

9/12/06 DATE IN	SUSPENSE	W. Jones ENGINEER	LOGGED IN 9/12/06	TYPE DHC	APP NO. 7D506025549078
--------------------	----------	----------------------	-------------------	----------	------------------------

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

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



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☒ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☒ Offset Operators, ~~Leaseholders or Surface Owner~~

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☒ Notification and/or Concurrent Approval by ~~BLM~~ or SLO
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Elaine Linton

Print or Type Name

Elaine Linton
Signature

Engineering Technician

Title

8/31/2006

Date

Elaine.linton@apachecorp.com
 e-mail Address



New Mexico Oil Conservation Division
Attn: William Jones
1220 South St. Francis Drive
Santa Fe, NM 87505

September 11, 2006

Telephone (918) 491-4900
WWW.APACHECORP.COM

Re: *Downhole Commingle the Apache Corporation
State Land 15 #7 Well
Section 16, T 21S, R 37E
Lea County, New Mexico*

2006 SEP 12 PM 1:16

Apache Corporation as Operator of the referenced well respectfully requests administrative approval for downhole commingling and measurement of production.

Apache Corporation proposes to commingle the *Penrose Skelly; Grayburg* and *Eunice; San Andres* pools. All interests are identical in both pools and commingling will not reduce the value of the individual pools.

Apache Corporation drilled the State Land 15 #7 well in July 2005 and perforated the *San Andres* and *Grayburg* formations. Initial completion in September 2005, was in the *Grayburg* pool with a 9/26/2005 test at 27 BOPD & 184 MCFPD declining to 17 BO & 404 MCF on 11/22/2005. On December 19, 2005, we retrieved the RBP to test the *San Andres* pool. While initial tests did not show much improvement, over time, production has stabilized and tested on 5/17/2006 with 20 BOPD & 404 MCFPD. Based on this information, Apache Corporation files the enclosed C-107A so that we can continue to commingle both pools. The "Individual Well Test Report" in lieu of one year production curve is enclosed for your consideration. Production allocation will be based on subtraction of the *Grayburg* only test from the commingled *Grayburg/San Andres* test. Also enclosed is the "Allocation Based on Subtraction Method of Tests" providing the allocation percentages to each pool.

Should you require any additional information concerning this application, please do not hesitate to contact me or Clint Mills 918.491.4970.

Regards,

A handwritten signature in cursive script that reads "Elaine Linton".

Elaine Linton
Eng. Tech. 918.491.5362

cc: New Mexico Oil Conservation Division Attn: Donna Mull
1625 N. French Drive
Hobbs, NM 88240

New Mexico State Land Office Attn: Amy Atchley
P.O. Box 1148
Santa Fe, New Mexico 87504-1148

District I
1625 N. French Drive, Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE
☒ Single Well
☐ Establish Pre-Approved Pools
EXISTING WELLBORE
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

DHC-3786

Apache Corporation 6120 South Yale, Suite 1500 Tulsa, OK 74136-4224
Operator Address
State Land 15 7 UNIT M, SEC 16, T 21S, R 37E LEA
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 00873 Property Code 34938 API No. 30-025-37364 Lease Type: ☐ Federal ☒ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Penrose Skelly; Grayburg		UNDES. East Hase
Pool Code	50350		24150 96601
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)			
Method of Production (Flowing or Artificial Lift)	Artificial Lift		Artificial Lift
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)			
Oil Gravity or Gas BTU (Degree API or Gas BTU)	33.0 degrees API		34.6 degrees API
Producing, Shut-In or New Zone	Producing		Producing w/ intent to SI
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: 11/22/2005 Rates: 17BO/404MCF/145BW	Date: Rates:	Date: 05/17/2006 Rates: 3BO/0MCF/256BW
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas 85 % 100 %	Oil Gas % %	Oil Gas 15 % 0 %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☒ No ☐
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes ☐ No ☐

Are all produced fluids from all commingled zones compatible with each other? Yes ☒ No ☐

Will commingling decrease the value of production? Yes ☐ No ☒

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes ☒ No ☐

NMOCD Reference Case No. applicable to this well: _____

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

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

SIGNATURE Elaine Linton TITLE Engineering Technician DATE 09/11/2006

TYPE OR PRINT NAME Elaine Linton TELEPHONE NO. () (918)491-5362

E-MAIL ADDRESS elaine.linton@apachecorp.com

STATE LAND 15 #7

Allocation Based on Subtraction Method of Tests

	<u>Test Date</u>	<u>BO</u>	<u>%</u>	<u>MCF</u>	<u>%</u>	<u>BW</u>	<u>%</u>	<u>GOR</u>
Grayburg	11/22/2005	17	85	404	100	145	36	23,765
San Andres	5/17/2006	<u>3</u>	<u>15</u>	<u>0</u>	<u>0</u>	<u>256</u>	<u>64</u>	0
		20	100	404	100	401	100	20,200

San Andres Subtraction

Grayburg/San Andres Combined	5/17/2006	20		404		401		
Minus Grayburg Only	11/22/2005	17		404		145		
San Andres		3		0		256		

APACHE CORPORATION - Permian Basin

Individual Well Test Report

Well: STATE LAND 15 #7

Reservoir: GRAYBURG-SAN ANDR

Well Status: po-p

Date	BOPD	BWPD	MCFPD	Date	BOPD	BWPD	MCFPD
9/4/2005	10	216	178	7/17/2006	18	342	387
9/5/2005	19	230	183	8/1/2006	15	350	330
9/6/2005	19	232	183				
9/20/2005	29	295	148				
9/21/2005	23	288	173				
9/22/2005	23	298	173				
9/23/2005	25	298	176				
9/24/2005	26	299	180				
9/25/2005	27	300	184				
9/26/2005	26	298	183				
10/8/2005	33	307	262				
11/20/2005	21	257	411				
11/21/2005	14	235	411				
11/22/2005	17	145	404				
12/19/2005	5	342	40				
12/20/2005	7	462	195				
12/21/2005	7	617	244				
12/22/2005	3	306	278				
12/22/2005	3	306	278				
12/24/2005	17	237	354				
12/25/2005	15	221	382				
12/26/2005	7	199	406				
12/27/2005	7	371	412				
12/28/2005	2	487	425				
12/29/2005	2	438	436				
1/12/2006	13	414	334				
1/15/2006	14	407	324				
1/28/2006	15	397	323				
2/2/2006	16	419	396				
2/6/2006	11	398	322				
3/6/2006	27	388	339				
3/12/2006	16	370	343				
4/27/2006	21	409	394				
5/17/2006	20	401	404				
6/12/2006	7	180	87				
6/26/2006	17	317	367				
6/30/2006	17	317	367				

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

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised JUNE 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-025-37364	Pool Code 50350	Pool Name Penrose Skelly; Grayburg
Property Code 34938	Property Name STATE LAND 15	Well Number 7
OGRID No. 00873	Operator Name APACHE CORPORATION	Elevation 3463'

Surface Location


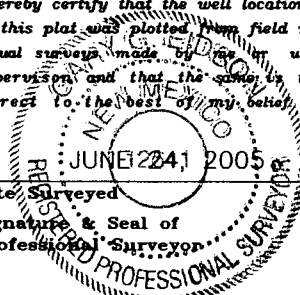
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	16	21-S	37-E		330	SOUTH	330	WEST	LEA

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
---------------	---------	----------	-------	---------	---------------	------------------	---------------	----------------	--------

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

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="text-align: center;"> <p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=537528.6 N X=857213.4 E</p> <p>LAT.=32°28'20.81" N LONG.=103°10'30.24" W</p> </div> <div style="position: absolute; bottom: 10px; left: 10px;">  </div>	<div> <p>OPERATOR CERTIFICATION</p> <p><i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p style="text-align: center;"><u><i>Elaine Linton</i></u> Signature</p> <p style="text-align: center;"><u>Elaine Linton</u> Printed Name</p> <p style="text-align: center;"><u>Engineering Tech.</u> Title</p> <p style="text-align: center;"><u>8/31/2006</u> Date</p> </div> <hr/> <div> <p>SURVEYOR CERTIFICATION</p> <p><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></p> <div style="text-align: center;">  </div> <p style="text-align: center;">Date Surveyed <u>7/5/05</u> LA</p> <p style="text-align: center;">Signature & Seal of Professional Surveyor <u><i>Gary E. Idson</i></u></p> <p style="text-align: center;">05.11.0976</p> <p>Certificate No. GARY EIDSON 12841</p> </div>
---	---

1625 N. FRENCH DR., HOBBS, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

1301 W. GRAND AVENUE, ARTESIA, NM 88210

1000 Rio Brazos Rd., Aztec, NM 87410

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised JUNE 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-025-37364		Pool Code 24150	Pool Name Eunice; San Andres
Property Code 34938	Property Name STATE LAND 15		Well Number 7
OGRID No. 00873	Operator Name APACHE CORPORATION		Elevation 3463'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	16	21-S	37-E		330	SOUTH	330	WEST	LEA

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
---------------	---------	----------	-------	---------	---------------	------------------	---------------	----------------	--------

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

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="text-align: center;"> <p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=537528.6 N X=857213.4 E</p> <p>LAT.=32°28'20.81" N LONG.=103°10'30.24" W</p> </div>	<div style="text-align: center;"> <p>OPERATOR CERTIFICATION</p> <p><i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p><u>Elaine Linton</u> Signature</p> <p><u>Elaine Linton</u> Printed Name</p> <p><u>Engineering Tech.</u> Title</p> <p><u>8/31/2006</u> Date</p> </div> <hr/> <div style="text-align: center;"> <p>SURVEYOR CERTIFICATION</p> <p><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></p> <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: center;"> <p><u>DATE SURVEYED</u> JUNE 24, 2005</p> </div> <div style="text-align: center;"> <p><u>SIGNATURE & SEAL OF PROFESSIONAL SURVEYOR</u> LA</p> </div> </div> <p><u>GARY EIDSON</u> 7/5/05 05.11.0976</p> <p>Certificate No. GARY EIDSON 12641</p> </div>
---	--

Attachment C-107A
State Land 15 #7 Well
Offset Operators

John H. Hendrix Corporation
P.O. Box 3040
Midland, TX 79702-3040

Campbell & Hedrick
P.O. Box 401
Midland, TX 79702



September 11, 2006

Campbell & Hedrick
P.O. Box 401
Midland, TX 79702

Re: *Downhole Commingle the Apache Corporation
State Land 15 #7 Well
Section 16, T 21S, R 37E
Lea County, New Mexico*

Apache Corporation has submitted an application to Downhole Commingle (C-107A) production for the referenced well. Apache Corporation intends to commingle production from the *Penrose Skelly; Grayburg and Eunice; San Andres* pools. As required by the Oil Conservation Division (OCD), attached to this letter is a copy of the application submitted to the OCD for notification.

If you have any questions, please do not hesitate to contact me.

Regards,

A handwritten signature in cursive script that reads "Elaine Linton".

Elaine Linton
Engineering Technician
918.491.5362

cc:
New Mexico Oil Conservation Division
Attn: William Jones
1220 South St. Francis Drive
Santa Fe, NM 87505



September 11, 2006

John H. Hendrix Corporation
P.O. Box 3040
Midland, TX 79702-3040

Re: *Downhole Commingle the Apache Corporation
State Land 15 #7 Well
Section 16, T 21S, R 37E
Lea County, New Mexico*

Apache Corporation has submitted an application to Downhole Commingle (C-107A) production for the referenced well. Apache Corporation intends to commingle production from the *Penrose Skelly; Grayburg and Eunice; San Andres* pools. As required by the Oil Conservation Division (OCD), attached to this letter is a copy of the application submitted to the OCD for notification.

If you have any questions, please do not hesitate to contact me.

Regards,

A handwritten signature in cursive script that reads "Elaine Linton".

Elaine Linton
Engineering Technician
918.491.5362

cc:
New Mexico Oil Conservation Division
Attn: William Jones
1220 South St. Francis Drive
Santa Fe, NM 87505