

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

**APPLICATION OF APACHE CORPORATION
FOR COMPULSORY POOLING AND
APPROVAL OF A HORIZONTAL SPACING
UNIT FOR A POTASH DEVELOPMENT
AREA AND PILOT PROJECT,
EDDY COUNTY, NEW MEXICO**

CASE NO. _____

APPLICATION

Apache Corporation (“Apache”), OGRID Number 873, through its undersigned attorneys, hereby makes an application to the Oil Conservation Division pursuant to the provisions of NMSA (1978), Sections 70-2-6, 70-2-12 and 70-2-17 and 70-2-18 for an order: (1) approving the creation of a horizontal spacing unit for wells located within its proposed Taco 28/30 Development Area in the Designated Potash Area; and (2) pooling all uncommitted mineral interests within a horizontal spacing unit underlying the S/2 N/2 of Section 28, S/2 N/2 of Section 29, and S/2 NE/4 of Section 30 of Township 20 South, Range 30 East, N.M.P.M., Eddy County, New Mexico; AND (3) alternatively approving Apache’s proposed unit and wells as a pilot project for determining optimal orientation and length of horizontal Bone Spring wells in this area. In support of this application, Apache states as follows:

1. Apache is an interest owner in the subject lands and has a right to drill a well thereon.
2. Apache seeks to dedicate the S/2 N/2 of Section 28, S/2 N/2 of Section 29, and S/2 NE/4 of Section 30 of Township 20 South, Range 30 East, N.M.P.M., Eddy County, New Mexico to form a 400-acre, more or less, Bone Spring horizontal spacing unit for wells within a potash area development area (“Taco 28-30 Development Area”).

3. Apache plans to drill the following horizontal wells in a westerly direction to a depth sufficient to test the Bone Spring formation:

- a. The **Taco 28-29 Fed Com 201H** well is a horizontal well with a surface location in the SE/4 NE/4 (Unit H) of Section 28, Township 20 South, Range 30 East, NMPM, Eddy County, and an intended bottom hole location in the SW/4 NE/4 (Unit G) of Section 30, Township 20 South, Range 30 East, NMPM, Eddy County. This well is proposed to be drilled vertically to a depth of approximately 8,670' to the Bone Spring formation.
- b. The **Taco 28-29 Fed Com 301H** well is a horizontal well with a surface location in the SE/4 NE/4 (Unit H) of Section 28, Township 20 South, Range 30 East, NMPM, Eddy County, and an intended bottom hole location in the SW/4 NE/4 (Unit G) of Section 30, Township 20 South, Range 30 East, NMPM, Eddy County. This well is proposed to be drilled vertically to a depth of approximately 9,850' to the Bone Spring formation.

4. These wells will be located within the WC-015 G-04 S203032P; BONE SPRING pool [Pool Code 98008] and will comply with the Division's setback requirements.

5. Apache sought, but has been unable to obtain, a voluntary agreement from all interest owners in the Bone Spring formation underlying the proposed spacing unit to participate in the drilling of the well or to otherwise commit their interests to the wells.

6. Approval of the establishment of the horizontal spacing unit for the wells within Apache's Taco 28-30 Development Area and the pooling of all interests in the Bone Spring formation underlying the proposed horizontal spacing unit will avoid the risk of well collision and prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

7. Ascent Energy, LLC and Mewbourne Oil Company have proposed spacing units in the following cases that conflict with Apache's proposed Taco 29-30 Development Area plans:

- a. In companion Case Nos. 16481, 16482, 21393, and 21394, Ascent Energy, LLC seeks orders pooling all mineral interests in the Wolfcamp and Bone Spring to create two horizontal spacing units in the W/2W/2 of Section 28 and the W/2W/2 of Section 33, Township 20 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, and in the E/2W/2 of Section 28 and the E/2W/2 of Section 33, Township 20 South, Range 30 East, N.M.P.M., Eddy County, New

Mexico for its proposed Anvil wells. The wells are in the Designated Potash Area of Eddy County, New Mexico.

- b. In companion Case Nos. 21361 - 21364, Mewbourne Oil Company seeks an orders pooling all mineral interests in the Wolfcamp and Bone Spring to create two horizontal spacing units in the W/2W/2 of Section 28 and the W/2W/2 of Section 33, Township 20 South, Range 30 East, N.M.P.M., Eddy County, New Mexico; and in the E/2W/2 of Section 28 and the E/2W/2 of Section 33, Township 20 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, for its Sidecar wells. The wells are in the Designated Potash Area of Eddy County, New Mexico.

8. The Commission has previously ordered that these cases be consolidated for hearing.

WHEREFORE, Apache requests that this case be set for a consolidated hearing along with Ascent Case Nos. 16481, 16482, 21393, and 21394, and Mewbourne Oil Company Case Nos. 21361 - 21364, and after notice and hearing as required by law, the Division (or Commission) enter its order:

- A. Denying Ascent's applications in Case Nos. 16481, 16482, 21393, and 21394;
- B. Denying Mewbourne' applications in Case Nos. 21361 – 21364;
- C. Approving an approximately 400-acre horizontal spacing unit for the wells in Apache's Taco 29-30 Development Area comprised of S/2 N/2 of Section 28, S/2 N/2 of Section 29, and S/2 NE/4 of Section 30 of Township 20 South, Range 30 East, N.M.P.M., Eddy County, New Mexico;
- D. Pooling all mineral interests in the Bone Spring formation underlying a horizontal spacing unit within the S/2 N/2 of Section 28, S/2 N/2 of Section 29, and S/2 NE/4 of Section 30 of Township 20 South, Range 30 East, N.M.P.M., Eddy County, New Mexico;
- E. Designating Apache as operator of this unit and the wells to be drilled thereon;

F. Authorizing Apache to recover its costs of drilling, completing and equipping the wells;

G. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure;

H. 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 wells;

I. Alternatively, approving Apache's proposed spacing unit and development plan as a pilot project to determine the preferred orientation and length of horizontal wells in this area of the Designated Potash Area in order to maximize the ultimate economic recovery of resources, prevent waste and protect correlative rights.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.

By: _____



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Application of Apache Corporation for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order from the Division: (1) approving the creation of a horizontal spacing unit for wells located within its proposed Taco 28/30 Development Area in the Designated Potash Area; and (2) pooling all uncommitted mineral interests within a Bone Spring horizontal spacing unit underlying the S/2 N/2 of Section 28, S/2 N/2 of Section 29, and S/2 NE/4 of Section 30 of Township 20 South, Range 30 East, N.M.P.M., Eddy County, New Mexico. This spacing unit will be dedicated to the **Taco 28-30 Federal Com 201H** and **Taco 28-30 Federal Com 301H** wells, to be horizontally drilled. The producing area for these wells will be orthodox. Also to be considered will be the cost of drilling, completing and equipping said wells, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Apache as operator of the wells, and a 200% charge for risk involved in drilling said wells. Said area is located in the Designated Potash Area approximately 21 miles northeast of Carlsbad, New Mexico.