

**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. 14,989

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 Drinkard formation underlying the SW/4NW/4 of Section 2, Township 20 South, Range 38 East, NMPM, to form a standard 40-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-Blinebry Pool, House-Tubb Pool, and House-Drinkard Pool. The unit will be dedicated to the Pinot Well No. 2, to be drilled at an orthodox oil well location in the SW/4NW/4 of Section 2. The well will be an oil well.
 - (c) The parties being pooled, their interests in the SW/4NW/4 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. 14989
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

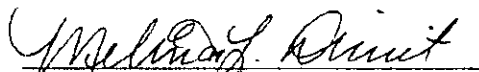
STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

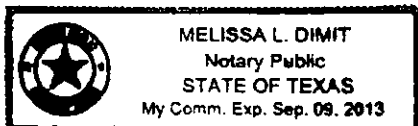
Michelle Hanson, being duly sworn upon her oath, deposes and states that: She is a landman for Apache Corporation; she is authorized to make this verification on its behalf; she has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of her knowledge,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


Michelle Hanson

SUBSCRIBED AND SWORN TO before me this 28th day of May, 2013 by Michelle Hanson.

My Commission Expires: 9/9/2013


Notary Public



[illegible]

EXHIBIT B
PINOT #2

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	Elects to participate
Overton Energy Investment VI, LLC 4265 San Felipe, Ste 1040 Houston, TX 77027 Office: (713) 580-7254	0.04050000	Elects to participate
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	Elects to participate. Has not yet executed the proposed JOA.
Muirfield Resources Company* P.O. Box 3166 Tulsa, OK 74101-3166	0.01041667	Elects to participate.
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 #2

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 830308 Dallas, TX 75283-0308	0.00062500	Just recently obtained new mailing address. Sent well proposal to this address. 5/28/13 - received Bank of America lease form for my review.
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. Sent Apache's lease form to her for review. Have not yet received a response to my mailing.
Audrey M. Baker* c/o Michel E. Curry, Trustee P.O. Box 1263 Midland, TX 79702	0.00032550	Elects to participate.
Max W. Coll III* 7625-2 El Centro Blvd Las Cruces, NM 88012	0.00022344	Elects to participate
John Luttrell*	0.00017361	Cannot locate
The Colorado Corporation*	0.00016276	Cannot locate
Robert Joe Reichert*	0.00004883	Cannot locate
Pat Farris*	0.00004883	Cannot locate

EXHIBIT B
PINOT #2

Cheryl Menz*	0.00004883	Cannot locate
Douglas Menz*	0.00004883	Cannot locate

* Unleased Mineral Owner

Exhibit C



April 16, 2013

WORKING INTEREST OWNERS

RE: Proposal to Drill Pinot #2 Well
1850' FNL & 990' FWL
Township 20 South, Range 38 East;
Section 2: SW/4NW/4
Lea County, New Mexico

Dear Interest Owner,

Apache Corporation ("Apache") hereby proposes to drill the Pinot #2 well to a total depth of approximately 7,400' to test the Blinbry, Tubb and Drinkard formations and shall be located 1850 feet from the North line & 990 feet from the West line of Section 2, Township 20 South, Range 38 East, Lea County, New Mexico. Please find enclosed, for your review and approval, a copy of Apache's Authority for Expenditure ("AFE") detailing the estimated costs for drilling and completing the proposed well.

Also enclosed for your review and approval is a mutually acceptable 1989 Form Joint Operating Agreement ("JOA"). Said JOA shall govern operations for both the Pinot #1 well (proposed under separate cover) and the Pinot #2 well proposed herein.

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 by mid-June. 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 #2 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 – Proposal to Drill Pinot #2
Blinebry, Tubb and Drinkard test
April 16, 2013

_____ The undersigned elects to **PARTICIPATE** in the drilling of the Pinot #2 well as proposed above. Please find attached one (1) executed copy of Apache's AFE #PA-13-0370 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 #2 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 and Drinkard formations.

Company: _____

By: _____

Name: _____

Title: _____

Date: _____



Exhibit D
DRILLING AND COMPLIANCE AFE
ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

PROPERTY NO. 0		<input checked="" type="checkbox"/> EMS <input type="checkbox"/> ITS		AFE NO. PA-13-0370	
COUNTY/STATE LEA, NM		DISTRICT EUNICE AREA		DATE 03/20/13	
LEASE NAME PINOT		WELL NO. 2		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 WM 45.140000%			
OBJECTIVE BTD - 7,400'		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	385,000	0	385,000
70035	FORMATION TESTING	0	0	0	0
70037	FUEL AND POWER	27,000	0	0	27,000
70039	GEOLOGICAL AND ENGINEERING	0	0	0	0
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	12,000	50,000	0	62,000
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	5,000	0	45,000
70078	WELLSITE LOSS AND DAMAGES	10,000	0	0	10,000
	SUB-TOTAL INTANG. DEVELOPMENT COSTS	494,500	733,000	0	1,227,500

PROPERTY: PINOT 2 AFE #: PA-13-0370

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 - 7400' of 5-1/2" 17# L80 LTC	0	130,300	0	130,300
71043	PUMPS	0	5,000	0	5,000
71045	SALES LINE	0	7,500	0	7,500
71046	SEPARATORS	0	0	0	0
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	0	0	0
71052	TREATERS	0	0	0	0
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	427,300	0	471,800
	SUB-TOTAL INTANGIBLE COSTS (PAGE 1)	494,500	733,000	0	1,227,500
	GRAND TOTAL	539,000	1,160,300	0	1,699,300
	LESS OUTSIDE INTERESTS	295,695	636,541	0	932,236
	TOTAL NET COSTS	243,305	523,759	0	767,064

PREPARED BY	TERRY WEST	3/27/13
PREPARED BY	RYAN TAYLOR	DATE
APPROVED BY	BOBBY SMITH	3/27/13
APPROVED BY	MIKE THORSON	4-2-13
APPROVED BY	KEN NEUPERT	DATE
APPROVED BY	JOHN CHRISTMANN	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	1,699,300
B.	APACHE ORIGINAL NET AFE AMOUNT	767,064
C.	NET ASSET TRANSFERS	
D.	TOTAL ORIGINAL NET AFE (LINE B PLUS LINE C)	767,064
E.	GROSS SUPPLEMENTS	0
F.	APACHE TOTAL NET AFE AMOUNT	767,064
	IN BUDGET	NOT IN BUDGET

COMPANY	WORKING INTEREST	APPROVED BY	DATE

COMMENTS: 0
0