

Order Number

DAC
HDB-523

API Number

30-025-25884

Operator

Apache Corp

County

Lea

Order Date

8-3-13

Well Name

McDonald State Ac-2

Number

29

Location

H
UL13
Sec22s
T (+Dir)36e
R (+Dir)

Oil %

75%

Gas %

67%

WTR

74%

25%

Pool 1

6660

Blinberry Oil & Gas

Pool 2

60240

Tubb Oil & Gas

Pool 3

Pool 4

Comments:

Posted RBDMS 08/30/2013 dm

SEP 04 2013

DOWNHOLE COMMINGLE CALCULATIONS:

30-025-25884

OPERATOR: Apache Corp

DHC-40B-523

PROPERTY NAME: McDonald State Ac 2

WNULSTR: #29-H-13-225-36e

| SECTION I: | | ALLOWABLE AMOUNT | |
|-------------|-------------------------|------------------|----------------|
| POOL NO. 1 | <u>Blinebry O&G</u> | <u>107</u> | <u>428</u> MCF |
| POOL NO. 2 | <u>Tubb O&G</u> | <u>142</u> | <u>284</u> MCF |
| POOL NO. 3 | _____ | _____ | _____ MCF |
| POOL NO. 4 | _____ | _____ | _____ MCF |
| POOL TOTALS | | <u>249</u> | <u>712</u> |

| SECTION II: | | Oil | GAS |
|-------------|---------------------------|---------------------------|------------|
| POOL NO. 1 | <u>Blinebry O&G</u> | <u>75%</u> | <u>67%</u> |
| POOL NO. 2 | <u>Tubb Oil & GAS</u> | $25\% \times 249 = 62.25$ | <u>33%</u> |
| POOL NO. 3 | _____ | | |
| POOL NO. 4 | _____ | | |

<62>

| | <u>OIL</u> | <u>GAS</u> |
|--------------|---|------------|
| SECTION III: | | |
| | <u>$25\% \div 142 = 568$</u> | _____ |
| SECTION IV: | | |
| | <u>$75\% \times 568 = 426$</u> | _____ |
| | <u>$25\% \times 568 = 142$</u> | _____ |
| | _____ | _____ |
| | _____ | _____ |

Submit 1 Copy To Appropriate District Office
District I - (575) 393-6161
1625 N. French Dr., Hobbs, NM 88240
District II - (575) 748-1283
811 S. First St., Artesia, NM 88210
District III - (505) 334-6178
1000 Rio Brazos Rd., Aztec, NM 87410
District IV - (505) 476-3460
1220 S. St. Francis Dr., Santa Fe, NM 87505

HOBBS OCD

AUG 30 2013

RECEIVED

State of New Mexico

Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-103

Revised August 1, 2011

| | | |
|--|--|---|
| SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.) | | WELL API NO. 30-025-25884 |
| 1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other | | 5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/> |
| 2. Name of Operator Apache Corporation | | 6. State Oil & Gas Lease No. A0-2614-0000 |
| 3. Address of Operator 303 Veterans Airpark Lane, Suite 3000 Midland, TX 79705 | | 7. Lease Name or Unit Agreement Name McDonald State AC 2 (306616) |
| 4. Well Location Unit Letter H : 1800 feet from the North line and 330 feet from the East line Section 13 Township 22S Range 36E NMPM County Lea | | 8. Well Number 029 |
| 11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3452' GL | | 9. OGRID Number 873 |
| | | 10. Pool name or Wildcat Blinebry O&G (Oil)/6660 & Drinkard/19190 |

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐
DOWNHOLE COMMINGLE ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Apache would like to DHC the following pools:

| | |
|-------------------------------|------------------------|
| Pool Names: | Proposed Perforations: |
| Blinebry Oil & Gas (Oil) 6660 | Blinebry 5460'-5672' |
| Tubb Oil & Gas (Oil) 60240 | Tubb 6225'-6334' |

The allocation method will be as follows based on offset production. (See attached application for exception to Rule 303-C.)

| | | | |
|----------|-----|-----|-------|
| | OIL | GAS | WATER |
| Blinebry | 75% | 67% | 74% |
| Tubb | 25% | 33% | 26% |

Downhole commingling will not reduce the value of these pools. Ownership is the same for each of these pools.

DHC-HOB-523

Spud Date: 4/3/1940

Rig Release Date:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Reesa Fisher TITLE Sr. Staff Reg Tech DATE 8/30/2013

Type or print name Reesa Holland Fisher E-mail address: Reesa.Holland@apachecorp.com PHONE: 432/818-1062

For State Use Only

APPROVED BY: [Signature] TITLE Petroleum Engineer DATE SEP 04 2013

Conditions of Approval (if any):

SEP 04 2013

HOBBS OCD

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

State of New Mexico
AUG 30 2013 Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

RECEIVED

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

| | | | | | |
|--|---------------------------------|------------------|-------------------------------|--|----------------|
| Operator Marathon Oil Company | | | Lease McDonald State A/C 2 | | Well No. 29 |
| Unit Letter H | Section 13 | Township 22-S | Range 36-E | County Lea | |
| Actual Footage Location of Well: 1800 feet from the North line and 330 feet from the East line | | | | | |
| Ground level Elev. 3452' | Producing Formation Blinebry | | Pool Blinebry Oil & Gas | Dedicated Acreage: 40 Acres | |
| <p>1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.</p> <p>2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).</p> <p>3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.? <input type="checkbox"/> Yes <input type="checkbox"/> No If answer is "yes" type of consolidation _____</p> <p>If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____</p> <p>No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.</p> | | | | | |
| | | | | <p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature <i>Carl A. Bagwell</i></p> <p>Printed Name Carl A. Bagwell</p> <p>Position Engineering Tech</p> <p>Company Marathon Oil Company</p> <p>Date 7/9/91</p> <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.</p> <p>Date Surveyed</p> <p>Signature & Seal of Professional Surveyor</p> <p>Certificate No.</p> | |

DHC - HOB - 0523

SEP 04 2013

HOBBS OCD**AUG 30 2013**

Form C-102

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Avenue, Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico

Energy, Minerals & Natural Resources Department

RECEIVED

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT**WELL LOCATION AND ACREAGE DEDICATION PLAT**

| | | |
|---|---|--|
| ¹ API Number 30-025-25884 | ² Pool Code 60240 | ³ Pool Name Tubb Oil & Gas (Oil) |
| ⁴ Property Code 306616 | ⁵ Property Name McDonald State AC 2 | ⁶ Well Number 029 |
| ⁷ OGRID No. 873 | ⁸ Operator Name Apache Corporation: 303 Veterans Airpark Lane, Suite 3000 Midland, TX 79705 | ⁹ Elevation 3452' GL |

¹⁰ Surface Location

| | | | | | | | | | |
|--------------------|---------------|-----------------|--------------|---------|-----------------------|---------------------------|----------------------|------------------------|---------------|
| UL or lot no. H | Section 13 | Township 22S | Range 36E | Lot Idn | Feet from the 1800 | North/South line North | Feet from the 330 | East/West line East | County Lea |
|--------------------|---------------|-----------------|--------------|---------|-----------------------|---------------------------|----------------------|------------------------|---------------|

¹¹ Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|

| | | | |
|-------------------------------------|-------------------------------|----------------------------------|-------------------------|
| ¹² Dedicated Acres 40 | ¹³ Joint or Infill | ¹⁴ Consolidation Code | ¹⁵ Order No. |
|-------------------------------------|-------------------------------|----------------------------------|-------------------------|

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

| | | |
|--|---|--|
| <div style="position: relative; height: 400px;"> <div style="position: absolute; top: 50%; left: 50%; transform: translate(-50%, -50%);"> <div style="border: 2px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: -50px; left: 50%; transform: translateX(-50%);">1800'</div> <div style="position: absolute; bottom: -50px; left: 50%; transform: translateX(-50%);">330'</div> </div> </div> </div> | ¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or released mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i> | |
| | <div style="display: flex; justify-content: space-between;"> <div> <i>Reesa Fisher</i> Signature </div> <div> 08/30/2013 Date </div> </div> | |
| | Reesa Holland Fisher Printed Name | |
| | ¹⁸ SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i> | |
| Date of Survey Signature and Seal of Professional Surveyor: | | |
| Certificate Number | | |

DHC- HOB -0523



August 30, 2013

Mr. Paul Kautz
New Mexico Oil Conservation Division
1625 N French Drive
Hobbs, New Mexico 88240

RE: Application for Exception to Rule 303-C – Downhole Commingling
McDonald St AC-2 #29 API 30-025-25884
Unit H, Section 13, T22S, R36E
Blinebry Oil & Gas (Oil) 6660 & Tubb Oil & Gas (Oil) 60240
Lea County, New Mexico

Dear Mr. Kautz,

Enclosed please find form C-103 and attachments for downhole commingling the captioned well. The ownerships (WI, NRI and ORRI) of these pools are identical in this wellbore. The fluids from each of these pools are compatible as seen in other similar commingles in the area. Combining these fluids will not result in any damage to these pools. Commingling will improve the efficiency of present and future recovery operations. Cross flow will not be a problem due to having a production lift system capable of keeping the well pumped off thereby maximizing production. This commingling will not reduce the value of the total remaining production.

This well has been producing in the Blinebry and Drinkard; however, we recently plugged off the Drinkard with a CIBP and shot the Tubb. Though we ran the 9-section review and data is attached, production can also be determined by subtracting the historical Blinebry production from the newly combined Blinebry and Tubb.

The allocation method used for this well was determined by analyzing the cumulative oil, gas and water production in a nine section area of review surrounding this well. Supporting documentation is shown on the attached spreadsheet. Production for active and inactive wells was grouped by pool in the area of review. The totals for each phase were then divided by the number of wells associated with this pool yielding an average. This average was used to determine the percentage allocation.

The main reason for using this method is based on economics and minimizing reservoir damage. Past completion practices had all three zones perforated and fracture stimulated during one full week. Each zone was isolated by a retrievable bridge plug to allow for production testing of each zone for allocation purposes. This testing period lasted as long

as one month before a stabilized rate was observed thus allowing the next zone to be brought on and tested. During this time period the completion fluids used were still confined to the other reservoirs causing gel damage. It is a common practice to get these fluids out of the wellbore as soon as possible to help maximize productivity. On a cost basis it is more expensive to have a completion rig move in and out multiple times to bring on each new zone. Several other factors such as weather, other new completions and regulatory well work may interfere with these new wells.

The area of review used encompasses what has been accepted as a good statistical representation for allocation purposes. By using this allocation method all zones will be brought online in a more effective and efficient manner. This will in turn generate a higher productive rate and quicker revenue streams not only for the operator but for the State of New Mexico too.

If you need additional information or have any questions, please give me a call at (432) 818-1062.

Sincerely,

A handwritten signature in cursive script that reads "Reesa Fisher".

Reesa Holland Fisher
Sr. Staff Regulatory Technician

McDonald St AC-2 #29
30-025-25884
Apache Corp.

| Lease Name | Well Number | 10DIGIT API | Location | Cum Oil (BBL) | | Cum Gas (MCF) | | Cum Water (BBL) | |
|---------------------|-------------|-------------|----------------------|---------------|--------|---------------|---------|-----------------|-----------|
| | | | | Blinebry | Tubb | Blinebry | Tubb | Blinebry | Tubb |
| H T MATTERN NCT E | 13 | 3002508889 | 22S 36E 12H | 19386 | | 28496 | | 173195 | |
| H T MATTERN NCT D | 14 | 3002525081 | 22S 37E 7C | 48775 | 28889 | 222017 | 187647 | 1306959 | 947780 |
| H T MATTERN NCT D | 15 | 3002525092 | 22S 37E 7D | | 12147 | | 106665 | | 38223 |
| H T MATTERN NCT D | 16 | 3002525104 | 22S 37E 7E SW NW | 56547 | 1944 | 272156 | 15058 | 648660 | 6278 |
| H T MATTERN NCT D | 17 | 3002525113 | 22S 37E 7F | 29385 | 4526 | 150309 | 40713 | 98030 | 6645 |
| A L CHRISTMAS NCT C | 9 | 3002525499 | 22S 37E 18G | 16211 | | 95068 | | 107193 | |
| A L CHRISTMAS NCT C | 10 | 3002525530 | 22S 37E 18F | 1396 | | 25232 | | 82499 | |
| A L CHRISTMAS NCT C | 11 | 3002525594 | 22S 37E 18H | 24808 | | 184227 | | 180408 | |
| A L CHRISTMAS NCT C | 12 | 3002525624 | 22S 37E 18E | 52791 | | 494169 | | 869984 | |
| A L CHRISTMAS NCT C | 13 | 3002525634 | 22S 37E 18A | 1037 | 1291 | 18720 | 9515 | 39421 | 50990 |
| A L CHRISTMAS NCT C | 14 | 3002525645 | 22S 37E 18D | 38286 | | 253620 | | 1395074 | |
| A L CHRISTMAS NCT C | 15 | 3002525657 | 22S 37E 18L | 47516 | | 213761 | | 1035689 | |
| DECK FEDERAL | 1 | 3002525665 | 22S 37E 18B NW NE | 7480 | | 125057 | | 6773 | |
| A L CHRISTMAS NCT C | 16 | 3002525670 | 22S 37E 18M SW SW | 10347 | 9400 | 36645 | 151196 | 229370 | 18393 |
| MCDONALD STATE AC 2 | 29 | 3002525884 | 22S 36E 13H SE NE | 38655 | | 138806 | | 836147 | |
| MCDONALD STATE AC 2 | 30 | 3002525926 | 22S 36E 13A E2 NE NE | 41923 | 3455 | 189465 | 10270 | 344404 | 57969 |
| MCDONALD STATE AC 2 | 32 | 3002525933 | 22S 36E 13B NW NE | 41268 | | 132046 | | 937952 | |
| MCDONALD STATE AC 2 | 33 | 3002526012 | 22S 36E 13I NE SE | 14441 | | 58654 | | 294051 | |
| NEW MEXICO M STATE | 49 | 3002526015 | 22S 37E 18J NW NW SE | 40228 | | 154723 | | 35156 | |
| NEW MEXICO M STATE | 51 | 3002537355 | 22S 37E 18I NW NE SE | 18041 | | 146333 | | 701336 | |
| NEW MEXICO M STATE | 52 | 3002537613 | 22S 37E 18J SW NW SE | | 7975 | | 13374 | | 18166 |
| NEW MEXICO M STATE | 53 | 3002537692 | 22S 37E 18O SE SW SE | 38554 | | 126742 | | 38246 | |
| NEW MEXICO M STATE | 361 | 3002538432 | 22S 37E 18P NW SE SE | 14136 | | 55072 | | 241487 | |
| ENCORE M STATE | 2 | 3002539541 | 22S 37E 19 | 9343 | | 27834 | | 43263 | |
| ENCORE M STATE | 3 | 3002539751 | 22S 37E 19C | 9125 | | 15384 | | 31193 | |
| ENCORE M STATE | 4 | 3002540091 | 22S 37E 19H | 11834 | | 43066 | | 45511 | |
| ENCORE M STATE | 5 | 3002540299 | 22S 37E 19A | 7417 | | 23310 | | 54734 | |
| ENCORE M STATE | 6 | 3002540398 | 22S 37E 19I | 5838 | | 15287 | | 35639 | |
| ENCORE M STATE | 7 | 3002540399 | 22S 37E 19B | 3829 | | 13003 | | 13414 | |
| STATE PA | 7 | 3002540540 | 22S 37E 18N | | 1565 | | 4604 | | 4970 |
| TOTALS | | | | 648,597 | 71,192 | 3,259,202 | 539,042 | 9,825,788 | 1,149,414 |
| AVERAGES | | | | 24,022 | 7,910 | 120,711 | 59,894 | 363,918 | 127,713 |

| Proposed Allocations | Oil | Gas | Water |
|----------------------|------|------|-------|
| Blinebry | 75% | 67% | 74% |
| Tubb | 25% | 33% | 26% |
| TOTAL | 100% | 100% | 100% |

Well Test History Report

Page 1 of 1
8/30/2013 9:19:44 am

Select By: Field

Display: All well tests between 01/01/2012 - 08/28/2013

| Test Date | Effective Date | Measured Hours | Type | 24 Hour Volumes | | | | | Ratios | | | | | Fluid Level |
|------------------------------------|----------------|----------------|------|-----------------|-----|-----|-----|------|--------|-----|------|------|------|-------------|
| | | | | Gr Liquid | OIL | GAS | WAT | LIFT | GOR | GLR | IGOR | IGLR | TGLR | |
| Field: EUNICE SOUTH | | | | | | | | | | | | | | |
| MCDONALD STATE AC 2 #29 (BLINEBRY) | | | | | | | | | | | | | | |
| 1/13/2012 | 1/13/2012 | 24 | A | 353 | 3 | 10 | 350 | 0 | 3,333 | 28 | 0 | 0 | 28 | |
| 2/16/2012 | 2/16/2012 | 24 | A | 364 | 4 | 11 | 360 | 0 | 3,143 | 30 | 0 | 0 | 30 | |
| 3/23/2012 | 3/23/2012 | 24 | A | 366 | 4 | 13 | 362 | 0 | 3,250 | 36 | 0 | 0 | 36 | |
| 3/24/2012 | 3/24/2012 | 24 | A | 362 | 4 | 13 | 358 | 0 | 3,250 | 36 | 0 | 0 | 36 | |
| 5/15/2012 | 5/15/2012 | 24 | A | 271 | 4 | 12 | 267 | 0 | 3,429 | 44 | 0 | 0 | 44 | |
| 6/18/2012 | 6/18/2012 | 24 | A | 210 | 3 | 12 | 207 | 0 | 4,000 | 57 | 0 | 0 | 57 | |
| 7/16/2012 | 7/16/2012 | 24 | A | 203 | 3 | 11 | 200 | 0 | 3,667 | 54 | 0 | 0 | 54 | |
| 8/8/2012 | 8/8/2012 | 24 | A | 183 | 3 | 10 | 180 | 0 | 3,333 | 55 | 0 | 0 | 55 | |
| 9/6/2012 | 9/6/2012 | 24 | A | 194 | 3 | 13 | 191 | 0 | 4,333 | 67 | 0 | 0 | 67 | |
| 10/9/2012 | 10/9/2012 | 24 | A | 175 | 3 | 12 | 172 | 0 | 4,000 | 69 | 0 | 0 | 69 | |
| 11/11/2012 | 11/11/2012 | 24 | A | 207 | 3 | 10 | 204 | 0 | 3,333 | 48 | 0 | 0 | 48 | |
| 1/24/2013 | 1/24/2013 | 24 | A | 0 | 0 | 0 | 0 | 0 | | | | | | |
| 2/27/2013 | 2/27/2013 | 24 | A | 0 | 0 | 1 | 0 | 0 | | | | | | |
| 3/28/2013 | 3/28/2013 | 24 | A | 0 | 0 | 1 | 0 | 0 | | | | | | |
| 4/13/2013 | 4/13/2013 | 24 | A | 0 | 0 | 1 | 0 | 0 | | | | | | |
| 5/12/2013 | 5/12/2013 | 24 | A | 0 | 0 | 1 | 0 | 0 | | | | | | |
| 6/25/2013 | 6/25/2013 | 24 | A | 0 | 0 | 1 | 0 | 0 | | | | | | |
| Averages by Completion | | | | 170 | 2 | 8 | 168 | 0 | | | | | | |

** All values are recorded using imperial units.