

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF APACHE CORPORATION FOR
CONTRACTION OF THE HARE-SAN ANDRES
GAS POOL, EXPANSION OF THE EAST HARE-
SAN ANDRES POOL, AND FOR SPECIAL POOL
RULES FOR THE EAST HARE-SAN ANDRES
POOL, LEA COUNTY, NEW MEXICO.

No. 13,255

AFFIDAVIT REGARDING NOTICE

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

James Bruce, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters set forth herein.

2. I am an attorney for Applicant.

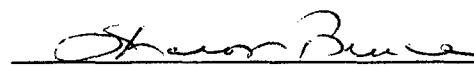
3. Applicant has conducted a good faith, diligent effort to find the names and correct addresses of the interest owners entitled to receive notice of the application filed herein.

4. Notice of the application was provided to the interest owners at their correct addresses by certified mail. Copies of the notice letter and certified return receipts are attached hereto as Exhibit A.

5. Applicant has complied with the notice provisions of Division Rule 1207.


James Bruce

SUBSCRIBED AND SWORN TO before me this 26th day of April, 2004, by James Bruce.


Notary Public

My Commission Expires:
3/14/05

OIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT NUMBER

2

The East Hare-San Andres Pool was discovered by the Exxon Corporation New Mexico "PO" State Well No. 1 located in Unit O of Section 10, Township 21 South, Range 37 East, NMPM. It was completed in the San Andres formation on October 13, 1996, with the top perforation at 4,022 feet. The pool has no special pool rules and is therefore being developed on statewide rules with 40-acre oil proration units, 40-acre depth bracket oil discovery allowable, and a 2,000:1 gas-oil ratio.

(5) Notice was provided to operators within the East Hare-San Andres Pool and within one mile surrounding the pool. No one appeared at the hearing or otherwise opposed this application.

(6) Exxon Mobil Corporation ("ExxonMobil") operates a San Andres gas well located within the SW/4 of Section 10 and within the current boundaries of the Hare-San Andres Gas Pool. The applicant provided testimony that the entire S/2 of Section 10 is a single State of New Mexico lease with identical ownership and Exxon would therefore not be affected by switching the SW/4 of Section 10 from the Hare-San Andres Gas Pool to the East Hare-San Andres Pool. Division records indicate that ExxonMobil's well has not in the past produced enough gas, on the average, to be restricted in the future by the applicant's proposed 5,000:1 gas-oil ratio limitation.

(7) The applicant provided geological and engineering testimony as follows:

(a) The productive portion of the San Andres reservoir in this area does not behave in a conventional manner, with gas over oil, and oil over water. Some wells will produce primarily gas even though they are lower in structure than offsetting oil producers.

(b) The San Andres reservoir provides water supply wells for the deeper Drinkard formation waterflood in this area. Some of these water supply wells actually flow gas at the same time as water is being pumped and are classified as gas wells.

(c) Oil wells in this area producing from the Grayburg formation, which is stratigraphically higher than the San Andres, are spaced on 40-acres. If this application is approved, these existing Grayburg wells can be deepened without obtaining Division approval for rule exceptions, the San Andres formation can be developed, and the wells possibly downhole commingled.

(d) The producing lenses in the San Andres formation are at various stages of pressure depletion. Original reservoir pressure was approximately 1,700-psi and the pressure in some wells is still above the bubble point.

(e) Ultimate primary oil and gas production from this reservoir will not be decreased as a result of allowing a 5,000:1 or higher producing gas-oil ratio. The applied for 5,000:1 gas-oil ratio limit is consistent with the special pool rules existing on other San Andres oil pools in this area.

(f) To aid in determining the limits of the East Hare-San Andres Pool as applied for herein, the applicant has drilled three delineation wells, each in the center of a possible 160-acre San Andres gas spacing unit. One well is in the NW/4 of Section 16, one is in the SW/4 of Section 9, and one is in the SE/4 of Section 9. Each of these wells is an infill location Grayburg well as well as standard location gas wells. If these had tested as gas wells in the San Andres, they would have been the only San Andres wells allowed within each of these 160-acre units.

(8) Implementation of the proposed gas pool contraction, oil pool expansion, and 5,000:1 gas-oil ratio limit for the oil pool, will allow the operators of wells completed in the San Andres formation in this area the opportunity to recover additional hydrocarbons, prevent waste, and will protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Apache Corporation for the following three items is hereby approved:

(a) The following acreage is deleted from the boundaries of the Hare-San Andres Gas Pool (78080):

Township 21 South, Range 37 East, NMPM
Section 10: S/2

JAMES BRUCE
ATTORNEY AT LAW

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SANTA FE, NEW MEXICO 87504

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SANTA FE, NEW MEXICO 87501

(505) 982-2043 (PHONE)
(505) 660-6612 (CELL)
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jamesbruc@aol.com

April 8, 2004

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Exxon Mobil Corporation
P.O. Box 4358
Houston, Texas 77210

Attention: W.T. Duncan, Jr.

Chi Energy, Inc.
P.O. Box 1799
Midland, Texas 79702

Attention: John W. Qualls

Gentlemen:

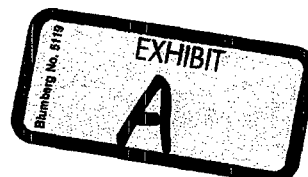
Enclosed is a copy of an application to contract the Hare-San Andres Gas Pool, expand the East Hare-San Andres Pool, and to institute special pool rules for the East Hare-San Andres Pool, filed with the New Mexico Oil Conservation Division by Apache Corporation. This application is scheduled to be heard at 8:15 a.m. on Thursday, April 29, 2004 at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. As an operator, you have the right to appear at the hearing and present evidence. Failure to appear at the hearing will preclude you from contesting this matter at a later date.

You are required to notify the Division, and the undersigned, by Friday, April 23, 2004, if you intend to enter an appearance and participate in the case.

Very truly yours,


James Bruce

Attorney for Apache Corporation



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 04/09/04

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 Chi Energy, Inc.
 P.O. Box 1799
 Midland, Texas 79702
 City, State, ZIP+4

PS Form 3800, June 2002 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Exxon Mobil Corporation
 P.O. Box 4358
 Houston, Texas 77210

2. Article Number
 (Transfer from service label)

7003 1010 0002 5586 6741

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

Apache - PR

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- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Chi Energy, Inc.
 P.O. Box 1799
 Midland, Texas 79702

COMPLETE THIS SECTION ON DELIVERY

A. Signature *Carne mcl* ☒ Agent ☐ Addressee

B. Received by (Printed Name) *C. Miller* C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes ☐ No
 If YES, enter delivery address below:



3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes ☐ No

2. Article Number
 (Transfer from service label)

7003 1010 0002 5586 6758

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Apache - PR

COMPLETE THIS SECTION ON DELIVERY

A. Signature *GEE* ☒ Agent ☐ Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? ☒ Yes ☐ No
 If YES, enter delivery address below:

APR 13 2004

3. Service Type
☐ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes ☐ No

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102595-02-M-1540

Apache - PR

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Stamp: NM 87401 9908
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