

Exhibit "D"  
Request for Surface Commingling  
Hawk B-1 Lease  
Leaseline Well List

LEASELINE WELLS (DIVERSE OWNERSHIP)

Well Name	API	Proration Unit Letter	Current Producing Reservoir	Pool Code	Current Producing Status	Current Daily BBLs	Current Daily MCF	Current Daily NGLs	Date Surface Commingled	WI	NRI	NSL Order No.	Link to NSL Order	Comments
Hawk Federal B-1 #33	30-025-36663	Sec 9: L	Penrose Skelly; Grayburg	50350	Producing	5	64	6	6/9/2004	75.0000%	64.2101%	NSL-5026-A	<a href="#">NSL ORDER HAWK B-1 #33 GRAYBURG</a>	Well is subject to Cooperative Well Agreement, dated December 1, 2003 (Federal Contract No. <b>NMNM111011</b> ). BLM and Working Interest Owners approved commingling production between Apache's Hawk B-1 Federal Lease No. NMNM-90161 and Apache's Hawk A Federal Lease No. NMLC-031741A.
Hawk Federal B-1 #35	30-025-36662	Sec 9: P	Penrose Skelly; Grayburg	50350	Producing	2	130	23	5/27/2004	42.4200%	37.1175%	NSL-4955-A (SD)	<a href="#">NSL ORDER HAWK B-1 #35 GRAYBURG</a>	Well is subject to Cooperative Well Agreement, dated December 1, 2003 (Federal Contract No. <b>NMNM111012</b> ). BLM, Working Interest Owners and Offset Operator approved commingling production between Apache's Hawk B-1 Federal Lease No. NMNM-90161 and Chevron's Leonard 'E' State Lease No. NMNM-1732.
Hawk Federal B-1 #37	30-025-36686	Sec 9: I	Penrose Skelly; Grayburg	50350	Producing	3	33	3	6/15/2004	83.9200%	73.8481%	NSL-5032 (SD)	<a href="#">NSL ORDER HAWK B-1 #37 GRAYBURG</a>	Well is subject to Cooperative Well Agreement, dated December 1, 2003 (Federal Contract No. <b>NMNM111013</b> ). BLM and Working Interest Owners approved commingling production between Apache's Hawk B-1 Federal Lease No. NMNM-90161 and Apache's Southland Royalty 'A' Fee Lease.
Hawk Federal B-1 #41	30-025-36664	Sec 9: K	Penrose Skelly; Grayburg	50350	Producing	6	87	8	6/3/2004	79.9875%	70.2229%	NSL-5031 (SD)	<a href="#">NSL ORDER HAWK B-1 #41 GRAYBURG</a>	Well is subject to Cooperative Well Agreement, dated December 1, 2003 (Federal Contract No. <b>NMNM111015</b> ). BLM and Working Interest Owners approved commingling production between Apache's Hawk B-1 Federal Lease No. NMNM-90161 and Apache's Southland Royalty 'A' Fee Lease.
Hawk Federal B-1 #43	30-025-38173	Sec 9: F	Penrose Skelly; Grayburg	50350	Producing	20	48	5	2/9/2007	75.0000%	64.1873%	NSL-5488	<a href="#">NSL ORDER HAWK B-1 #43</a>	Well is subject to Cooperative Well Agreement, dated May 1, 2006 (Federal Contract No. <b>NMNM116237</b> ). BLM and Working Interest Owners approved commingling production between Apache's Hawk B-1 Federal Lease Nos. NMNM-90161 and Apache's Hawk A Lease No. NMLC-031741A.
Hawk Federal B-1 #58	30-025-38493	Sec 8: J	Penrose Skelly; Grayburg	50350	Producing	4	89	9	9/25/2007	75.0000%	62.9458%	NSL-5669	<a href="#">NSL ORDER HAWK B-1 #58</a>	Well is subject to Cooperative Well Agreement, dated May 1, 2007 (Federal Contract No. <b>NMNM118318</b> ). BLM and Working Interest Owners approved commingling production between Apache's Hawk B-1 Federal Lease No. NMNM-90161 and Apache's Hawk A Federal Lease No. NMLC-031741A.



Hawk B-1 #33

## NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**  
Governor

March 26, 2004

**Joanna Prukop**  
Cabinet Secretary  
Acting Director  
Oil Conservation Division

Apache Corporation  
c/o James Bruce  
P. O. Box 1056  
Santa Fe, New Mexico 87504

*Administrative Order NSL-5026 (SD)*

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-408556863*) dated February 5, 2004 filed on behalf of the operator, Apache Corporation ("Apache"); (ii) your e-mail on Monday morning, February 23, 2004; (iii) our telephone conversation late Monday afternoon, February 23, 2004; (iv) our e-mail correspondence on Wednesday, February 25, 2004; (v) your e-mail on Tuesday morning March 23, 2004 checking on the status of Apache's remaining applications in this area; and (vi) the Division's records in Santa Fe: all concerning Apache Corporation's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the NW/4 SW/4 (Unit L) of Section 9, Township 21 South, Range 37 East, NMPM, Penrose Skelly (Grayburg) Pool (50350), Lea County, New Mexico.

### The Division Finds That:

(1) All of Section 9 is within the Penrose Skelly (Grayburg) Pool; an oil pool governed under Division Rule 104.B (1), which provides for 40-acre oil spacing and proration units and requires wells be located no closer than 330 feet to the outer boundary of such unit.

(2) The 958.25-acre area in Lea County, New Mexico comprising the SW/4 NE/4 and NW/4 SW/4 of Section 13, Township 20 South, Range 37 East, NMPM; Lot 1 of Section 30, Township 20 South, Range 38 East, NMPM; and Lots 3 and 6 of Section 4, the NE/4 SE/4 and S/2 SE/4 of Section 6; the E/2 SW/4 and SE/4 of Section 8; and the E/2 NW/4 and S/2 of Section 9, all in Township 21 South, Range 37 East, NMPM, is a single federal lease (Hawk "B-1") issued by the U. S. Bureau of Land Management (U. S. government lease No. NM-90161) with common ownership in which: (i) Apache, Chevron U.S.A., Inc. ("Chevron"), and BP America Production Company ("BP") each own undivided operating rights; and (ii) Apache is the leasehold operator.

(3) This 40-acre Grayburg unit is currently dedicated to Apache's Hawk "B-1" Well No. 20 (API No. 30-025-35876) located at a standard oil well location 1980 feet from the South line and 550 feet from the West line of Section 9.

(4) Apache now seeks to drill its Hawk "B-1" Well No. 33 at an unorthodox infill oil well location within this 40-acre Grayburg unit 2630 feet from the South line and 1250 feet from the West line of Section 9.

(5) The 360-acre area in Lea County, New Mexico comprising the SW/4 SW/4 of Irregular Section 4, the NE/4 and N/2 NW/4 of Section 8, and the W/2 NW/4 of Section 9, all in Township 21 South, Range 37 East, NMPM, is a single federal lease (Hawk "A") issued by the U. S. Bureau of Land Management (U. S. government lease No. LC-031741-a) with common ownership in which: (i) Apache, Chevron, and BP each own undivided operating rights; and (ii) Apache is the leasehold operator. The affected standard 40-acre Grayburg oil spacing and proration unit to the northwest in Unit "E" (SW/4 NW/4) of Section 9 that Apache's proposed Hawk "B-1" Well No. 33 is encroaching is currently dedicated to Apache's Hawk "A" Well No. 14 (API No. 30-025-35805), located at a standard oil well location 1880 feet from the North line and 500 feet from the West line of Section 9.

(6) This request is based on geologic and engineering reasons in that this location is approximately equidistance to other offsetting Penrose Skelly (Grayburg) oil producers within the immediate area.

(7) Apache, BP, Chevron, and the U. S. Bureau of Land Management have entered into a "cooperative lease/well agreement" providing for the allocation of proceeds of Penrose Skelly (Grayburg) oil production from Apache's proposed Hawk "B-1" Well No. 33 in the following manner:

(a) 72.69% to be attributed to the subject Hawk "B-1" federal lease (U. S. government lease No. NM-90161); and

(b) 27.31% attributed to the offsetting Hawk "A" federal lease (U. S. Government lease No. LC-031741-a).

(8) This allocation formula for the proceeds from Apache's proposed Hawk "B-1" Well No. 33 serves to benefit all mineral interests within the Penrose Skelly (Grayburg) Pool to be impacted by this well's drainage.

(9) Approval of this application is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering practices, and allows for the recovery of additional reserves that might not otherwise be produced.

**It Is Therefore Ordered That:**

(1) Pursuant to Division Rule 104.F (2), of the New Mexico Oil Conservation Division's ("Division") Rules and Regulations, the administrative application of Apache Corporation (Apache") (*administrative application reference No. pMES0-408556863*) for its proposed Hawk "B-1" Well No. 33 to be drilled at an unorthodox infill oil well location 2630 feet from the South line and 1250 feet from the West line of Section 9, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, and completed in the Penrose Skelly (Grayburg) Pool (50350), is hereby approved.

(2) For the Division's production reporting, prorationing, and well spacing purposes, Grayburg oil production from the above-described Hawk "B-1" Well No. 33 is to be simultaneously dedicated, with Apache's existing Apache's Hawk "B-1" Well No. 20 (API No. 30-025-35876) located at a standard oil well location 1980 feet from the South line and 550 feet from the West line of Section 9, to the NW/4 SW/4 (Unit L) of Section 9, being a standard 40-acre oil spacing and proration unit in the Penrose Skelly (Grayburg) Pool.

(3) The distribution of proceeds from Penrose Skelly (Grayburg) oil production from Apache's proposed Hawk "B-1" Well No. 33 are to be allocated in the following manner:

(a) 72.69% to be attributed to the subject Hawk "B-1" federal lease (U. S. government lease No. NM-90161) located in Section 9; and

(b) 27.31% attributed to the offsetting Hawk "A" federal lease (U. S. Government lease No. LC-031741-a) also located in Section 9.

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



MICHAEL E. STOGNER  
Engineer/Hearing Officer

MS/mes

cc: New Mexico Oil Conservation Division - Hobbs  
U. S. Bureau of Land Management - Roswell  
U. S. Bureau of Land Management - Carlsbad



Hawk B-1 #35

## NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**  
Governor

March 26, 2004

**Joanna Prukop**  
Cabinet Secretary  
Acting Director  
Oil Conservation Division

Apache Corporation  
c/o James Bruce  
P. O. Box 1056  
Santa Fe, New Mexico 87504

*Administrative Order NSL-4955-A (SD)*

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-408553292*) dated February 5, 2004 filed on behalf of the operator, Apache Corporation ("Apache"); (ii) your e-mail on Monday morning, February 23, 2004; (iii) our telephone conversation late Monday afternoon, February 23, 2004; (iv) Ms. Cindy McGee's e-mail with attachments on Tuesday, February 24, 2004 to supplement this application; (v) our e-mail correspondence on Wednesday, February 25, 2004; (vi) your e-mail on Tuesday morning March 23, 2004 checking on the status of Apache's remaining applications in this area; and (vii) the Division's records in Santa Fe, including the files on Division Administrative Orders NSL-4955 (SD) and NSL-4959 (SD): all concerning Apache Corporation's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the SE/4 SE/4 (Unit P) of Section 9, Township 21 South, Range 37 East, NMPM, Penrose Skelly (Grayburg) Pool (50350), Lea County, New Mexico.

**The Division Finds That:**

(1) All of Section 9 is within the Penrose Skelly (Grayburg) Pool; an oil pool governed under Division Rule 104.B (1), which provides for 40-acre oil spacing and proration units and requires wells be located no closer than 330 feet to the outer boundary of such unit.

(2) The 958.25-acre area in Lea County, New Mexico comprising the SW/4 NE/4 and NW/4 SW/4 of Section 13, Township 20 South, Range 37 East, NMPM; Lot 1 of Section 30, Township 20 South, Range 38 East, NMPM; and Lots 3 and 6 of Section 4, the NE/4 SE/4 and S/2 SE/4 of Section 6; the E/2 SW/4 and SE/4 of Section 8; and the E/2 NW/4 and S/2 of Section 9, all in Township 21 South, Range 37 East, NMPM, is a single federal lease (Hawk "B-1") issued by the U. S. Bureau of Land Management (U. S. government lease No. NM-90161) with common ownership in which: (i) Apache, Chevron U.S.A., Inc. ("Chevron"), and BP America Production Company ("BP") each own undivided operating rights; and (ii) Apache is the leasehold operator.

(3) This 40-acre Grayburg unit is currently simultaneously dedicated to Apache's Hawk "B-1" Well No. 27 (API No. 30-025-35806) located at a standard oil well location 830 feet from the South line and 900 feet from the East line of Section 9.

(4) By Division Administrative Order NSL-4955 (SD), dated October 31, 2003, Apache was granted authorization to drill its Hawk "B-1" Well No. 36 (API No. 30-025-36530) at an unorthodox infill oil well location 1310 feet from the South and East lines of Section 9 and to simultaneously dedicate this well to the subject 40-acre Grayburg unit.

(5) Apache now seeks to drill its Hawk "B-1" Well No. 35 at an unorthodox infill oil well location within this 40-acre Grayburg unit 160 feet from the South line and 1310 feet from the East line of Section 9.

(6) The NE/4 of Section 16, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico is a single state lease (Harry Leonard NCT-E) issued by the New Mexico State Land Office (State Lease No. B-1732-1) with common ownership in which Chevron is the lessee of record and leasehold operator. The two-affected standard 40-acre Grayburg oil spacing and proration units operated by Chevron to the south that Apache's proposed Hawk "B-1" Well No. 35 is encroaching are:

(a) the NE/4 NE/4 (Unit A) of Section 16 which is currently dedicated to Chevron's Harry Leonard NCT-E Well No. 6 (API No. 30-025-25198), located at a standard oil well location 330 feet from the North line and 600 feet from the East line of Section; and

(b) the NW/4 NE/4 (Unit B) of Section 16 which is currently dedicated to Chevron's Harry Leonard NCT-E Well No. 3 (API No. 30-025-06622), located at a standard oil well location 660 feet from the North line and 1980 feet from the East line of Section 16.

(7) This request is based on geologic and engineering reasons in that this location is approximately equidistance to other offsetting Penrose Skelly (Grayburg) oil producers within the immediate area.

(8) Apache, BP, Chevron, the New Mexico State Land Office, and the U. S. Bureau of Land Management have entered into a "cooperative lease/well agreement" providing for the allocation of proceeds of Penrose Skelly (Grayburg) oil production from Apache's proposed Hawk "B-1" Well No. 35 in the following manner:

(a) 56.56% to be attributed to the subject Hawk "B-1" federal lease (U. S. government lease No. NM-90161); and

(b) 43.44% attributed to Chevron's Harry Leonard NCT-E state lease (State lease No. B-1732-1).

(9) This allocation formula for the proceeds from Apache's proposed Hawk "B-1" Well No. 35 serves to benefit all mineral interests within the Penrose Skelly (Grayburg) Pool to be impacted by this well's drainage.

(10) Approval of this application is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering practices, and allows for the recovery of additional reserves that might not otherwise be produced.

**It Is Therefore Ordered That:**

(1) Pursuant to Division Rule 104.F (2), of the New Mexico Oil Conservation Division's ("Division") Rules and Regulations, the administrative application of Apache Corporation (Apache") (*administrative application reference No. pMES0-408553292*) for its proposed Hawk "B-1" Well No. 35 to be drilled at an unorthodox infill oil well location 160 feet from the South line and 1310 feet from the East line (Unit P) of Section 9, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, and completed in the Penrose Skelly (Grayburg) Pool (50350), is hereby approved.

(2) For the Division's production reporting, prorationing, and well spacing purposes, Grayburg oil production from the above-described Hawk "B-1" Well No. 35 is to be simultaneously dedicated, with the following two wells, to the SE/4 SE/4 (Unit P) of Section 9, being a standard 40-acre oil spacing and proration unit in the Penrose Skelly (Grayburg) Pool:

(a) Apache's existing Hawk "B-1" Well No. 27 (API No. 30-025-35806) located at a standard oil well location 830 feet from the South line and 900 feet from the East line of Section 9; and

(b) Apache's proposed Hawk "B-1" Well No. 36 (API No. 30-025-36530) to be located at an unorthodox infill oil well location [approved by Division Administrative Order NSL-4955 (SD), dated October 31, 2003] 1310 feet from the South and East lines of Section 9.

(3) The distribution of proceeds from Penrose Skelly (Grayburg) oil production from Apache's proposed Hawk "B-1" Well No. 35 are to be allocated in the following manner:

(a) 56.56% attributed to the subject Hawk "B-1" federal lease (U. S. government lease No. NM-90161); and

Apache Corporation

March 26, 2004

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Division Administrative Order NSL-4955-A (SD)

(b) 43.44% attributed to Chevron's Harry Leonard NCT-E state lease (State lease No. B-1732-1).

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



MICHAEL E. STOGNER  
Engineer/Hearing Officer

MS/mes

cc: New Mexico Oil Conservation Division - Hobbs  
New Mexico State Land Office - Santa Fe  
U. S. Bureau of Land Management - Roswell  
U. S. Bureau of Land Management - Carlsbad  
File: NSL-4955 (SD)





HAKC  
(W-021)

RECEIVED

NOV 12 2004

TULSA  
LAND DEPT.

COMMISSIONER'S OFFICE  
Phone (505) 827-5760  
Fax (505) 827-5766  
www.nmstatelands.org

RICK H. LYONS  
COMMISSIONER

*State of New Mexico*  
*Commissioner of Public Lands*

310 OLD SANTA FE TRAIL  
P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148

November 8, 2004

Apache Corporation  
Two Warren Place, Suite 1500  
6120 South Yale  
Tulsa, Oklahoma 74136-4224

Attn: Mario R. Moreno, Jr.

Re: Communitization Agreement Approval: Amendment  
Hawk B 1 Well No. 35  
S2SE4, Section 9, and N2NE4, Section 16  
Township 21 South, Range 37 East  
Lea County, New Mexico

Dear Mr. Moreno:

The Commissioner of Public Lands approved the Hawk B 1 Well No. 35 Communitization Agreement for the S2SE4, Section 9, and N2NE4, Section 16, Township 21 South, Range 37 East, Lea County, New Mexico on January 23, 2004, effective December 5, 2003.

You have requested by letter dated November 4, 2004, that the San Andres formation be added as a communitized interval to the existing Grayburg formation. You have included with your request the appropriate ratification(s) required to process this request.

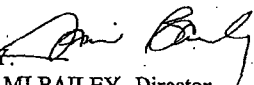
Therefore, the Communitization Agreement has been amended to reflect the change referenced above. The effective date of the agreement will remain unchanged from the referenced date in the original approval, December 5, 2003. Also enclosed you will find five amended Certificates of Approval reflecting the change noted above.

"WORKING FOR EDUCATION"

If we may be of further service, please contact Jeff Albers at (505) 827-5759.

Sincerely,

PATRICK H. LYONS  
COMMISSIONER OF PUBLIC LANDS

BY:   
JAMI BAILEY, Director  
Oil, Gas & Minerals Division  
(505) 827-5744  
PHL/JB/ja

**NEW MEXICO STATE LAND OFFICE**

**CERTIFICATE OF APPROVAL**

**COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO**

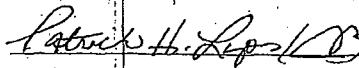
Apache Corporation  
Hawk B 1 Well No. 35  
Lea County, New Mexico  
S2SE4, Section 9, and N2NE4, Section 16, Township 21 South, Range 37 East  
Grayburg and San Andres (AMENDED)

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced agreement, dated December 5, 2003 which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 8th day of November, 2004.



COMMISSIONER OF PUBLIC LANDS  
of the State of New Mexico



PATRICK H. LYONS  
COMMISSIONER

*State of New Mexico*  
*Commissioner of Public Lands*

310 OLD SANTA FE TRAIL  
P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148

January 23, 2004

COMMISSIONER'S OFFICE

Phone (505) 827-5760  
Fax (505) 827-5766  
www.nmstatelands.org

RECEIVED

JAN 30 2004

TULSA  
LAND DEPT.

Apache Corporation  
Two Warren Place, Suite 1500  
6120 South Yale  
Tulsa, Oklahoma 74136-4224

Attn: Cindy McGee

Re: Communitization Agreement Approval (Grayburg)  
Hawk B 1 Well No. 35  
S2SE4, Section 9, and N2NE4, Section 16,  
Township 21 South, Range 37 East, Lea County, New Mexico

Dear Ms. McGee:

The Commissioner of Public Lands has this date approved the Hawk B 1 Well No. 35 Communitization Agreement for the Grayburg formation for the S2SE4, of Section 9, and the N2NE4, of Section 16, Township 21 South, Range 37 East, Lea County, New Mexico.

The effective date of this approval is December 5, 2003 and the term of the agreement is for two years, and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities. Enclosed are five Certificates of Approval.

If we may be of further service, please contact Jeff Albers at (505) 827-5759.

Sincerely,

PATRICK H. LYONS  
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY, Director  
Oil, Gas & Minerals Division  
(505) 827-5744  
PHL/JB/ja

"WORKING FOR EDUCATION"

**NEW MEXICO STATE LAND OFFICE**

**CERTIFICATE OF APPROVAL**

**COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO**

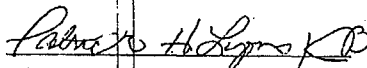
Apache Corporation  
Hawk B 1 Well No. 35  
Lea County, New Mexico  
S2SE4, Section 9, and N2NE4, Section 16, Township 21 South, Range 37 East  
Grayburg

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced agreement, dated December 5, 2003 which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-43, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 23rd day of January, 2004.



COMMISSIONER OF PUBLIC LANDS

of the State of New Mexico

STATE/FEDERAL  
OR  
STATE/FEDERAL/FEE  
REV. 2/92

COMMUNITIZATION AGREEMENT

Contract No. \_\_\_\_\_

THIS AGREEMENT, entered into as of the date shown in Section 10 hereof by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

W I T N E S S E T H:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a federal oil and gas lease, or any portions thereof, with other lands, whether or not owned by the United States, when separate tracts under such federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area, and such communitization or pooling is determined to be in the public interest; and,

WHEREAS, the Commissioner of Public Lands of the State of New Mexico, herein called "the Commissioner", is authorized to consent to and approve agreements pooling state oil and gas leases or any portion thereof, when separate tracts under such state leases cannot be independently developed and operated economically in conformity with well-spacing and gas proration rules and regulations established for the field or area and such pooling is determined to be in the public interest; and,

WHEREAS, the parties hereto own working, royalty, or other leasehold interests, or operating rights under the oil and gas leases and land subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and,

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of the agreement;

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 21 South, Range 37 East, N.M.P.M.

Section 9: S/2SE/4

Section 16: N/2NE4

Lea County, New Mexico

Containing 160 acres, more or less, and this agreement shall include only the Grayburg formation underlying said lands and the oil and gas (hereinafter referred to as communitized substances) producible from such formation limited to production from the HAWK B-1 #35.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "B" designating the operator of the communitized area and showing the acreage, percentage, and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.
3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and three (3) executed copies of a designation of successor operator shall be filed with the Authorized Officer and three (3) additional executed copies thereof shall be filed with the Commissioner.
4. Operator shall furnish the Secretary of the Interior, or his authorized representative, and the Commissioner, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United States and the State of New Mexico, as specified in the applicable oil and gas operating regulations.
5. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of leasehold bears to the entire acreage interest committed to this agreement.
6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any federal lease bearing a sliding or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.

7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.
8. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.
9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules, and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or is such failure results from, compliance with any such laws, orders, rules or regulations.
10. The date of this agreement is December 5, 2003,  
 (Month) (day) (year)  
 and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution of the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of Interior, or his duly authorized representative, and by the Commissioner or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are produced or can be produced from the communitized area in paying quantities; provided, that the two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period; provided further that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of Interior, or his duly authorized representative, and all requirements of the Commissioner, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of the capability of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted and prosecuted with reasonable diligence. As to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such capability of production, and a report of the status of such operations shall be made by the Operator to the Commissioner every



thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.

11. The covenants herein shall be construed to be covenants running with the land with respect to the communized interests of the parties hereto and their successors in interest until this agreement terminates; and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal lands shall be subject to approval by the Secretary of the Interior, and as to State of New Mexico lands shall be subject to approval by the Commissioner.
12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor, and in the applicable oil and gas operating regulations of the Department of the Interior. It is further agreed between the parties hereto that the Commissioner shall have the right of supervision over all operations to the same extent and degree as provided in the oil and gas leases under which the State of New Mexico is lessor and in the applicable oil and gas statutes and regulations of the State of New Mexico.
13. The agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.
14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.
15. Nondiscrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F. R. 12319), as amended which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first written and have set opposite their respective names the date of execution.

Apache Corporation  
Operator

DATE: 12-11-03

BY: *[Signature]*  
TITLE: Central Region Vice President,  
Exploration & Development  
*N.A.*

Chevron U.S.A. Inc.  
Record Title Owner

DATE: 1-5-04

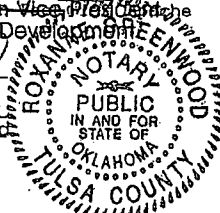
BY: Charles D. Frisbie  
TITLE: Attorney-in-Fact

STATE OF OKLAHOMA )  
COUNTY OF TULSA ) ss.

The foregoing instrument was acknowledged before me this 16th day of December, 2003, by Rob Johnston Central Region Vice President of Exploration & Development corporation, on behalf of the corporation.

My Commission Expires:  
9-15-04

Roxanne Greenwood  
NOTARY PUBLIC in and for  
Tulsa County, Oklahoma  
(Typed Name) Roxanne Greenwood



Commission No. 00015619  
STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

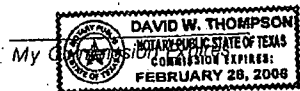
The foregoing instrument was acknowledged before me on this \_\_\_\_\_ day of \_\_\_\_\_, 2003, by \_\_\_\_\_ as \_\_\_\_\_ of \_\_\_\_\_, on behalf of the partnership.

My Commission Expires:

NOTARY PUBLIC in and for  
County, \_\_\_\_\_  
(Typed Name) \_\_\_\_\_

STATE OF TEXAS )  
COUNTY OF MIDLAND ) ss.

The foregoing instrument was acknowledged before me this 5th day of January 2004 by CHARLES D. FRISBIE as Attorney in Fact on behalf of CHEVRON U.S.A. INC., A PENNSYLVANIA Company.



David W. Thompson  
Notary Public

EXHIBIT 'A'

To Communitization Agreement dated December 5, 2003

Plat of communitized area covering the S/2SE/4 of Section 9 and the N/2NE/4 of Section 16, Township 21 South, Range 37 East, N.M.P.M. Lea County, New Mexico:

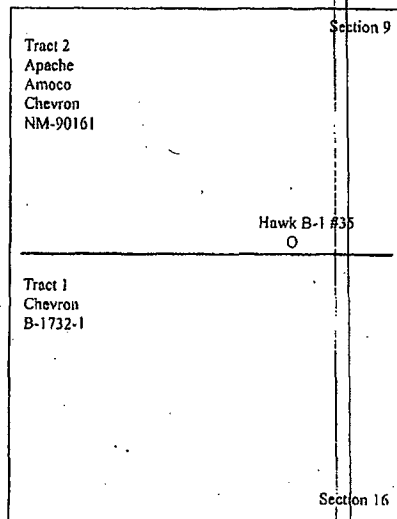


EXHIBIT "B"

To Communitization Agreement dated December 5, 2003, embracing the S/2SE/4 of Section 9 and the N/2NE/4 of Section 16, Township 21 South, Range 37 East N.M.P.M., Lea County, New Mexico.

Operator of Communitized Area:

Apache Corporation

DESCRIPTION OF LEASES COMMITTED

Tract No. 1

Lease Serial No.: B-1732-1

Lease Date: February 28, 1933

Lease Term: Ten Years

Lessor: State of New Mexico

Original Lessee: Gypsy Oil Company

Present Lessee: Chevron U.S.A. Inc.

Description of Land Committed:

Township 21 South, Range 37 East, Section 16: N/2NE/4

Number of Acres: 17.376 of 80

Royalty Rate: 12.5%

Name and Percent ORRI Owners: None

Name and Percent WI Owners: Chevron U.S.A. Inc. (100%)

Tract No. 2

Lease Serial No.: USA NM 90161  
Lease Date: March 1, 1958  
Lease Term: Five Years  
Lessor: United States of America  
Original Lessee: Estate of Wilbur C. Hawk  
Present Lessee: Apache Corporation 50%  
Amoco Production Co. 25%  
Chevron U.S.A. Inc. 25%

Description of Land Committed:

Township 21 South, Range 37 East, Section 9: S/2SE/4

Number of Acres: 22.624 of 80

Royalty Rate: 12.5%

Name and Percent ORRI Owners: None

Name and Percent WI Owners: Apache Corporation (50%)  
BP America Production Company (25%)  
Chevron U.S.A. Inc. (25%)

RECAPITULATION

Tract No.	No. of Acres Committed	Percentage of Interest in Communitized Area
1	1	43.44%
2	1	56.56%



Hawk B-1 #37

## NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**  
Governor

March 31, 2004

**Joanna Prukop**  
Cabinet Secretary  
Acting Director  
Oil Conservation Division

Apache Corporation  
c/o James Bruce  
P. O. Box 1056  
Santa Fe, New Mexico 87504

*Administrative Order NSL-5032 (SD)*

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-408557421*) dated February 6, 2004 filed on behalf of the operator, Apache Corporation ("Apache"); (ii) your e-mail on Monday morning, February 23, 2004; (iii) our telephone conversation late Monday afternoon, February 23, 2004; (iv) our e-mail correspondence on Wednesday, February 25, 2004; (v) your e-mail on Tuesday morning March 23, 2004 checking on the status of Apache's remaining applications in this area; (vi) my e-mail on Friday afternoon, March 26, 2004 requesting additional detailed information concerning the fee lease involved in this matter; (vii) your reply by letter, with attachments, on March 30, 2004; (viii) our e-mail correspondence on Tuesday afternoon, March 30, 2004; and (ix) the Division's records in Santa Fe: all concerning Apache Corporation's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the NE/4 SE/4 (Unit I) of Section 9, Township 21 South, Range 37 East, NMPM, Penrose Skelly (Grayburg) Pool (50350), Lea County, New Mexico.

### **The Division Finds That:**

(1) All of Section 9 is within the Penrose Skelly (Grayburg) Pool; an oil pool governed under Division Rule 104.B (1), which provides for 40-acre oil spacing and proration units and requires wells be located no closer than 330 feet to the outer boundary of such unit.

(2) The 958.25-acre area in Lea County, New Mexico comprising the SW/4 NE/4 and NW/4 SW/4 of Section 13, Township 20 South, Range 37 East, NMPM; Lot 1 of Section 30, Township 20 South, Range 38 East, NMPM; and Lots 3 and 6 of Section 4, the NE/4 SE/4 and S/2 SE/4 of Section 6; the E/2 SW/4 and SE/4 of Section 8; and the E/2 NW/4 and S/2 of Section 9, all in Township 21 South, Range 37 East, NMPM, is a single federal lease (Hawk "B-1") issued by the U. S. Bureau of Land Management (U. S. government lease No. NM-90161) with common ownership in which: (i) Apache, Chevron U.S.A., Inc. ("Chevron"), and BP America Production Company ("BP") each own undivided operating rights; and (ii) Apache is the leasehold operator.

(3) This 40-acre Grayburg unit is currently dedicated to Apache's Hawk "B-1" Well No. 30 (API No. 30-025-35881) located at a standard oil well location 1830 feet from the South line and 620 feet from the East line of Section 9.

(4) Apache now seeks to drill its Hawk "B-1" Well No. 37 at an unorthodox infill oil well location within this 40-acre Grayburg unit 2590 feet from the South line and 1310 feet from the East line of Section 9.

(5) The 320-acre area in Lea County, New Mexico comprising the SE/4 SW/4, NE/4 SE/4, and S/2 SE/4 of Irregular Section 4, and the NE/4 of Section 9, all in Township 21 South, Range 37 East, NMPM, is a single fee lease (Southland Royalty "A" fee lease) with common ownership in which Apache is the single working interest owner and is the designated leasehold operator.

(6) The two-affected standard 40-acre Grayburg oil spacing and proration units to the north that Apache's proposed Hawk "B-1" Well No. 37 is encroaching are:

(a) the SW/4 NE/4 (Unit G) of Section 9, which is currently dedicated to Apache's Southland Royalty "A" Well No. 10 (API No. 30-025-35514), located at a standard oil well location 1830 feet from the North line and 1980 feet from the East line of Section 9; and

(b) the SE/4 NE/4 (Unit H) of Section 9, which is currently dedicated to Apache's Southland Royalty "A" Well No. 12 (API No. 30-025-35767), located at a standard oil well location 1830 feet from the North line and 600 feet from the East line of Section 9.

(7) This request is based on geologic and engineering reasons in that this location is approximately equidistance to other offsetting Penrose Skelly (Grayburg) oil producers within the immediate area.

(8) Apache, BP, Chevron, and the U. S. Bureau of Land Management have entered into a "cooperative lease/well agreement" providing for the allocation of proceeds of Penrose Skelly (Grayburg) oil production from Apache's proposed Hawk "B-1" Well No. 37 in the following manner:

(a) 64.32% to be attributed to the subject Hawk "B-1" federal lease (U. S. government lease No. NM-90161); and

(b) 35.68% attributed to the offsetting Southland Royalty "A" fee lease.

(9) This allocation formula for the proceeds from Apache's proposed Hawk "B-1" Well No. 37 serves to benefit all mineral interests (both cost bearing and non-cost bearing interests), within the Penrose Skelly (Grayburg) Pool to be impacted by this well's drainage.

(10) Approval of this application is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering practices, and allows for the recovery of additional reserves that might not otherwise be produced.



**It Is Therefore Ordered That:**

(1) Pursuant to Division Rule 104.F (2), of the New Mexico Oil Conservation Division's ("Division") Rules and Regulations, the administrative application of Apache Corporation (Apache") (*administrative application reference No. pMES0-408557421*) for its proposed Hawk "B-1" Well No. 37 to be drilled at an unorthodox infill oil well location 2590 feet from the South line and 1310 feet from the East line (Unit I) of Section 9, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, and completed in the Penrose Skelly (Grayburg) Pool (50350), is hereby approved.

(2) For the Division's production reporting, prorationing, and well spacing purposes, Grayburg oil production from the above-described Hawk "B-1" Well No. 37 is to be simultaneously dedicated, with Apache's existing Apache's Hawk "B-1" Well No. 30 (API No. 30-025-35881) located at a standard oil well location 1830 feet from the South line and 620 feet from the East line of Section 9, to the NE/4 SE/4 (Unit I) of Section 9, being a standard 40-acre oil spacing and proration unit in the Penrose Skelly (Grayburg) Pool.

(3) The distribution of proceeds from Penrose Skelly (Grayburg) oil production from Apache's proposed Hawk "B-1" Well No. 41 are to be allocated in the following manner:

- (a) 64.32% to be attributed to the subject Hawk "B-1" federal lease (U. S. government lease No. NM-90161) located in Section 9; and
- (b) 35.68% attributed to the offsetting Southland Royalty "A" fee lease also located in Section 9.

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



MICHAEL E. STOGNER  
Engineer/Hearing Officer

MS/mes

cc: New Mexico Oil Conservation Division - Hobbs  
U. S. Bureau of Land Management - Roswell  
U. S. Bureau of Land Management - Carlsbad



Hawk B-1 #41  
**NEW MEXICO ENERGY, MINERALS and  
NATURAL RESOURCES DEPARTMENT**

**BILL RICHARDSON**  
Governor

March 30, 2004

**Joanna Prukop**  
Cabinet Secretary  
Acting Director  
Oil Conservation Division

**Apache Corporation**  
c/o James Bruce  
P. O. Box 1056  
Santa Fe, New Mexico 87504

*Administrative Order NSL-5031 (SD)*

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-408557039*) dated February 6, 2004 filed on behalf of the operator, Apache Corporation ("Apache"); (ii) your e-mail on Monday morning, February 23, 2004; (iii) our telephone conversation late Monday afternoon, February 23, 2004; (iv) our e-mail correspondence on Wednesday, February 25, 2004; (v) your e-mail on Tuesday morning March 23, 2004 checking on the status of Apache's remaining applications in this area; (vi) my e-mail on Friday afternoon, March 26, 2004 requesting additional detailed information concerning the fee lease involved in this matter; (vii) your reply by letter, with attachments, on March 30, 2004; (viii) our e-mail correspondence on Tuesday afternoon, March 30, 2004; and (ix) the Division's records in Santa Fe: all concerning Apache Corporation's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the NE/4 SW/4 (Unit K) of Section 9, Township 21 South, Range 37 East, NMPM, Penrose Skelly (Grayburg) Pool (50350), Lea County, New Mexico.

**The Division Finds That:**

(1) All of Section 9 is within the Penrose Skelly (Grayburg) Pool; an oil pool governed under Division Rule 104.B (1), which provides for 40-acre oil spacing and proration units and requires wells be located no closer than 330 feet to the outer boundary of such unit.

(2) The 958.25-acre area in Lea County, New Mexico comprising the SW/4 NE/4 and NW/4 SW/4 of Section 13, Township 20 South, Range 37 East, NMPM; Lot 1 of Section 30, Township 20 South, Range 38 East, NMPM; and Lots 3 and 6 of Section 4, the NE/4 SE/4 and S/2 SE/4 of Section 6; the E/2 SW/4 and SE/4 of Section 8; and the E/2 NW/4 and S/2 of Section 9, all in Township 21 South, Range 37 East, NMPM, is a single federal lease (Hawk "B-1") issued by the U. S. Bureau of Land Management (U. S. government lease No. NM-90161) with common ownership in which: (i) Apache, Chevron U.S.A., Inc. ("Chevron"), and BP America Production Company ("BP") each own undivided operating rights; and (ii) Apache is the leasehold operator.

(3) This 40-acre Grayburg unit is currently dedicated to Apache's Hawk "B-1" Well No. 26 (API No. 30-025-35799) located at a standard oil well location 1840 feet from the South line and 2000 feet from the West line of Section 9.

(4) Apache now seeks to drill its Hawk "B-1" Well No. 41 at an unorthodox infill oil well location within this 40-acre Grayburg unit 2590 feet from the South line and 2630 feet from the West line of Section 9.

(5) The 320-acre area in Lea County, New Mexico comprising the SE/4 SW/4, NE/4 SE/4, and S/2 SE/4 of Irregular Section 4, and the NE/4 of Section 9, all in Township 21 South, Range 37 East, NMPM, is a single fee lease (Southland Royalty "A" fee lease) with common ownership in which Apache is the single working interest owner and is the designated leasehold operator.

(6) The affected standard 40-acre Grayburg oil spacing and proration unit to the northeast in Unit "G" (SW/4 NE/4) of Section 9 that Apache's proposed Hawk "B-1" Well No. 41 is encroaching is currently dedicated to Apache's Southland Royalty "A" Well No. 10 (API No. 30-025-35514), located at a standard oil well location 1830 feet from the North line and 1980 feet from the East line of Section 9.

(7) This request is based on geologic and engineering reasons in that this location is approximately equidistance to other offsetting Penrose Skelly (Grayburg) oil producers within the immediate area.

(8) Apache, BP, Chevron, and the U. S. Bureau of Land Management have entered into a "cooperative lease/well agreement" providing for the allocation of proceeds of Penrose Skelly (Grayburg) oil production from Apache's proposed Hawk "B-1" Well No. 41 in the following manner:

- (a) 80.05% to be attributed to the subject Hawk "B-1" federal lease (U. S. government lease No. NM-90161); and
- (b) 19.95% attributed to the offsetting Southland Royalty "A" fee lease.

(9) This allocation formula for the proceeds from Apache's proposed Hawk "B-1" Well No. 41 serves to benefit all mineral interests (both cost bearing and non-cost bearing interests), within the Penrose Skelly (Grayburg) Pool to be impacted by this well's drainage.

(10) Approval of this application is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering practices, and allows for the recovery of additional reserves that might not otherwise be produced.

**It Is Therefore Ordered That:**

(1) Pursuant to Division Rule 104.F (2), of the New Mexico Oil Conservation Division's ("Division") Rules and Regulations, the administrative application of Apache Corporation (Apache") (*administrative application reference No. pMES0-408557039*) for its proposed Hawk "B-1" Well No. 41 to be drilled at an unorthodox infill oil well location 2590 feet from the South line and 2630 feet from the West line (Unit K) of Section 9, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, and completed in the Penrose Skelly (Grayburg) Pool (50350), is hereby approved.

(2) For the Division's production reporting, prorationing, and well spacing purposes, Grayburg oil production from the above-described Hawk "B-1" Well No. 41 is to be simultaneously dedicated, with Apache's existing Apache's Hawk "B-1" Well No. 26 (API No. 30-025-35799) located at a standard oil well location 1840 feet from the South line and 2000 feet from the West line of Section 9, to the NE/4 SW/4 (Unit K) of Section 9, being a standard 40-acre oil spacing and proration unit in the Penrose Skelly (Grayburg) Pool.

(3) The distribution of proceeds from Penrose Skelly (Grayburg) oil production from Apache's proposed Hawk "B-1" Well No. 41 are to be allocated in the following manner:

- (a) 80.05% to be attributed to the subject Hawk "B-1" federal lease (U. S. government lease No. NM-90161) located in Section 9; and
- (b) 19.95% attributed to the offsetting Southland Royalty "A" fee lease also located in Section 9.

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



MICHAEL E. STOGNER  
Engineer/Hearing Officer

MS/mes

cc: New Mexico Oil Conservation Division - Hobbs  
U. S. Bureau of Land Management - Roswell  
U. S. Bureau of Land Management - Carlsbad



Hawk B-1 #43

## NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

Oil Conservation Division

November 16, 2006

Apache Corporation  
c/o Mr. James Bruce  
P.O. Box 1056  
Santa Fe, NM 87504

**Administrative Order NSL-5488**

Re: Hawk B-1 Well No. 43  
F-9-21S-37E  
Lea County

Dear Mr. Bruce:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS06-25451647**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on September 11, 2006, on behalf of Apache Corporation (Apache),

(b) copy of "Co-operative Well Agreement (for the Hawk B-1 #43 Well)" between Apache, BP America Production Company and Chevron U.S.A. Inc.,

(c) copy of cover letter and copy of signature page, reflecting approval of the Cooperative Well Agreement by the United States Bureau of Land Management,

(d) your letter dated November 13, 2006, and

(d) the Division's records pertinent to your request.

Apache has requested to drill its Hawk B-1 Well No. 43 at an unorthodox Grayburg and San Andres oil well location, 1330 feet from the North line and 1495 feet from the West line (Unit F) of Section 9, Township 21 South, Range 37 East, N.M.P.M., in Lea County, New Mexico. The SE/4 NW/4 of Section 9 will be dedicated to this well in order to form standard 40-acre spacing and proration units in the Penrose Skelly-Grayburg Pool (50350) and the undesignated East Hare-San Andres Pool (96601).

This location is governed by statewide Rule 104.B, which provides that a well shall be located at least 330 feet from any unit boundary. The proposed location is approximately 10 feet and 175 feet, respectively, from the northern 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).

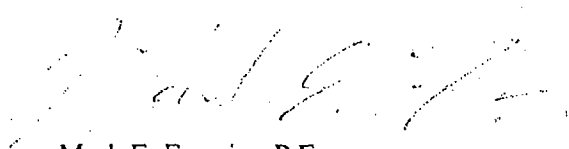
It is our understanding that this location is being requested because Apache's geologic interpretation indicates that the well can tap into stranded reserves located on the margins of existing spacing units that cannot be effectively drained by wells located at standard locations.

We also understand that the parties to the cooperative well agreement filed with this application collectively own 100% of the working interest in the entire NW/4 of Section 9, Township 21S, Range 37E, including both the unit that will be dedicated to this well and the units toward which the proposed location encroaches. Accordingly, no notice of this application is required.

Pursuant to the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox well location is hereby approved.

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 - Hobbs  
United States Bureau of Land Management - Roswell



Hawk B-1 #58

## NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

Oil Conservation Division

August 14, 2007

Apache Corporation  
c/o Mr. James Bruce  
P.O. Box 1056  
Santa Fe, NM 87504

**Administrative Order NSL-5669**

Re: Hawk B-1 Well No. 58  
J-8-21S-37E  
Lea County

Dear Mr. Bruce:

Reference is made to the following:

- (a) your application (administrative application reference No. pTDS07-21849568) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on August 6, 2007, on behalf of Apache Corporation (Apache),
- (b) copy of "Cooperative Well Agreement (for the Hawk B-1 #58 Well)" between Apache, BP America Production Company and Chevron U.S.A. Inc.,
- (c) copy of cover letter, reflecting approval of the Cooperative Well Agreement by the United States Bureau of Land Management, and
- (d) the Division's records pertinent to your request.

Apache has requested to drill its Hawk B-1 Well No. 58 at an unorthodox oil well location, 2620 feet from the South line and 1440 feet from the East line (Unit J) of Section 8, Township 21 South, Range 37 East, N.M.P.M., in Lea County, New Mexico. The NW/4 SE/4 of Section 8 will be dedicated to this well in order to form a standard 40-acre spacing and proration unit in the Penrose-Skelly (Grayburg) Pool (50350).

This location is governed by statewide Rule 104.B(1), which provides that a well shall be located at least 330 feet from any unit boundary. The proposed location is approximately 20 feet and 110 feet, respectively from the northern and eastern 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 located at standard locations.

We also understand that the parties to the cooperative well agreement filed with this application collectively own 100% of the working interest in entire the S/2 NE/4 and N/2 SE/4 of Section 8, Township 21S, Range 37E, being all of the units towards which this location encroaches, as well as the unit that will be dedicated to this well. Accordingly, no notice of this application is required.

Pursuant to the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox well location is hereby approved.

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

Sincerely,



*for* Mark E. Fesmire, P.E.  
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs  
United States Bureau of Land Management - Carlsbad