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MODRALL SPERLING

L A W Y E R S

July 24, 2018

Via E-Mail: leonard.lowe@state.nm.us

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Leonard Lowe
NM Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

**Re: CASE NO. 16143 (Re-opened); ORDER NO. R-14766
APPLICATION OF APACHE CORP. RE-OPEN CASE
NO. 16143 TO AMEND ORDER R-14766 TO ALLOW
FOR DRILLING OF A SUBSEQUENT WELL AND
COMPULSORY POOLING, EDDY COUNTY, NEW
MEXICO.**

Dear Mr. Lowe:

Transmitted herewith is Apache Corp.'s Application in the above-referenced case. I am also sending three copies of Apache's Application to you today by U.S. mail.

Thank you for your assistance. Please contact me if you have any questions.

Sincerely,

Earl E. DeBrine, Jr.

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Enclosures

cc w/encl. (via email): Will Jones (William.V.Jones@state.nm.us)

Jennifer L. Bradfute (Jennifer.bradfute@modall.com)

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

APPLICATION OF APACHE CORP.
TO RE-OPEN CASE NO. 16143 AND
MODIFY ORDER NO. R-14766 TO
ALLOW FOR DRILLING OF A
SUBSEQUENT WELL AND
COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 16143 (Re-opened)
ORDER NO. R-14766

APPLICATION

Apache Corp. ("Apache"), OGRID Number 372098, through its undersigned attorneys, hereby makes an application to the Oil Conservation Division to re-open Case No. 16143 and seeks an amendment of Order No. R-14766 for a second well to be drilled within the 160-acre non-standard spacing and proration unit approved by the Division in Order No. 14766 which covers the N/2 N/2 of Section 26, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico. In support of this application, Apache states as follows:

1. Division Order R-14766, entered on July 2, 2018, created a 160-acre non-standard oil spacing and proration unit in the Bone Spring formation, Palmillo; Bone Spring, Southwest Pool (Pool code: 96413) comprised of the N/2 N/2 of Section 26, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico; and pooling all mineral interests in the Bone Spring formation underlying this spacing and proration unit.

2. In order to fully and economically develop the Unit and prevent waste, Apache intends to drill its proposed **Palmillo 26 State #214H** well, a subsequent well which will be contemporaneously drilled and completed with the initial well approved in Order No. 14766.

3. Apache proposes drilling its Palmillo 26 State #214H ("214H") with a proposed surface location to be located in the NE/4NE/4 (Unit A) of Section 26, Township 19S, Range 28 East, Eddy County, New Mexico. The proposed bottom hole location of the 214H will be located in the NW/4NW/4 (Unit D) of Section 26, Township 19 South, Range 28 East, Eddy County New Mexico. The 214H will have a targeted interval located in the 2nd Bone Spring formation ("7,650' ND) to a Total Measured Depth of approximately 12,600 feet. The estimated cost of drilling and completing the 214H is \$5,380,500.00 as found on the enclosed AFE #11-18-0997. The 214H is an infill well in the proration unit.

4. Apache has in good faith sought, but has been unable to obtain, voluntary joinder of all mineral interest owners in the Unit for purposes of drilling the **Palmillo 26 State Well #214H** within the Unit area and seeks to pool these interests.

5. Amending Order No. R-14766 to allow for the filling of the proposed well will prevent waste and full development of the resources in the Unit.

6. Notice of this application is being given in accordance with Division rules.

WHEREFORE, Apache requests this application be set for hearing before an Examiner of the Oil Conservation Division on August 23, 2018, and after notice and hearing as required by law, the Division amend Order No. R-14766 to:

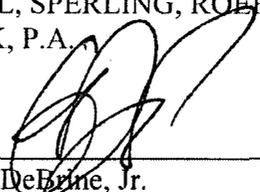
A. Provide for the drilling of the Palmillo 26 State #214H well with a proposed surface location to be located in the NE/4NE/4 (Unit A) of Section 26, Township 19S, Range 28 East, Eddy County, New Mexico. The proposed bottom hole location of the 214H well will be located in the NW/4NW/4 (Unit D) of Section 26, Township 19 South, Range 28 East, Eddy County New Mexico. The 214H will have a targeted interval located in the 2nd Bone Spring formation ("7,650' ND) to a Total Measured Depth of approximately 12,600 feet. The 214H is an infill well in the proration unit.

- B. Designating Apache as operator of the well;
- C. Authorizing Apache to recover its costs of drilling, equipping and completing this well;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. 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.

By: _____


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Attorneys for Applicant

CASE NO. 16143 (reopened): Application of Apache Corporation to Re-Open Case No. 16143 and Modify Order No. R-14766 to allow for drilling of a subsequent well and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order from the Division modifying Order No. R-14765 to allow for the drilling of a subsequent well in the unit in the Bone Spring formation, comprised of the N/2 N/2 of Section 26, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico; and, (2) pooling all mineral interests in the well. The **Palmillo 21 State Com #214H well** is to be horizontally drilled. The producing area for this well will be orthodox. Also to be considered will be the cost of drilling and completing 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 12 miles northeast of Carlsbad, New Mexico.

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