Marshall B Well No. 1, which is now producing as a gas well in the Blinebry



formation at a location 589 feet from the South line and 2051 feet from the West line (Unit N) of Section 27.

Your proposed SW/4 SW/4 unit will be dedicated to your existing Marshall B Well No. 10, which is producing as a gas well in the Blinebry formation at a location 634 feet from the South line and 632 feet from the West line (Unit M) of Section 27. The NE/4 SW/4 unit will be dedicated to your proposed Marshall B Well No. 14, to be drilled at a location 1845 feet from the South line and 1765 feet from the West line (Unit K) of Section 27. The NW/4 SW/4 gas unit will not be dedicated to any well at this time because there is no well producing from the Blinebry on that tract. However, you have requested that this unit be authorized, so that it can be dedicated to a future Blinebry gas well if needed.

Spacing in this pool is governed by the Special Rules and Regulations for the Blinebry 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 for engineering reasons, in order to efficiently drain the Blinebry reserves in this quarter section, and also because the Marshall B Well No. 10 is located less than 660 feet from the southern and western boundaries of Section 27, which would be an unorthodox location in a Blinebry gas unit larger than 40 acres.

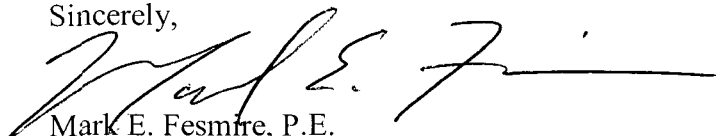
It is further understood that no notice to owners within the SW/4 of Section 27 is required since ownership of all interests is uniform throughout that quarter section. It is also understood that due notice of this application has been given to all offsetting operators and owners pursuant to the Division's directive for this application.

Pursuant to the authority of Rule 15.11.B(2), the above-described non-standard 40-acre spacing and proration units are 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.

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

Sincerely,

A handwritten signature in dark 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