



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

March 15, 2007

Apache Corp.
6120 S. Yale, Suite 1500
Tulsa, OK 74136
[address of record]

LETTER OF VIOLATION

Operator:

Apache Corp., OGRID 873

Facilities:

- 1) Wells located in a 79.54-acre South Eunice-San Andres Pool spacing and proration unit consisting of the N/2 NW/4 of Section 2, T22S, R37E, Lea Co.:
 - New Mexico S State #042, API 30-025-37245, 4-2-22S-37E
 - New Mexico S State #046, API 30-025-37603, 4-2-22S-37E
 - New Mexico S State #056, API 30-025-38120, 3-2-22S-37E
- 2) Wells located in an 80-acre South Eunice-San Andres Pool spacing and proration unit consisting of the S/2 NW/4 of Section 2, T22S, R37E, Lea Co.:
 - New Mexico S State #047, API 30-025-37607, E-2-22S-37E
 - New Mexico S State #050, API 30-025-37668, E-2-22S-37E
 - New Mexico S State #048, API 30-025-37608, F-2-22S-37E
 - New Mexico S State #049, API 30-025-37609, F-2-22S-37E
- 3) Wells located in an 80-acre South Eunice-San Andres Pool spacing and proration unit consisting of the N2 SW4 of Section 2, T22S, R37E, Lea Co.:
 - New Mexico S State #053, API 30-025-37671, L-2-22S-37E
 - New Mexico S State #043, API 30-025-37335, L-2-22S-37E

Violation:

Well density requirements of Division Orders Nos. R-3706, and R-3706-A

Dear Operator:

The Oil Conservation Division (OCD) has reviewed its records for the South Eunice-San Andres Pool spacing and proration units identified above, and discovered that its records indicate that Apache Corp. (Apache) is producing at least one more well than it is allowed in each unit.

Order No. R-3706, made permanent by Order No. R-3706-A, established special pool rules for the South Eunice-San Andres Pool. Those rules include the following:

Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2 or S/2 of a governmental quarter section; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

The OCD interprets the special rules for the pool as permitting no more than one oil well in each quarter-quarter section of the unit.

Oil Conservation Division

Oil Conservation Division * 1220 South St. Francis Drive * Santa Fe, NM 87505
Phone: (505) 476-3440 * Fax (505) 476-3462 * <http://www.oilconservation.state.nm.us>

Case No.

Exhibit No.

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Each of the three units at issue is a San Andres unit in of Section 2, Township 22 South, Range 37 East, in Lea County, New Mexico.

The first unit at issue consists of the north half of the northwest quarter. Apache has two wells located in the NW/4 NW/4.

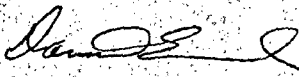
The second unit at issue consists of the south half of the northwest quarter. Apache has two wells located in SW/4 NW/4 and two wells located in the SE/4 NW/4.

The third unit at issue consists of the north half of the southwest quarter. Apache has two wells located in the NW/4 SW/4.

Apache appears to be operating in violation of the spacing requirements of Orders Nos. R-3706 and R-3706-A. Please contact the OCD within ten days of the date of this letter to schedule a compliance conference to discuss the spacing of Apache wells in the South Eunice-San Andres Pool. Please be prepared to provide copies of any documents Apache contends allow it to produce more than two wells in each quarter-quarter section. Please also be prepared to discuss whether any other Apache units in the South Eunice-San Andres Pool violate the density requirements.

If the OCD determines that Apache knowingly and willfully violated the spacing requirements of Orders Nos. R-3706 and R-3706 the OCD may take further enforcement action.

Sincerely,



Daniel Sanchez, OCD Enforcement and Compliance Manager

Cc: Gail MacQuesten, OCD Attorney
Will Jones, OCD Engineer
Chris Williams, Division I
Tim Gum, Division II
Charlie Perrin, Division III