

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

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

Case No. 14,985

VERIFIED STATEMENT OF MICHELLE HANSON

Michelle Hanson, being duly sworn upon her oath, deposes and states:

1. I am a landman for Apache Corporation, and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule NMAC 19.15.4.12.A(1)(b), the following information is submitted in support of the application filed herein:

(a) No opposition to this application is expected because the mineral interest owners being pooled are (i) unlocatable, or (ii) have not responded to lease offers or well proposals.

(b) A plat outlining the spacing unit being pooled, and marking the location of the proposed well, is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Abo formation underlying Lot 3 (the NE/4NW/4) of Section 2, Township 20 South, Range 38 East, NMPM, to form a standard 39.77-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent, including the House-Blinbry Pool, House-Tubb Pool, House-Drinkard Pool, and House-Abo Pool. The unit will be dedicated to the Pinot Well No. 1, to be drilled at an orthodox oil well location in Lot 3 of Section 2. The well will be an oil well.

(c) The parties being pooled, their interests in Lot 3 of Section 2, and their last known addresses, are listed on Exhibit B.

(d) Copies of the proposal letters sent to the locatable, uncommitted mineral interest owners are attached hereto as Exhibit C.

(e) Interest owners who are not locatable are highlighted in yellow on Exhibit B. To attempt to locate these interest owners, Apache Corporation examined the Lea County

Oil Conservation Division
Case No. 14985
Exhibit No. 1

records, telephone directories, records in the counties of the last known residences of the out-of-state owners, and internet directories. Correspondence to the last known addresses of these interest owners was returned to sender. Apache Corporation has been trying to locate these persons for several years for the proposed well and other wells operated by Apache in the immediate area.

(f) Apache Corporation has made a good faith effort to obtain the voluntary joinder of interest owners in the well, or to locate the interest owners.

(g) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against non-consenting interest owners.

(h) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit D. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Lea County.

(i) Overhead charges of \$7,500/month for a drilling well, and \$750/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Apache Corporation requests that the rates be adjusted under the COPAS accounting procedure.

(j) Applicant requests that it be designated operator of the well.

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

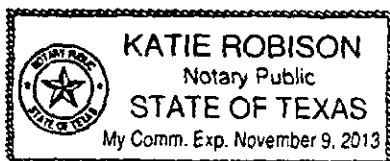
Michelle Hanson, being duly sworn upon her oath, deposes and states that: She is a landman for Apache Corporation; she is authorized to make this verification on its behalf; she has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of her knowledge, information, and belief.

Michelle Hanson
Michelle Hanson

SUBSCRIBED AND SWORN TO before me this 13th day of May, 2013 by Michelle Hanson.

My Commission Expires: 11/9/13

Katie Robison
Notary Public



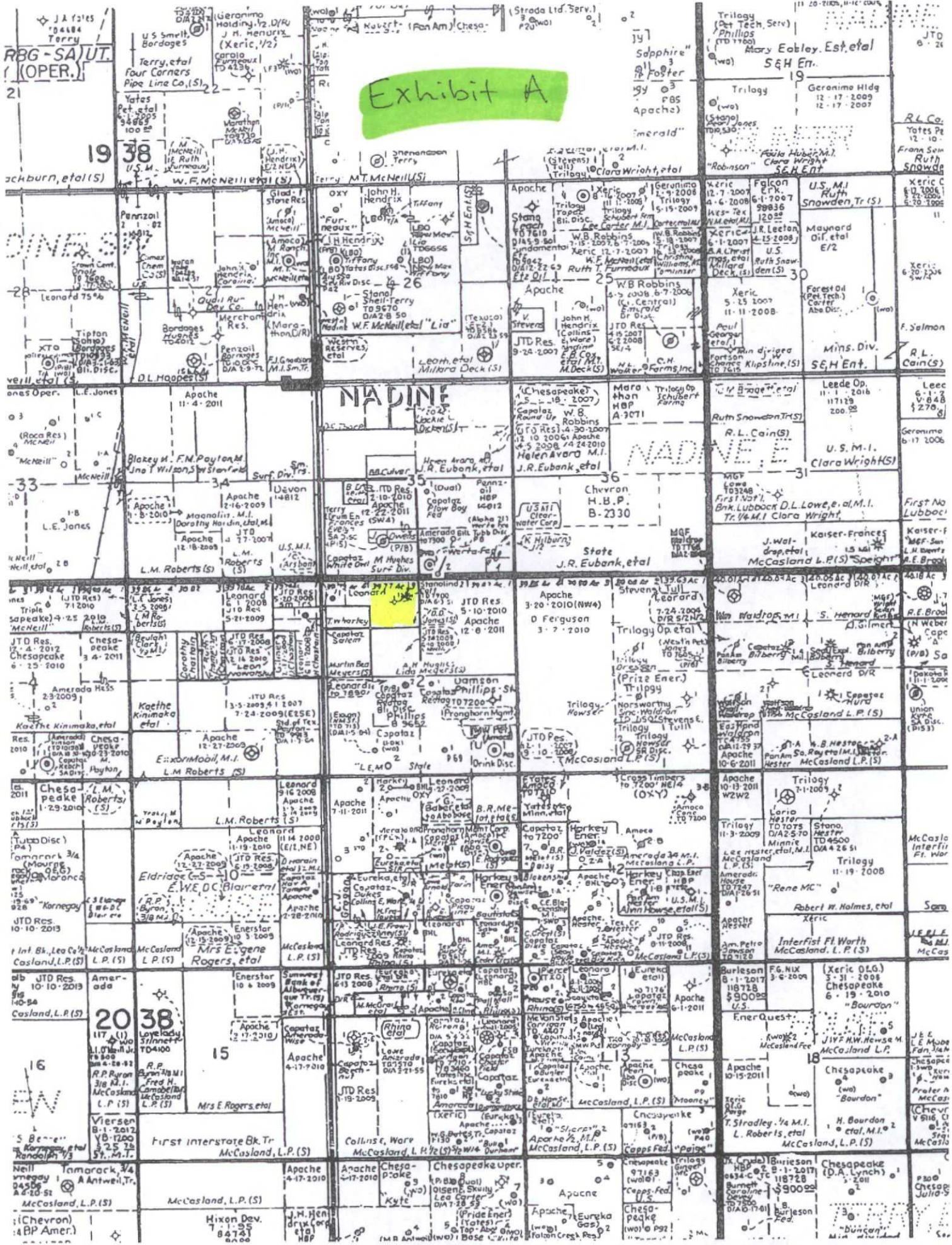


Exhibit A

NADINE

NADINE

EXHIBIT B
PINOT #1

Royalty Holding Company* 3535 NW 58 th Ste 720 Oklahoma City, OK 73112	0.20312500	
The Salient Zarvona Energy 1010 Lamar, Ste 500 Houston, TX 77002 Office: (713) 600-0600 Fax: (713) 600-0605	0.18450000	Elected to participate (verbally). Currently waiting for executed documents in the mail.
Overton Energy Investment VI, LLC 4265 San Felipe, Ste 1040 Houston, TX 77027 Office: (713) 580-7254	0.04050000	
Burlington Resources Oil & Gas Company, L.P.* c/o ConocoPhillips Company Attn: Ashley Manning-Dyke 600 N. Dairy Ashford, 2WL-15060 Houston, TX 77252-2197	0.03472222	Currently negotiating lease form.
A&P Family Limited Partnership* P.O. Box 1046 Eunice, NM 88231	0.03125000	Currently negotiating lease form.
Pat Alston Ward* 207 Porr Drive Ruidoso, NM 88355	0.03125000	
TLW Investments, L.L.C. 1001 Fannin, Suite 2020 Houston, Texas 77002 Office: (713) 929-1619	0.02500000	
Muirfield Resources Company* P.O. Box 3166 Tulsa, OK 74101-3166	0.01041667	Elected to participate. Received executed documents via email. Waiting on originals in mail.
The Allar Company* P.O. Box 1567 Graham, TX 76450 (940) 549-0077	0.00694444	Currently negotiating lease form.
Sally Rogers* 152b Arroyo Hondo Road Santa Fe, NM 87508	0.00625000	

EXHIBIT B
PINOT #1

Wells Fargo Bank, N.A., Trustee* Oil & Gas Distribution – Armstrong P.O. Box 40909 Austin, TX 78704	0.00390625	Currently negotiating lease form.
William J. Meier* 257 Rutherford Shreveport, LA 71104	0.00390625	
Seven Ways Minerals, Ltd.* P.O. Box 6009 Midland, TX 79704	0.00130208	Currently negotiating lease form.
Joseph Nelson*	0.00078125	Cannot locate
Bank of America, N.A., Trustee of the Myrtle L. Davis Trust* P.O. Box 830259 Dallas, TX 75283-0259	0.00062500	Just recently obtained new mailing address. Sending well proposal to this address.
Gertrude Soper*	0.00052083	Cannot locate
Bernice Wade*	0.00052083	Cannot locate
C.S. Daley*	0.00039063	Cannot locate
The Heirs or Devisees of J. Kenneth Fasken*	0.00039063	Cannot locate
The Heirs or Devisees of Harry Levy*	0.00039063	Cannot locate
Beverly B. Nelson*	0.00039063	Cannot locate
Libby Linn Underwood Morrish* 1388 Midland Street Brighton, CO 80601-1594	0.00039063	She indicated she would like to lease. Sending Apache's lease form to her for review.
Audrey M. Baker* c/o Michel E. Curry, Trustee P.O. Box 1263 Midland, TX 79702	0.00032550	
Max W. Coll III* 7625-2 El Centro Blvd Las Cruces, NM 88012	0.00022344	
John Lutrell*	0.00017361	Cannot locate
The Colorado Corporation*	0.00016276	Cannot locate
Robert Joe Reichert*	0.00004883	Cannot locate
Pat Farris*	0.00004883	Cannot locate
Cheryl Menz*	0.00004883	Cannot locate
Douglas Menz*	0.00004883	Cannot locate

* Unleased Mineral Owner

Exhibit C

April 15, 2013

WORKING INTEREST OWNERS

RE: Re-proposal to Drill Pinot #1 Well
330' FNL & 2310' FWL
Township 20 South, Range 38 East;
Section 2: NE/4NW/4 (Lot 3)
Lea County, New Mexico

Dear Interest Owner,

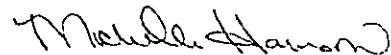
Apache Corporation ("Apache") proposed, via letter dated October 24, 2012, to drill the Pinot #1 well and test the Blinbry, Tubb and Drinkard formations. Since Apache's initial proposal, the subject well has been re-staked at a new location 330 feet from the North line and 2,310 feet from the West line of Section 2, Township 20 South, Range 38 East, Lea County, New Mexico. Further, Apache wishes to test the Abo formation in addition to the previously proposed formations. Therefore, Apache hereby re-proposes the Pinot #1 well to be drilled at the referenced orthodox location to a total depth of ~7,800' and test the Blinbry, Tubb, Drinkard and Abo formations. Enclosed for your review and further handling are two (2) copies of Apache's drilling and completion AFE. Said AFE contains an itemized breakdown of the estimated cost for the drilling and completion work for the Pinot #1 well.

Also enclosed for your review and approval is a mutually acceptable 1989 Form Joint Operating Agreement ("JOA").

Please be advised there are a number of unleased mineral owners that cannot be located and will require compulsory pooling. Apache plans to immediately file its application for compulsory pooling as time is of the essence. Apache wishes to have this location ready to spud on or before June 1, 2013. Please note you will receive formal notice of compulsory pooling in a separate letter from Apache's outside legal counsel, on behalf of Apache. All interest owners will be listed in the pooling application; however, each owner has the right to elect to participate in the drilling of the Pinot #1 up until 30 days after an approved Pooling Order is issued by the New Mexico Oil Conservation Division, in accordance with the terms and conditions of said Order.

Lastly, please evidence your election of Apache's well proposal on Page 2 of this letter and should you elect to participate please execute one (1) copy of the enclosed AFE, as well as one (1) original set of all applicable signature and acknowledgement pages to the JOA, and return same, along with your election on Page 2, to the undersigned within thirty (30) days from your receipt of this letter. I have enclosed a postage paid envelope for your convenience. Should you have any questions concerning this matter, please contact the undersigned at (432) 818-1093.

Yours truly,
APACHE CORPORATION



Michelle Hanson
Landman
Fax: (432) 818-1190
michelle.hanson@apachecorp.com

Page 2 – Re-proposal to Drill Pinot #1
Blinebry, Tubb, Drinkard and Abo test
April 15, 2013

_____ The undersigned elects to **PARTICIPATE** in the drilling of the Pinot #1 well as proposed above. Please find attached one (1) executed copy of Apache's AFE #PA-12-0702 RI and one (1) original set of all applicable signature and acknowledgment pages to the proposed Joint Operating Agreement, fully executed on behalf of the undersigned.

_____ The undersigned elects **NOT** to participate in the drilling and completing of the Pinot #1 well as proposed above. The undersigned understands that Apache plans to obtain approval for compulsory pooling of all non-participating interests associated with the Pinot #1 Wellbore and its 40-acre proration unit, insofar and only insofar as to the Blinebry, Tubb, Drinkard and Abo formations.

Company: _____

By: _____

Name: _____

Title: _____

Date: _____

October 24, 2012

WORKING INTEREST OWNERS

RE: Proposal to Drill Pinot #1 Well
1650' FNL & 330' FWL
SW/4 NW/4 Section 2, T20S, R38E,
Lea County, New Mexico

restaked 1/31/13

Dear Interest Owner,

Apache Corporation ("Apache") hereby proposes the drilling of the Pinot #1 Well to a total depth of 7,350' to test the Blinberry, Tubb and Drinkard formations. This well is to be located 1650' FNL & 330' FWL in the SW/4 NW/4 Section 2, T20S-R38E, Lea County, New Mexico. The estimated dry hole cost for this well is \$572,500 and the total completed well cost is approximately \$1,989,400. Enclosed for your review and further handling are two (2) copies of Apache's drilling and completion AFE. Said AFE contains an itemized breakdown of the estimated cost for the drilling and completion work for the Pinot #1 well.

Should you elect to participate in the referenced well as proposed above, a mutually acceptable Joint Operating Agreement will be forwarded for your review and execution.

Please evidence your election of Apache's well proposal on Page 2 of this letter and should you elect to participate please execute one (1) copy of the enclosed AFE and return same, along with your election on Page 2, to the undersigned within 30-days from your receipt of this letter. I have enclosed a postage paid envelope for your convenience. Should you have any questions concerning this matter, please contact John Nelson, our Reservoir Engineer at (432) 818-4972, or the undersigned at (432) 818-1097.

Yours truly,
APACHE CORPORATION



Dylan C. Park
Landman
dylan.park@apachecorp.com

Page 2 – Proposal to Drill Pinot #1
October 24, 2012

_____ The undersigned elects to **PARTICIPATE** in the drilling of the Pinot #1 well as proposed above. Attached is an executed copy of Apache's AFE #PA-12-0702. Please forward a mutually acceptable Joint Operating Agreement for my review and execution.

_____ The undersigned elects **NOT** to participate in the drilling and completing of the Pinot #1 well as proposed above.

By: _____

Name: _____

Title: _____

Date: _____

October 24, 2012

MINERAL INTEREST OWNERS

RE: Proposal to Drill Pinot #1 Well
1650' FNL & 330' FWL
SW/4 NW/4 Section 2, T20S, R38E,
Lea County, New Mexico

restaked 1/31/13

Dear Interest Owner,

Apache Corporation ("Apache") hereby proposes the drilling of the Pinot #1 Well to a total depth of 7,350' to test the Blinbry, Tubb and Drinkard formations. This well is to be located 1650' FNL & 330' FWL in the SW/4 NW/4 Section 2, T20S-R38E, Lea County, New Mexico. The estimated dry hole cost for this well is \$572,500 and the total completed well cost is approximately \$1,989,400. Enclosed for your review and further handling are two (2) copies of Apache's drilling and completion AFE. Said AFE contains an itemized breakdown of the estimated cost for the drilling and completion work for the Pinot #1 well.

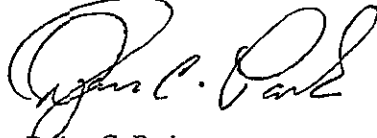
Should you elect to participate in the referenced well as proposed above, a mutually acceptable Joint Operating Agreement will be forwarded for your review and execution.

However, should you elect not to participate, please consider leasing your mineral interest to Apache by contacting the undersigned at (432) 818-1097 or 303 Veterans Airpark Lane, Suite 3000, Midland, TX 79705. Should you consider leasing, Apache is offering a bonus of \$250 per net acre or \$50 minimum, whichever is greater, for a 3 year lease, with option to extend for an additional 2 years at \$250 per net acre, delivering 1/4 oil and gas royalty.

Please evidence your election of Apache's well proposal on Page 2 of this letter and should you elect to participate please execute one (1) copy of the enclosed AFE and return same, along with your election on Page 2, to the undersigned within 30-days from your receipt of this letter. I have enclosed a postage paid envelope for your convenience. Should you have any questions concerning this matter, please contact John Nelson, our Reservoir Engineer at (432) 818-4972, or the undersigned at (432) 818-1097.

Yours truly,

APACHE CORPORATION



Dylan C. Park
Landman

dylan.park@apachecorp.com

Page 2 – Proposal to Drill Pinot #1
October 24, 2012

☒

The undersigned elects to **PARTICIPATE** in the drilling of the Pinot #1 well as proposed above. Attached is an executed copy of Apache's AFE #PA-12-0702. Please forward a mutually acceptable Joint Operating Agreement for my review and execution.

☐

The undersigned elects **NOT** to participate in the drilling and completing of the Pinot #1 well as proposed above.

☐

The undersigned agrees to **LEASE** its mineral interest to Apache pursuant to the terms previously stated on Page 1 of this letter. Please forward a mutually acceptable lease form for my review and execution.

By: *Sally Rodriguez*
Name: _____
Title: _____
Date: 12-12



DRILLING AND COMPLETION I AFE
ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

Exhibit D

①

PROPERTY NO. 0		<input checked="" type="checkbox"/> EMS <input type="checkbox"/> ITS		AFE NO. PA-12-0702 R1	
COUNTY/STATE LEA, NM		DISTRICT EUNICE AREA		DATE 03/20/13	
LEASE NAME PINOT		WELL NO. 1		FIELD HOUSE	
PROSPECT/LEASE # HOUSE		LEGAL / ZIP CODE SEC 02, T20S-R38E		<input checked="" type="checkbox"/> ORIGINAL <input type="checkbox"/> SUPPLEMENT <input type="checkbox"/> EXPLORATION <input checked="" type="checkbox"/> DEVELOPMENT <input type="checkbox"/> PUD	
OPERATOR APACHE CORPORATION		APACHE WI 45.140000%			
OBJECTIVE BT-D - 7,800'		PROSPECT # NM4022			
FOCUS AREA NEW MEXICO		API # 0			
ESTIMATED PROJECT START DATE			ESTIMATED PROJECT COMPLETION DATE		
DESCRIPTION Drill, Complete, and Equip a 7,350' B-T-D well.					

INTANGIBLE DEVELOPMENT COSTS

ACCT	DESCRIPTION	DRY HOLE	COMPLETION	SUPPLEMENT	TOTAL WELL COST
70002	AIR TRANSPORTATION	0	0	0	0
70003	BITS, COREHEADS AND REAMERS	20,000	1,000	0	21,000
70004	CASING CREWS	5,000	5,000	0	10,000
70005	CATERING AND GROCERIES	0	0	0	0
70006	CEMENT AND CEMENTING SERVICES	25,000	45,000	0	70,000
70009	COMPANY LABOR	0	1,000	0	1,000
70011	COMPANY SUPERVISION	1,500	6,000	0	7,500
70012	COMPANY VEHICLE EXPENSE	500	1,000	0	1,500
70019	CONTRACT DRILLING - DAYWORK @ \$13,200 /day + TAX	129,000	55,000	0	184,000
70020	CONTRACT DRILLING - FOOTAGE	0	0	0	0
70017	CONTRACT LABOR	10,000	30,000	0	40,000
70021	CONTRACT SUPERVISION	15,000	2,000	0	17,000
70022	DIRECTIONAL TOOLS	0	0	0	0
70025	DRILLING FLUIDS	20,000	0	0	20,000
65506	DRILLING OVERHEAD	4,500	0	0	4,500
70059	DRY HOLE PLUGGING	0	50,000	0	50,000
70031	EQUIPMENT RENTAL	39,000	35,000	0	74,000
70033	FILTRATION	0	0	0	0
70034	FORMATION STIMULATION	0	400,000	0	400,000
70035	FORMATION TESTING	0	0	0	0
70037	FUEL AND POWER	27,000	0	0	27,000
70039	GEOLOGICAL AND ENGINEERING	10,000	0	0	10,000
70040	GRAVEL PACK SERVICES	0	0	0	0
70045	INSURANCE	0	0	0	0
70046	LAND AND SITE RECLAMATION	35,000	3,000	0	38,000
70047	LEGAL AND CURATIVE	3,000	0	0	3,000
70049	LOGGING	15,000	60,000	0	75,000
70050	MARINE TRANSPORTATION	0	0	0	0
70054	OTHER INTANGIBLE	20,000	30,000	0	50,000
70064	RIG MOBILIZATION	25,000	0	0	25,000
70065	ROADS AND SITE PREPARATION	45,000	2,000	0	47,000
70069	SNUBBING/COIL TUBING UNIT	0	0	0	0
70073	TAX ON EQUIPMENT	0	0	0	0
70074	TRUCKING AND HAULING	5,000	25,000	0	30,000
70075	TUBING CONVEY PERFORATING	0	0	0	0
70076	TUBULAR INSPECTIONS	3,000	2,000	0	5,000
70077	WATER	40,000	6,500	0	46,500
70078	WELLSITE LOSS AND DAMAGES	10,000	0	0	10,000
	SUB-TOTAL INTANG. DEVELOPMENT COSTS	507,500	759,500	0	1,267,000

PROPERTY: PINOT 1 AFE #: PA-12-0702 R1

TANGIBLE MATERIAL COSTS

ACCT	DESCRIPTION	DRY HOLE	COMPLETION	SUPPLEMENT	TOTAL WELL COST
71001	ARTIFICIAL LIFT EQUIPMENT	0	120,000	0	120,000
71005	COMPRESSOR STATIONS	0	0	0	0
71006	CONDUCTOR CSG	6,500	0	0	6,500
71008	DEHYDRATION / AMINE UNITS	0	0	0	0
71012	FLOW LINES TO BATTERY	0	0	0	0
71017	HIGH PRESSURE KNOCK-OUT	0	15,000	0	15,000
71019	INTERMEDIATE CSG	0	0	0	0
71024	LINER HANGERS	0	0	0	0
71025	LINERS - DRILLING OR PRODUCTION	0	0	0	0
71007	ONSHORE PLATFORM	0	0	0	0
71032	OTHER SUBSURFACE EQUIPMENT	0	5,000	0	5,000
71033	OTHER SURFACE EQUIPMENT	0	40,000	0	40,000
71039	PRIME MOVER	0	20,000	0	20,000
71040	PRODUCTION CASING - 7800' of 5-1/2" 17# L80 LTC	0	137,300	0	137,300
71043	PUMPS	0	5,000	0	5,000
71045	SALES LINE	0	7,500	0	7,500
71046	SEPARATORS	0	25,000	0	25,000
71048	SUCKER RODS	0	32,000	0	32,000
71050	SURFACE CSG 1,611' - 8-5/8" 24# J55 STC	33,000	0	0	33,000
71051	TANK BATTERY	0	305,000	0	305,000
71052	TREATERS	0	20,000	0	20,000
71053	TUBING 2-7/8" 6.5# J-55	0	45,000	0	45,000
71056	WELLHEAD ASSEMBLY	5,000	7,500	0	12,500
	SUB-TOTAL TANGIBLE MATERIAL COSTS	44,500	784,300	0	828,800
	SUB-TOTAL INTANGIBLE COSTS (PAGE 1)	507,500	759,500	0	1,267,000
	GRAND TOTAL	552,000	1,543,800	0	2,095,800
	LESS OUTSIDE INTERESTS	302,827	846,929	0	1,149,756
	TOTAL NET COSTS	249,173	696,871	0	946,044

PREPARED BY

TERRY WEST *Terry West* 3/27/13
DATE

PREPARED BY

RYAN TAYLOR *Ryan Taylor* 4/19/13
DATE

APPROVED BY

BOBBY SMITH *Bobby Smith* 3/27/13
DATE

APPROVED BY

MIKE THORSON *Mike Thorson* 4.1.13
DATE

APPROVED BY

KEN NEUBERT *Ken Neubert* 4/6/13
DATE

APPROVED BY

JOHN CHRISTMANN *John Christmann* 4/15/13
DATE

Notice to Nonoperators: Costs shown on this form estimates only. Nonoperators should not consider these estimates as establishing any limit on monies which will be required to perform the proposed operation.

A.	GROSS ORIGINAL AFE AMOUNT	2,095,800
B.	APACHE ORIGINAL NET AFE AMOUNT	946,044
C.	NET ASSET TRANSFERS	
D.	TOTAL ORIGINAL NET AFE (LINE B PLUS LINE C)	946,044
E.	GROSS SUPPLEMENTS	0
F.	APACHE TOTAL NET AFE AMOUNT	946,044
	IN BUDGET	NOT IN BUDGET

COMPANY	WORKING INTEREST	APPROVED BY	DATE

COMMENTS:

0
0