

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

**APPLICATION OF APACHE CORPORATION
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

CASE NO. _____

APPLICATION

Apache Corporation ("Apache"), OGRID Number 873, through its undersigned attorneys, hereby makes an application to the Oil Conservation Division pursuant to the provisions of NMSA (1978), Section 70-2-17, for an order pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the S/2 N/2 of Section 26, Township 19 South, Range 27 East, NMPM, Eddy County, New Mexico. In support of this application, Apache states as follows:

1. Apache is an interest owner in the subject lands and has a right to drill a well thereon.
2. Apache seeks to dedicate the S/2 N/2 of Section 26, Township 19 South, Range 27 East, NMPM, Eddy County, New Mexico to form a 160-acre, more or less, Bone Spring horizontal spacing unit.
3. Apache plans to drill the **Camacho 26 State Com 202H** well to a depth sufficient to test the Bone Spring formation. This well is a horizontal well with a surface location of 1,060' FNL and 315' FEL of Section 26, Township 19 South, Range 27 East, NMPM, Eddy County, and an intended bottom hole location of 1,870' FNL and 50' FWL of Section 26, Township 19 South, Range 27 East, NMPM, Eddy County.

4. This well is proposed to be drilled vertically to a depth of approximately 6,970' to the Bone Spring formation and laterally in a westerly direction within the formation to the referenced bottom hole location.

5. This well will be located within the Palmillo; Bone Spring, Southwest Pool (Code: 96413) and will comply with the Division's setback requirements.

6. Apache sought, but has been unable to obtain, a voluntary agreement from all interest owners in the Bone Spring formation underlying the proposed spacing unit to participate in the drilling of the well or to otherwise commit their interests to the unit.

7. The creation of a horizontal spacing unit and the pooling of all interests in the Bone Spring formation underlying the proposed unit will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

WHEREFORE, Apache requests that this case is set for hearing before an Examiner of the Oil Conservation Division on February 6, 2020, and after notice and hearing as required by law, the Division enter its order:

A. Creating an approximated 160-acre horizontal spacing unit in the Bone Spring formation comprised of S/2 N/2 of Section 26, Township 19 South, Range 27 East, NMPM, Eddy County, New Mexico;

B. Pooling all mineral interests in the Bone Spring formation underlying a horizontal spacing unit within the S/2 N/2 of Section 26, Township 19 South, Range 27 East, NMPM, Eddy County, New Mexico;

C. Designating Apache as operator of this unit and the well to be drilled thereon;

D. Authorizing Apache to recover its costs of drilling, completing and equipping the well;

E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure;

F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

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

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CASE NO. _____: Application of Apache Corporation for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order from the Division: (1) to the extent necessary, approving the creation of a 160-acre, more or less, Bone Spring horizontal spacing unit; and, (2) pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the S/2 N/2 of Section 26, Township 19 South, Range 27 East, NMPM, Eddy County, New Mexico. This spacing unit will be dedicated to the **Camacho 26 State Com 202H** well, to be horizontally drilled. The producing area for this well will be orthodox. Also to be considered will be the cost of drilling, completing and equipping said well, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Apache as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 15.5 miles southeast of Artesia, New Mexico.

Exhibit "A"

Applicant: Apache Corporation
Operator: Apache Corporation (OGRID 873)

Spacing Unit: Horizontal- Oil
Building Blocks: quarter-quarter sections
Spacing Unit Size: 160 acres, more or less
Orientation of Unit: East to West

Spacing Unit Description:
160 acres in the N/2N/2 Section 26
Township 19S, Range 27E, NMPM, Eddy County, New Mexico

Pooling this Vertical Extent: Bone Spring Formation
Depth Severance? (Yes/No): No

Pool: Palmillo; Bone Spring, Southwest Pool (Code: 96413)
Pool Spacing Unit Size: quarter-quarter sections
Governing Well Setbacks: Horizontal Oil Well Rules 19.15.16.15.C NMAC
Pool Rules: Latest Horizontal Rules Apply.

Proximity Tracts: None Included

Monthly charge for supervision: While drilling: \$7,000 While producing: \$700
Charge for risk: 200 percent of reasonable well costs.

Proposed Well:

Camacho 26 State Com 202H, API No. (Pending)
SHL: 1060' feet from the North line and 315 feet from the East line,
(Unit A) of Section 26, Township 19 South, Range 27 East, NMPM.
BHL: 1870' feet from the North line and 50 feet from the West line,
(Unit E) of Section 26, Township 19 South, Range 27 East, NMPM.

Completion Target: 2nd Bone Spring Sand at approx 6,970 feet TVD.
Well Orientation: East to West
Completion Location expected to be: standard