

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL
RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF APACHE CORPORATION
FOR APPROVAL OF A PROJECT AREA
ENCOMPASSING COMMUNITIZED LANDS
WITHIN T. 17S, R. 31E, N.M.P.M., EDDY COUNTY,
NEW MEXICO, APPROVAL OF SURFACE
COMMINGLING AND ESTABLISHMENT
OF A NEW POOL FOR THE COMMUNITIZED
PROJECT AREA**

CASE NO. 15316

APACHE CORPORATION'S EXHIBITS

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APACHE CORPORATION'S EXHIBIT LIST

A. Land & Regulation

1. Apache's Application
2. Federal Communitization Agreement
3. Approval Letter
4. Assignment of ORR
5. Map of Area
6. Plan of Development
7. Map of Yeso Pools
8. Illustrations
9. Affidavit of Notice

B. Geology

10. Structure Map Yeso Pools
11. Geologic Findings Order R-13382-E
12. Yeso Structure Log Correlation

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CASE NO. _____

APPLICATION

Apache Corporation ("Apache") hereby makes application for an order (1) approving a project area created under a federal communitization agreement covering the acreage described below, which encompasses approximately 5051.36 acres included in Township 17 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, (2) authorizing wells to be located anywhere within the proposed project area so long as the completed interval meets the setback requirements for the exterior boundaries of the proposed project area, (3) establishing a new pool within the communitized area and contracting the boundary of the Fren-Glorieta Yeso Pool (26770), and (4) allowing surface commingling within the proposed project area. In support of its application, Apache states:

1. Apache (OGRID No. 873) is the operator under federal communitization agreement NM134086, which combines 7 tracts, consisting of 4 federal oil and gas leases encompassing the following lands for common development:

Township 17 South, Range 31 East, N.M.P.M.

Section 3: All
Section 4: All

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***Apache*
Exhibit 1**

Section 5: All
Section 6: All
Section 7: All
Section 8: All
Section 9: All
Section 10: All

Eddy County, New Mexico, containing 5051.36 acres more or less, limited in depth to the Glorieta and Yeso formations underlying said lands

(the "Communitized Project Area").

2. The Bureau of Land Management previously approved the Communitization Agreement on February 11, 2015, determining in accordance with Section 17(j) of the Mineral Leasing Act of 1920, as amended, 30 U.S.C. § 226, that the leases committed to the agreement cannot be independently developed and operated in conformity with the well spacing program established for the field, or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest.

3. The effective date of the Communitization Agreement, as approved by the Bureau of Land Management, is November 1, 2013.

4. All of the working interest owners and lessees have voluntarily signed the Communitization Agreement and agreed to communitize their interests and all overriding royalty owners were provided notice of the intent to communitize the leases.

5. A plan of development has also been approved by the BLM and all of the working interest owners and lessees within the Communitized Project Area.

6. It is unclear whether the Division's rules require approval of the Communitized Project Area. The Communitized Project Area consists entirely of federal minerals, and constitutes a standard project area under NMAC 19.15.16.7(L) (defining a project area as "an approved state exploratory unit on participating area in a federal unit") and NMAC

19.15.16.7(M) (defining a standard project area as a combination of two or more standard project areas if the resulting area is substantially in the form of a rectangle).

7. In order to allow for the most efficient horizontal development pattern, and to effectively develop the reserves in the Communitized Project Area, Apache seeks an exception to the applicable setback requirements within the Communitized Project Area to allow for wells to be located anywhere within the Communitized Project Area, so long as the completed interval remains at least 330 feet from the exterior boundary of the Communitized Proposed Project Area.

8. Approval of the Communitized Project Area will allow Apache to locate and efficiently orient its proposed horizontal wells for the maximum recovery of hydrocarbons.

9. In order to allow for the most efficient development pattern, and to effectively develop the reserves in the Communitized Project Area, Apache seeks to establish a new pool covering the Communitized Project Area. The Communitized Project Area lies outside the boundaries of Glorieta Yeso pools established by the Division, and subject to the rules set forth in Division Order No. with the exception of the E/2 of Section 9 which is within the Fren-Glorieta Yeso Pool (26770). The remaining approximately 4731.36 acres of the Communitized Project Area are located north of the Fren-Glorieta Yeso Pool (26770) and the Cedar Lake Glorieta Yeso Pool (96831). Apache is the only operator in the portion of the pool located in the E/2 of Section 9. Accordingly, Apache requests that the E/2 of Section 9 be removed from the Fren-Glorieta Yeso Pool (26770), and that a new pool be designated by the Division pursuant to Rule 19.15.12.8, which covers the entire Communitized Project Area, and allows for both vertical and horizontal development from the Glorieta and Yeso formations.

10. The Communitized Project Area will allow for the commingling and allocation of production based upon the relative surface acreage of each tract in the Communitized Project Area. Pursuant to Rule 19.15.12.7(C), the Communitized Project Area is considered a single lease because it is an area pooled by voluntary agreement.

11. Notice of this application has been given to all of the mineral interest owners and lessees within the Communitized Project Area. Apache is the only operator of the Communitized Area pursuant to the Communitization Agreement.

12. In order to allow for the most efficient horizontal and vertical well development pattern, and to effectively drain the reserves in the communitized formations underlying the Communitized Project Area, approval of the Communitized Project Area should be granted.

13. The formation of the Communitized Project Area under the terms of the Communitization Agreement and approval of this Application are in the best interests of conservation, prevention of waste, and the protection of correlative rights.

14. The effective date of any Division order approving this Application should be November 1, 2013, which is the effective date of the Communitization Agreement approved by the Bureau of Land Management.

WHEREFORE, Apache Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division that notice be given as required by law and the rules of the Division, and that the application be approved.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.

By: _____
Earl E. DeBrine, Jr.
Jennifer Bradfute
Post Office Box 2168
Albuquerque, New Mexico 87103-2168
Telephone: 505.848.1800
Attorneys for Apache Corporation

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CASE NO. _____: Application of Apache Corporation for approval of a Project Area encompassing communitized lands in T. 17S, R. 31E, N.M.P.M., Eddy County, New Mexico, and the approval of surface commingling and the establishment of a new pool for the communitized project area. Applicant in the above-styled cause seeks an order (1) approving a project area created under a federal communitization agreement covering approximately 5051.36 acres, which consists of Sections 3, 4, 5, 6, 7, 8, 9, and 10 in Township 17 South, Range 31 East, Eddy County, New Mexico, (2) authorizing wells to be located anywhere within the proposed project area so long as the completed interval is no closer than the setback requirements for the proposed project area, (3) establishing a new pool within the communitized area and contracting the boundary of the Fren-Glorieta Yeso Pool (26770), and (4) allowing surface commingling within the proposed project area. The subject acreage is located approximately 5 miles east of Loco Hills.