



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Brett F. Woods, Ph.D.
Acting Cabinet Secretary

Daniel Sanchez
Acting Division Director
Oil Conservation Division



February 28, 2011

Apache Corporation
Attn: David Catanach
6120 S. Yale, Suite 1500
Tulsa, OK 74136

Administrative Order NSL-6342

Re: Dayton Hardy Well No. 9
API No. 30-025- 40078
1331 feet FSL and 467 feet FEL
Unit I, Section 20-21S-37E
Lea County, New Mexico

Dear Mr. Catanach:

Reference is made to the following:

(a) your application (**administrative application reference No. pTGW11-03854727**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on February 7, 2011, and

(b) the Division's records pertinent to this request.

Apache Corporation [OGRID 873] (Apache) has requested to drill the above-referenced well at an unorthodox location described above in the caption of this letter.

The NE/4 SE/4 of Section 20 will be dedicated to this well in order to form standard 40-acre, more or less, oil spacing units in the Blinbry Oil and Gas Pool (Oil) (6660), the Tubb Oil and Gas Pool (Oil) (60240) and the Drinkard Pool (19190). Spacing in the Blinbry Oil & Gas Pool is governed by the Special Rules and Regulation for the Blinbry Oil and Gas Pool, as provided in Order R-8170 issued on March 28, 1986. Spacing in the Tubb Oil & Gas Pool is governed by the Special Rules and Regulations for the Tubb Oil and Gas Pool, as provided in Order R-8170 issued on March 28, 1986. Spacing in the Drinkard Pool is governed by statewide Rule 15.9. All of these rules provide that standard oil units shall consist of 40 acres, with wells located at least 330 feet from any unit outer boundary or quarter-quarter section line. The proposed location for this well is less than 330 feet from the northern unit boundary.

Oil Conservation Division * 1220 South St. Francis Drive

* Santa Fe, New Mexico 87505

* Phone: (505) 476-3440 * Fax (505) 476-3462* <http://www.emnrd.state.nm.us>



March 2, 2011

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Your application has been duly filed under the provisions of Division Rules 15.13.C and 4.12.A(2).

It is our understanding that you are seeking this location for engineering reasons, in order to optimize drainage of the proposed units.

It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

The approval assumes that proposed well will produce as an oil well in both the Blinbry and the Tubb. If this well tests as a gas well in either formation, IT SHALL NOT BE PRODUCED FROM THAT FORMATION until properly dedicated to a standard or approved non-standard gas spacing unit.

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,

J. Daniel Sanchez
Acting Director

JDS/db

cc: New Mexico Oil Conservation Division – Hobbs