



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

BETTY RIVERA

Cabinet Secretary

December 16, 2002

Lori Wrotenberg

Director

Oil Conservation Division

Apache Corporation

Attention: William "Greg" Beaty

Two Warren Place - Suite 1500

6120 South Yale

Tulsa, Oklahoma 74136-4224

BEFORE THE

OIL CONSERVATION DIVISION

Case No. 12986 Exhibit No. **17**

Submitted By:

Apache Corporation

Hearing Date: January 23, 2003

Re: Administrative application (application reference No. pKRV0-234438285) for an exception to Rule 4 of the "Special Rules and Regulations for the Hobbs-Lower Blinebry Pool," as promulgated by Division Order No. R-9696, as amended, for Apache Corporation's existing (spud date, May 26, 2002) State "A" Well No. 6 (API No. 30-025-35304), located 990 feet from the North line and 1817 feet from the East line (Unit B) of Section 32, Township 18 South, Range 38 East, NMPM, Hobbs-Lower Blinebry Pool (31650), Lea County, New Mexico.

Dear Mr. Beaty:

Reference is made to your application filed with the New Mexico Oil Conservation Division ("Division") on December 10, 2002 and our telephone conversations on Thursday, December 12, 2002. From our conversations and the well file for the State "A" Well No. 6, it is the Divisions understanding that this well is currently completed in the Hobbs-Drinkard Pool (31730) and that Apache Corporation now intends to dually complete this well in both the Drinkard interval and the Hobbs-Lower Blinebry Pool. Both pools are currently governed under special pool-wide rules that require 80-acre oil spacing and proration units and for wells to be located within 150 feet of the center of a governmental quarter-quarter section. Both rules also allow for two producing wells within an 80-acre unit provided no more than one well is located within a single quarter-quarter section.

Pursuant to Rule 5 of the special pool rules governing the Hobbs-Drinkard Pool, Rule 5 of the special pool rules governing the Hobbs-Lower Blinebry Pool, and Division Rule 104.F (2), well location exceptions in these two pools may typically be granted for topographic and/or geologic reasons. You stated in your application:

"The State 'A' #6 well was drilled as a twin to the State 'A' #4 well. The #4 is active in the Upper Blinebry Pool (31680). It was necessary to move the #6 location sufficient distance away from the #4 to avoid interference in the drilling/completion process."

The Division's records in Santa Fe indicate that the referenced State "A" Well No. 4 (API No. 30-025-23076), located at a standard oil well location 660 feet from the North line and 2130 feet from the East line (Unit B) of Section 32, was initially drilled by Amerada Petroleum Corporation in 1969 and completed in the Hobbs-Blinebry Pool through perforations from 5912 feet to 5962 feet. The Hobbs-Blinebry Pool was redesignated the Hobbs-Upper Blinebry Pool (31680) by Division Order No. R-9696, issued in Case No. 10444 on July 17, 1992. Our records also show that this well produced 310,868 BO and 390,616 MCF of casinghead gas from 1992 to 1984 at which time this well was recompleted up-hole into the Hobbs-Paddock Pool (31860). In 1987 the well was shut-in and in 1992 was temporarily abandoned. Evidentially plans were made to recompleted this well in both the Hobbs-Lower Blinebry and Hobbs-Drinkard Pools, as evidenced by the issuance of Division Administrative Order SD-98-4, dated July 28, 1998. There is no indication however in the records this work ever occurred. Our records do show however that this well was recompleted again in the Hobbs-Upper Blinebry Pool in November, 2001 and is currently producing through

perforations from 5912 feet to 5966 feet.

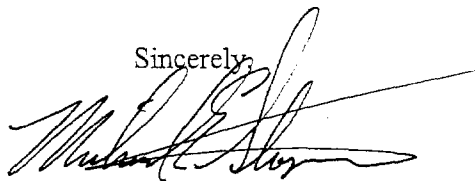
Your statement that the State "A" Well No. 6 is a "twin" to the State "A" Well No. 4 appears to be somewhat misleading and is very confusing. What factors make these two wells similar? Also no details were given as to why exactly it was necessary for the No. 4 and No. 6 wells to be 455 feet apart and what was the expected nature of this "interference." Your application for a location exception in the Lower-Blinebry interval is found to be incomplete. Also, since the rules applicable to the Hobbs-Drinkard Pool for this well do not appear to have been complied with by Apache Corporation or an exception has ever been requested, this matter will be placed on the next available docket for an Examiner's hearing scheduled for January 9, 2003. I have prepared the following advertisement in this matter:

"Application of Apache Corporation an unorthodox oil well location, Lea County, New Mexico. Applicant seeks exceptions to: (i) Rule 4 of the "Special Rules and Regulations for the Hobbs-Drinkard Pool" set forth in Division Order No. R-3811, as amended; and (ii) Rule 4 of the "Special Rules and Regulations for the Hobbs-Lower Blinebry Pool" set forth in Division Order No. R-9696, as amended, for the existing (spud on May 26, 2002) State "A" Well No. 6 (API No. 30-025-35304), located at an unorthodox infill oil well location for both the Hobbs-Drinkard (31730) and Hobbs-Lower Blinebry (31650) Pools 990 feet from the North line and 1817 feet from the East line (Unit B) of Section 32, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico. The N/2 NE/4 of Section 32, being a standard 80-acre lay-down oil spacing and proration unit for both pools, is currently dedicated to the applicant's State "A" Well No. 5 (API No. 30-025-23116) located at a standard oil well location for both zones 660 feet from the North and East lines (Unit A) of Section 32. The State "A" Well No. 6 is to be included within this existing 80-acre unit and will be a replacement well for Apache Corporation's State "A" Well No. 4 (API No. 30-025-23076), located at a standard oil well location for both zones 660 feet from the North line and 2130 feet from the East line (Unit B) of Section 32, which well was the subject of Division Administrative Order SD-98-04, dated July 28, 1998. This unit is located approximately one mile west of Hobbs, New Mexico."

Please provide adequate notice pursuant to Rule 1207.A (2) of the Division's Rules and Regulations for both intervals.

Should you have any questions concerning this matter, please contact your legal counsel, Mr. W. Thomas Kellahin in Santa Fe at (505) 982-4285.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
Kathy Valdes, NMOCD - Santa Fe/
W. Thomas Kellahin, Legal Counsel for Apache Corporation - Santa Fe



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

July 28, 1998

Collins & Ware, Inc.
508 West Wall Avenue - Suite 1200
Midland, Texas 79701-5076
Attention: Dianne Sumrall

Administrative Order SD-98-4

Dear Ms. Sumrall:

Reference is made to your letter dated June 4, 1998. Collins & Ware, Inc. is hereby authorized to simultaneously dedicate oil production from both the Hobbs-Drinkard and Hobbs-Lower Blinebry Pools to a standard 80-acre oil spacing and proration unit for both pools that comprises the N/2 NE/4 of Section 32, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico, from its:

(a) State "A" Well No. 4 (API No. 30-025-23076)
located at a standard oil well location 660 feet from the North line
and 2130 feet from the East line (Unit B) of Section 32; and,

(b) State "A" Well No.5 (API No. 30-025-23116)
located at a standard oil well location 660 feet from the North and
East lines (Unit A) of Section 32.

Further, Collins & Ware, Inc. is permitted to produce the allowable assigned both of the subject 80-acre units from both its respective wells in any proportion.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe