

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division



October 9, 2014

LRE Operating, Operating, LLC
Attn: Mr. Ernest Padilla

ADMINISTRATIVE NON-STANDARD LOCATION OBJECTION

Administrative Order NSL-7154
Administrative Application Reference No. pMAM1423950665

Apache Corporation
OGRID 873
Outlaw State Well No. 12
API No. 30-015-42562

In reference to the letter the OCD received on September 24, 2014 for objection to the Apache Corp Outlaw State #12, NSL application, your objection is denied, because your letter was after the 20-day notification period. This is based on the Division Rule 19.15.15.13 (D), which states that objections from the affected parties must be received within 20-days from the date the Division receives the application.

The OCD received the application on August 27, 2014, and the director signed the Administrative Order on September 17, 2014.

Sincerely,

A handwritten signature in black ink, appearing to read "Jami Bailey", is written over a horizontal line.

Jami Bailey
Director

JB/mam

PADILLA LAW FIRM, P.A.

STREET ADDRESS

1512 S. ST. FRANCIS DRIVE

SANTA FE, NM 87505

MAILING ADDRESS

P.O. BOX 2523

SANTA FE, NEW MEXICO 87504-2523

EMAIL ADDRESS

padillalaw@qwestoffice.net

TELEPHONE

505-988-7577

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505-988-7592

VIA ELECTRONIC MAIL ONLY

florene.davidson@state.nm.us

Jami Bailey, Division Director
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

***Re: Apache Corporation, Application for Unorthodox Oil Well Location
Outlaw State No. 12 2255' FSL & 2330' FEL (Unit J) Section 29,
T-17 South, R-28 East, NMPM, Artesia Glorieta-Yeso Pool,
Eddy County, New Mexico***

Dear Mr. Bailey:

By this letter, LRE Operating, LTD, our client, hereby protests the above-referenced administrative application.

The basis of this protest is that the well location does not have proper set backs and will ultimately drain oil and gas resources from LRE Operating. In short, the application impairs LRE Operating's correlative rights.

Should you have any questions, please let us know.

Very truly yours,



ERNEST L. PADILLA

ELP/jbg

c: LRE, Operating, LLC

Davidson, Florene, EMNRD

From: Ernest Padilla <epadillaplf@qwestoffice.net>
Sent: Wednesday, September 24, 2014 2:52 PM
To: Davidson, Florene, EMNRD
Subject: Apache Corporation Application for Unorthodox Oil Location, Eddy County, NM
Attachments: Ltr Bailey 092414.pdf

Ms. Davidson:

Attached please find the protest of LRE Operating, LLC to the referenced application for your further handling. Thank you.

Ernest L. Padilla
PADILLA LAW FIRM, P.A.
P.O. Box 2523
Santa Fe, New Mexico 87504-2523
T: 505-988-7577
F: 505-988-7592
E: epadillaplf@qwestoffice.net; (office) padillalaw@qwestoffice.net

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Oil Conservation Division



September 17, 2014

Apache Corporation
Attn: Mr. David Catanach

ADMINISTRATIVE NON-STANDARD LOCATION ORDER

Administrative Order NSL-7154
Administrative Application Reference No. pMAM423950665

Apache Corporation
OGRID 873
Outlaw State Well No. 12
API No. 30-015-42562

Proposed Location:

	<u>Footages</u>	<u>Unit</u>	<u>Sec.</u>	<u>Twsp</u>	<u>Range</u>	<u>County</u>
Surface	2255 FSL & 2330 FEL	J	29	17S	28E	Eddy

Proposed Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
NW/4 SE/4 of Section 29	40	Artesia; Glorieta-Yeso	96830

Reference is made to your application received on august 27, 2014.

You have requested to drill this well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by statewide Rule 19.15.15.9.A NMAC, which provides for 40-acre units with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from a unit outer boundary.

An unorthodox location in order to avoid existing pipelines and power lines

Your application has been duly filed under the provisions of Division Rules 15.13 19.15.15.13 NMAC and 19.15.4.12.A (2) NMAC.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 19.15.4.12 A (2) NMAC, in all adjoining units towards which the proposed location encroaches.

September 17, 2014

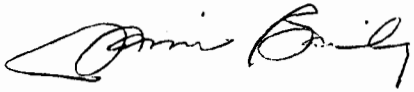
Page 2

Pursuant to the authority conferred by Division Rule 19.15.15.13 (B) NMAC, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 19.15.5.9 NMAC.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Done at Santa Fe, New Mexico, on September 17, 2014.

A handwritten signature in black ink, appearing to read "Jami Bailey". The signature is fluid and cursive, with the first name "Jami" and last name "Bailey" clearly distinguishable.

Jami Bailey
Director

JB/mam

cc: New Mexico Oil Conservation Division – Artesia
New Mexico State Land Office - Oil, Gas, and Minerals

DATE IN <i>8/27/2014</i>	SUSPENSE	ENGINEER <i>MAM</i>	LOGGED IN <i>8/27/2014</i>	TYPE <i>NSL</i>	APP NO. <i>PMA 1423950665</i>
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] **[NSP-Non-Standard Proration Unit]** **[SD-Simultaneous Dedication]**
[DHC-Downhole Commingling] **[CTB-Lease Commingling]** **[PLC-Pool/Lease Commingling]**
[PC-Pool Commingling] **[OLS - Off-Lease Storage]** **[OLM-Off-Lease Measurement]**
[WFX-Waterflood Expansion] **[PMX-Pressure Maintenance Expansion]**
[SWD-Salt Water Disposal] **[IPI-Injection Pressure Increase]**
[EOR-Qualified Enhanced Oil Recovery Certification] **[PPR-Positive Production Response]**

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication

☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☒ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

David Catanach
Print or Type Name

David Catanach
Signature

8/27/14
Date

Agent for Apache Corporation
Title

drcatanach@netscape.com
E-Mail Address

7013 2630 0000 9072 0231

U.S. Postal Service™	
CERTIFIED MAIL™ RECEIPT	
(Domestic Mail Only; No Insurance Coverage Provided)	
For delivery information visit our website at www.usps.com ®	
HOUSTON TX 77002	
Postage	\$ 1.19
Certified Fee	\$3.30
Return Receipt Fee (Endorsement Required)	\$2.70
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total	\$7.19

0501
08
Postmark
AUG 27 2014
08/27/2014
USPS SANTA FE, NM 87501

Sent	LRE Operating, LLC
Street or PO	1111 Bagby, Suite 4600
City	Houston, Texas 77002

PS Form 3800, August 2013 Instructions