

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. 14,383

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 1210.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 $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 11, 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-Blinbery Pool and House-Tubb Pool. The unit will be dedicated to the Magnolia Well No. 3, to be drilled at an orthodox oil well location in the SW $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 11.
  - (c) The parties being pooled, their interests in the SW $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 11, and their last known addresses, are listed on Exhibit B.
  - (d) A copy of the proposal letter sent to the uncommitted mineral interest owners is 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 records, telephone directories, records in the counties of the last known residences of the

Oil Conservation Division  
Case No. \_\_\_\_\_  
Exhibit No.   1

out-of-state owners, and internet directories. Correspondence to the last known addresses of these interest owners was returned to sender.

(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 \$ 6,000 /month for a drilling well, and \$ 600 /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

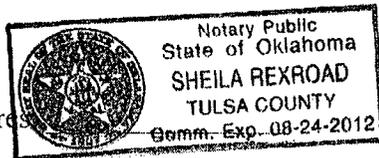
STATE OF OKLAHOMA            )  
  ) ss.  
COUNTY OF TULSA            )

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 8th day of September, 2009 by Michelle Hanson.

My Commission Expires



Sheila Rexroad  
Notary Public



**Unleased Mineral Interest Ownership in the Magnolia #3**

<b>Name &amp; Address</b>	<b>Interest</b>	<b>Net Acres</b>
Robert Groves Howard, Jr. and Pamela K. Howard 3813 W Trevino Rd Hobbs, NM 88240-9276	3/256	0.46875
Thelma Marie Carlin 312 Walnut Ruidoso, NM 88345  Said she wants to execute lease, but she will not return phone calls.	3/256	0.46875
Bill Warrick Address Unknown  All Bill's family members could tell me is that he is now in Oklahoma. His wife Carla is now deceased and I believe the interest was conveyed (not of record) to three heirs. <b>We leased from one heir Pam Smith</b> (who says she owns 1/3 of her mother's interest), but she is not in contact with any of her family and cannot give me any contact information. The other two heirs, I believe, might be Virginia Warrick Keown and Velma Warrick.	5/3200	0.0625
Overloade Ltd P.O. Box 148 Las Cruces, NM 88001  Last known address	1/384	0.10416667
Ethel Cooper Address Unknown	1/224	0.17857143
Clarence A. Crook Address Unknown	1/224	0.17857143
Lloyd A. Crook Address Unknown	1/224	0.17857143
Ollie Mae Robinson Address Unknown	1/224	0.17857143
Willis R. Crook Address Unknown	1/224	0.17857143
Bruce Olin Crook Address Unknown	1/224	0.17857143
Fred D. Crook Address Unknown	1/224	0.17857143

**Total Unleased                    2.35416667**

6120 S. YALE / SUITE 1500 / TULSA, OKLAHOMA 74136



Central Region Land Department  
(918) 491-4900  
(918) 481-4854 (FAX)

August 1, 2009

MINERAL INTEREST OWNERS

RE: Proposal to Drill Magnolia #3 Well and  
2,260' FNL & 330' FWL  
Township 20 South, Range 38 East  
Section 11: SW/4 NW/4  
Lea County, New Mexico

Dear Interest Owner,

Apache Corporation ("Apache") hereby proposes the drilling of the Magnolia #3 Well to a total depth of 7,350' to test the Blinebry, Tubb and Drinkard formations. This well is to be located 2,260' FNL & 330' FWL in the NW/4 Section 11, T20S, R38E, Lea County, New Mexico. The estimated dry hole cost for this well is \$412,940 and the total completed well cost is approximately \$1,215,690. 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 Magnolia #3 well.

Apache is hereby proposing this well pursuant to Article VI B.1 of that certain Joint Operating Agreement dated March 1, 2008.

Should you elect not to participate in the drilling of the Magnolia #3 Well, please consider leasing your mineral interest to Apache by contacting either Doug Ferguson at 432-684-4542 or P.O. Box 432, Midland, TX 79702. Should you consider leasing, Apache is offering a bonus of \$200 per net acre or \$100 minimum, whichever is greater, for a 3 year lease, with option to extend 2 years at \$150 per net acre, delivering 3/16 oil and gas royalty.

Please evidence your election of Apache's well proposal on Page 2 of this letter, as well as sign one (1) copy of the enclosed AFE, returning both to the undersigned at your earliest convenience in the enclosed, postage paid, envelope provided for your convenience. Your immediate attention to this proposal will be greatly appreciated and should you have any questions concerning this matter, please do not hesitate contacting Kevin Mayes our Reservoir Engineer at (918) 491-4972 or the undersigned at (918) 491-4838.

Yours truly,

APACHE CORPORATION

A handwritten signature in cursive script that reads "Michelle Hanson".

Michelle Hanson  
Landman  
(918) 491-4854 fax  
[Michelle.hanson@apachecorp.com](mailto:Michelle.hanson@apachecorp.com)

EXHIBIT     C

**PROPOSAL TO DRILL:**

\_\_\_\_\_ The undersigned elects to **PARTICIPATE** in the drilling of the Magnolia No. 3 well as proposed above. Attached is an executed copy of Apache's AFE #TW-09-0247.

\_\_\_\_\_ The undersigned elects to go **NON-CONSENT** in the drilling and completing of the Magnolia #3 well as proposed above.

\_\_\_\_\_ The undersigned agrees to **LEASE** his/her mineral interest to Apache pursuant to the terms previously stated on Page 1 of this letter.

\_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

ConocoPhillips Company  
ATTN: Tom Scarbrough  
600 N. Dairy Ashford, 3WL-14066  
Houston, TX 77079

ConocoPhillips Company  
ATTN: Tom Scarbrough  
600 N. Dairy Ashford,  
Houston, TX 77079  
MH-Magnolia #3 Proposal

ConocoPhillips Company  
ATTN: Tom Scarbrough  
600 N. Dairy Ashford,  
Houston, TX 77079  
MH-Magnolia #3 Proposal

The Allar Company  
PO Box 1567  
Graham, TX 76450-1567

The Allar Company  
PO Box 1567  
Graham, TX 76450-1567  
MH-Magnolia #3 Proposal

The Allar Company  
PO Box 1567  
Graham, TX 76450-1567  
MH-Magnolia #3 Proposal

Thelma Marie Slaten  
312 Walnut Drive  
Ruidoso, NM 88345

Thelma Marie Slaten  
312 Walnut Drive  
Ruidoso, NM 88345  
MH-Magnolia #3 Proposal

Thelma Marie Slaten  
312 Walnut Drive  
Ruidoso, NM 88345  
MH-Magnolia #3 Proposal

Overload LTD \*  
PO Box 148  
La Cruces, NM 88001

Pamela Kaye Howard & \*  
Robert Groves Howard, Jr.  
3813 W. Trevino Rd.  
Hobbs, NM 88240



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

PROPERTY NO.	0	<input checked="" type="checkbox"/> EMS	<input type="checkbox"/> ITS	AFE NO.	<b>TW-09-0247</b>
COUNTY/STATE	LEA, NM	DISTRICT	PERMIAN WEST	DATE	08/02/09
LEASE NAME	MAGNOLIA	WELL NO.	3	FIELD	HOUSE
PROSPECT/LEASE #	0	LEGAL / ZIP CODE	SEC 11, 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	92.000000%		
OBJECTIVE	BLINEBRY/TUBB/DRINKARD - 7,350'	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.					
(Closed Loop System) REVISED					

**INTANGIBLE DEVELOPMENT COSTS**

ACCT	DESCRIPTION	DRY HOLE	COMPLETION	SUPPLEMENT	TOTAL WELL COST
70002	AIR TRANSPORTATION	0	0	0	0
70003	BITS, COREHEADS AND REAMERS	15,000	1,000	0	16,000
70004	CASING CREWS	3,000	4,000	0	7,000
70005	CATERING AND GROCERIES	0	30,000	0	30,000
70006	CEMENT AND CEMENTING SERVICES	15,000	9,000	0	24,000
70009	COMPANY LABOR	0	5,500	0	5,500
70011	COMPANY SUPERVISION	1,000	7,000	0	8,000
70012	COMPANY VEHICLE EXPENSE	100	1,500	0	1,600
70019	CONTRACT DRILLING - DAYWORK @ \$9,000 /day + TAX	92,340	25,000	0	117,340
70020	CONTRACT DRILLING - FOOTAGE	0	35,000	0	35,000
70017	CONTRACT LABOR	3,000	0	0	3,000
70021	CONTRACT SUPERVISION	12,000	2,700	0	14,700
70022	DIRECTIONAL TOOLS	0	0	0	0
70025	DRILLING FLUIDS	15,000	0	0	15,000
65506	DRILLING OVERHEAD	2,500	25,000	0	27,500
70059	DRY HOLE PLUGGING	0	10,000	0	10,000
70031	EQUIPMENT RENTAL	36,000	36,000	0	72,000
70033	FILTRATION	0	0	0	0
70034	FORMATION STIMULATION	0	120,000	0	120,000
70035	FORMATION TESTING	0	0	0	0
70037	FUEL AND POWER	11,250	0	0	11,250
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	0	0	35,000
70047	LEGAL AND CURATIVE	4,000	1,000	0	5,000
70049	LOGGING	15,000	11,000	0	26,000
70050	MARINE TRANSPORTATION	0	0	0	0
70054	OTHER INTANGIBLE	25,000	73,000	0	98,000
70084	RIG MOBILIZATION	17,500	2,500	0	20,000
70066	ROADS AND SITE PREPARATION	30,000	10,000	0	40,000
70069	SNUBBING/COIL TUBING UNIT	0	0	0	0
70073	TAX ON EQUIPMENT	0	5,000	0	5,000
70074	TRUCKING AND HAULING	12,500	45,000	0	57,500
70075	TUBING CONVEY PERFORATING	0	0	0	0
70076	TUBULAR INSPECTIONS	2,500	2,800	0	5,300
70077	WATER	12,500	0	0	12,500
70078	WELLSITE LOSS AND DAMAGES	10,000	1,000	0	11,000
	SUB-TOTAL INTANG. DEVELOPMENT COSTS	380,190	463,000	0	843,190

EXHIBIT D

**TANGIBLE MATERIAL COSTS**

ACCT	DESCRIPTION	DRY HOLE	COMPLETION	SUPPLEMENT	TOTAL WELL COST
71001	ARTIFICIAL LIFT EQUIPMENT	0	88,000	0	88,000
71005	COMPRESSOR STATIONS	0	0	0	0
71006	CONDUCTOR CSG	5,000	0	0	5,000
71008	DEHYDRATION / AMINE UNITS	0	0	0	0
71012	FLOW LINES TO BATTERY	0	0	0	0
71017	HIGH PRESSURE KNOCK-OUT	0	12,500	0	12,500
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	5,500	0	5,500
71033	OTHER SURFACE EQUIPMENT	0	33,000	0	33,000
71039	PRIME MOVER	0	10,000	0	10,000
71040	PRODUCTION CASING - 5-1/2" 17# J55 & 1000' L80LTC	0	87,800	0	87,800
71043	PUMPS	0	0	0	0
71045	SALES LINE	0	8,000	0	8,000
71046	SEPARATORS	0	11,000	0	11,000
71048	SUCKER RODS	0	24,000	0	24,000
71050	SURFACE CSG 1,800' - 8-5/8" 24# J65 STC @ \$16.00 + Tax	26,000	0	0	26,000
71051	TANK BATTERY	0	7,500	0	7,500
71052	TREATERS	0	1,500	0	1,500
71053	TUBING 2-7/8" 6.5# J-55	0	47,450	0	47,450
71056	WELLHEAD ASSEMBLY	1,750	3,500	0	5,250
	<b>SUB-TOTAL TANGIBLE MATERIAL COSTS</b>	<b>32,750</b>	<b>339,750</b>	<b>0</b>	<b>372,500</b>
	<b>SUB-TOTAL INTANGIBLE COSTS (PAGE 1)</b>	<b>380,190</b>	<b>463,000</b>	<b>0</b>	<b>843,190</b>
	<b>GRAND TOTAL</b>	<b>412,940</b>	<b>802,750</b>	<b>0</b>	<b>1,215,690</b>
	<b>LESS OUTSIDE INTERESTS</b>	<b>33,035</b>	<b>64,220</b>	<b>0</b>	<b>97,255</b>
	<b>TOTAL NET COSTS</b>	<b>379,905</b>	<b>738,530</b>	<b>0</b>	<b>1,118,435</b>

PREPARED BY	<u>SAM HAMPTON</u> <i>[Signature]</i>	DATE	<u>8/10/09</u>
PREPARED BY	<u>JEFF FREDERICK</u>	DATE	
APPROVED BY	<u>ROSS MURPHY</u>	DATE	
APPROVED BY	<u>TIM SULLIVAN</u>	DATE	
APPROVED BY	<u>BILL BASWELL</u>	DATE	
APPROVED BY	<u>ROB JOHNSTON</u>	DATE	

A. GROSS ORIGINAL AFE AMOUNT	1,215,690
B. APACHE ORIGINAL NET AFE AMOUNT	1,118,435
C. NET ASSET TRANSFERS	
D. TOTAL ORIGINAL NET AFE (LINE B PLUS LINE C)	1,118,435
E. GROSS SUPPLEMENTS	0
F. APACHE TOTAL NET AFE AMOUNT	1,118,435
IN BUDGET	NOT IN BUDGET

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.

COMPANY	WORKING INTEREST	APPROVED BY	DATE

COMMENTS:

\_\_\_\_\_ 0

\_\_\_\_\_ 0