BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF FORTY ACRES ENERGY,
LLC TO REMOVE APACHE CORPORATION
AS OPERATOR OF SEVEN WELLS IN THE
WEST EUMONT UNIT, LEA COUNTY,
NEW MEXICO.   Case No. _16280_

APPLICATION

Forty Acres Energy, LLC ("Forty Acres") applies for an order removing Apache

Corporation ("Apache") as operator of record of seven wells located in the West Eumont Unit,

and approving Forty Acres as operator of the subject wells, and in support thereof, states:

1.   Forty Acres is the operator of the West Eumont Unit (the "Unit"), a statutory unit

approved by the Division by Order No. R-14615. The Unit became effective on June 1, 2018.

2.   The vertical limits of the Unitized Formation are defined as:

> "Unitized Formation" shall mean that interval underlying the Unit Area, the
> vertical limits of which extend from an upper limit described as the top of the
> Yates Formation to a lower limit at the base of the Queen Formation, the
> geologic markers having been previously found to occur at 3,100 feet and 4,208
> feet, respectively, in Amerada Petroleum Corporation's #1 WE "D" State well
> (located 1980 feet FSL and 660 feet FEL of Section 27, T-20-S, R-36-E, Lea
> County, New Mexico), as recorded on the Schlumberger Electrical Log taken on
> March 25, 1954, said log being measured from a derrick floor elevation of 3,586
> feet above sea level.

3.   A secondary recovery (waterflood) project for the Unit was approved by the

Division by Order No. R-14616.

4.   Apache is the operator of record of the following wells located in the Unit:

Well Name	API No.	Location
State WE F Well No. 1	30-025-03382	Unit F §1-21S-35E
State WE F Well No. 2	30-025-03383	Unit C §1-21S-35E
State WE F Well No. 3	30-025-03384	Unit C §1-21S-35E
State WE F Well No. 4	30-025-26549	Unit K §1-21S-35E
State WE A Well No. 2	30-025-03447	Unit C §12-21S-35E

| State WE A Well No. 1 | 30-025-08561 | Unit F §12-21S-35E |
| State WE A Well No. 4 | 30-025-26550 | Unit F §12-21S-35E |

(The "Wells.") The Wells are completed in the Unitized Formation.

5.   The Operating Agreement for the Unit, approved by Order No. R14615, provides

in Article 10:

> 10.1. Personal Property Taken Over. Upon the Effective Date hereof, Working Interest Owners shall deliver to Unit Operator the following:
>
> > 10.1.1 Wells and Casing. All wells completed in the Unitized Formation, together with the casing therein.
> >
> > 10.1.2 Well and Lease Equipment. The tubing in each such well, the wellhead connections thereon, and all other lease and operating equipment that is used in this operation of such wells which Working Interest Owners determine necessary or desirable for conducting Unit Operations.
> >
> > 10.1.3 Records. A copy of all production and well records that pertain to such wells.

6.   Forty Acres has plans to use the Wells in Unit operations. As a result Forty Acres

has requested that Apache turn over operation of the Wells pursuant to the Operating Agreement,

but Apache has failed or refused to do so.

7.   The Statutory Unitization Act provides in §70-7-21:

Unlawful operation.

From and after the date designated by the division that a unit plan shall become effective, the operation of any well producing from the pool within the area subject to said unit plan, by persons other than persons acting under the authority of the unit plan, or except in the manner and to the extent provided in such unit plan, shall be unlawful and is hereby prohibited.

8.   Apache has no legal right to operate the Wells.

9.   In order to prevent waste and protect correlative rights, Apache should be

removed as operator of the Wells by the Division, and Forty Acres should be named operator of

the Wells.

2

WHEREFORE, applicants request that, after notice and hearing, the Division enter its

order:

A.   Removing Apache as operator of the Wells and approving a change of operator to

Forty Acres; and

B.   Granting such further relief as the Division deems proper.

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Respectfully submitted,

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