

Order Number

DAC
HDB-523

API Number

30-025-25884

Operator

Apache Corp

County

Lea

Order Date

8-3-13

Well Name

McDonald State Ac-2

Number

29

Location

H

UL

13

Sec

22s

T (+Dir)

36e

R (+Dir)

Oil %

75%

Gas %

67%

WTR
74%

25%

Pool 1

6660

Blinberry Oil & Gas

Pool 2

60240

Tubb O&G

Pool 3

Pool 4

Comments:

Posted RBDMS 08/30/2013 dm

SEP 04 2013

DOWNHOLE COMMINGLE CALCULATIONS:

30-025-25884

OPERATOR: Apache Corp

DHC-40B-523

PROPERTY NAME: McDonald State Ac 2

WNULSTR: # 29-H-13-225-36e

SECTION I:		ALLOWABLE AMOUNT	
POOL NO. 1	<u>Blinebry O&G</u>	<u>107</u>	<u>428</u> MCF
POOL NO. 2	<u>Tubb O&G</u>	<u>142</u>	<u>284</u> MCF
POOL NO. 3	_____	_____	_____ MCF
POOL NO. 4	_____	_____	_____ MCF
POOL TOTALS		<u>249</u>	<u>712</u>

SECTION II:		Oil	GAS
POOL NO. 1	<u>Blinebry O&G</u>	<u>75%</u>	<u>67%</u>
POOL NO. 2	<u>Tubb Oil & GAS</u>	<u>25% x 249 = 62.25</u> <u>(62)</u>	<u>33%</u>
POOL NO. 3	_____	_____	_____
POOL NO. 4	_____	_____	_____

	<u>OIL</u>	<u>GAS</u>
SECTION III:	<u>25% ÷ 142 = 568</u>	_____
SECTION IV:	<u>75% x 568 = 426</u>	_____
	<u>25% x 568 = 142</u>	_____
	_____	_____
	_____	_____

HOBBS OCD

State of New Mexico

Form C-103

Submit 1 Copy To Appropriate District Office
District I - (575) 393-6161
District II - (575) 748-1283
District III - (505) 334-6178
District IV - (505) 476-3460

AUG 30 2013

Energy, Minerals and Natural Resources

Revised August 1, 2011

OIL CONSERVATION DIVISION

RECEIVED

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

Form with fields: WELL API NO. 30-025-25884, 5. Indicate Type of Lease (STATE checked, FEE), 6. State Oil & Gas Lease No. A0-2614-0000, 7. Lease Name or Unit Agreement Name McDonald State AC 2 (306616), 8. Well Number 029, 9. OGRID Number 873, 10. Pool name or Wildcat Blinebry O&G (Oil)/6660 & Drinkard/19190, 11. Elevation 3452' GL

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

- PERFORM REMEDIAL WORK [] PLUG AND ABANDON []
TEMPORARILY ABANDON [] CHANGE PLANS []
PULL OR ALTER CASING [] MULTIPLE COMPL []
DOWNHOLE COMMINGLE [x]

SUBSEQUENT REPORT OF:

- REMEDIAL WORK [] ALTERING CASING []
COMMENCE DRILLING OPNS. [] P AND A []
CASING/CEMENT JOB []

OTHER: []

OTHER: []

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Apache would like to DHC the following pools:

Table with 2 columns: Pool Names, Proposed Perforations. Rows: Blinebry Oil & Gas (Oil) 6660, Tubb Oil & Gas (Oil) 60240.

The allocation method will be as follows based on offset production. (See attached application for exception to Rule 303-C.)

Table with 3 columns: Pool Name, OIL, GAS, WATER. Rows: Blinebry, Tubb.

Downhole commingling will not reduce the value of these pools. Ownership is the same for each of these pools.

DHC-HOB-523

Spud Date: 4/3/1940

Rig Release Date:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Reesa Fisher TITLE Sr. Staff Reg Tech DATE 8/30/2013

Type or print name Reesa Holland Fisher E-mail address: Reesa.Holland@apachecorp.com PHONE: 432/818-1062

For State Use Only

APPROVED BY: [Signature] TITLE Petroleum Engineer DATE SEP 04 2013

Conditions of Approval (if any):

SEP 04 2013

HOBBS OCD

State of New Mexico

Form C-102
Revised 1-1-89

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

AUG 30 2013 Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

RECEIVED

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

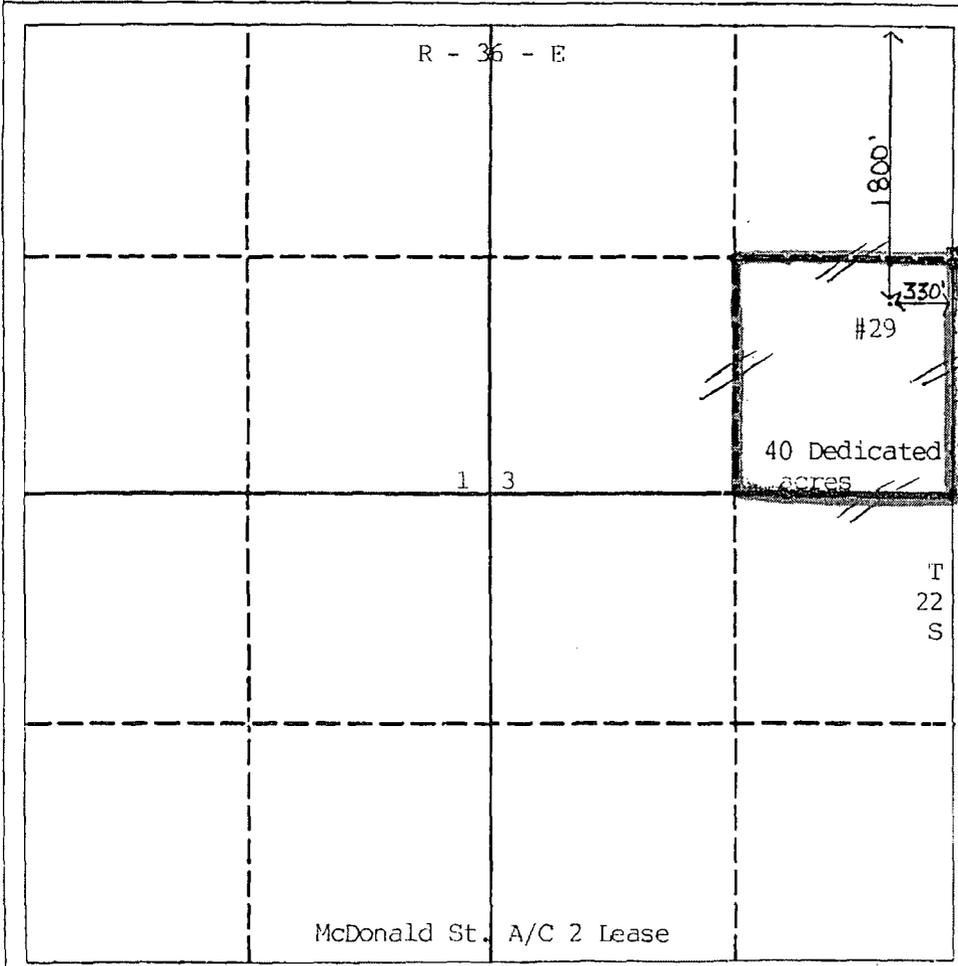
Operator Marathon Oil Company			Lease McDonald State A/C 2		Well No. 29
Unit Letter H	Section 13	Township 22-S	Range 36-E	Country Lea	
Actual Footage Location of Well: 1800 feet from the North line and 330 feet from the East line					
Ground level Elev. 3452'	Producing Formation Blinebry		Pool Blinebry Oil & Gas		Dedicated Acreage: 40 Acres

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

Yes No If answer is "yes" type of consolidation _____

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.

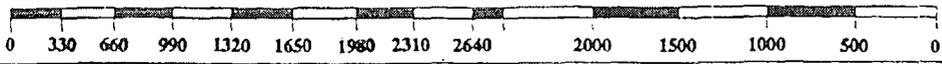


OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *Carl A. Bagwell*
Printed Name: Carl A. Bagwell
Position: Engineering Tech
Company: Marathon Oil Company
Date: 7/9/91

SURVEYOR CERTIFICATION
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: _____
Signature & Seal of Professional Surveyor: _____
Certificate No.: _____



DHC - HOB - 0523

SEP 04 2013



August 30, 2013

Mr. Paul Kautz
New Mexico Oil Conservation Division
1625 N French Drive
Hobbs, New Mexico 88240

RE: Application for Exception to Rule 303-C – Downhole Commingling
McDonald St AC-2 #29 API 30-025-25884
Unit H, Section 13, T22S, R36E
Blinebry Oil & Gas (Oil) 6660 & Tubb Oil & Gas (Oil) 60240
Lea County, New Mexico

Dear Mr. Kautz,

Enclosed please find form C-103 and attachments for downhole commingling the captioned well. The ownerships (WI, NRI and ORRI) of these pools are identical in this wellbore. The fluids from each of these pools are compatible as seen in other similar commingles in the area. Combining these fluids will not result in any damage to these pools. Commingling will improve the efficiency of present and future recovery operations. Cross flow will not be a problem due to having a production lift system capable of keeping the well pumped off thereby maximizing production. This commingling will not reduce the value of the total remaining production.

This well has been producing in the Blinebry and Drinkard; however, we recently plugged off the Drinkard with a CIBP and shot the Tubb. Though we ran the 9-section review and data is attached, production can also be determined by subtracting the historical Blinebry production from the newly combined Blinebry and Tubb.

The allocation method used for this well was determined by analyzing the cumulative oil, gas and water production in a nine section area of review surrounding this well. Supporting documentation is shown on the attached spreadsheet. Production for active and inactive wells was grouped by pool in the area of review. The totals for each phase were then divided by the number of wells associated with this pool yielding an average. This average was used to determine the percentage allocation.

The main reason for using this method is based on economics and minimizing reservoir damage. Past completion practices had all three zones perforated and fracture stimulated during one full week. Each zone was isolated by a retrievable bridge plug to allow for production testing of each zone for allocation purposes. This testing period lasted as long

as one month before a stabilized rate was observed thus allowing the next zone to be brought on and tested. During this time period the completion fluids used were still confined to the other reservoirs causing gel damage. It is a common practice to get these fluids out of the wellbore as soon as possible to help maximize productivity. On a cost basis it is more expensive to have a completion rig move in and out multiple times to bring on each new zone. Several other factors such as weather, other new completions and regulatory well work may interfere with these new wells.

The area of review used encompasses what has been accepted as a good statistical representation for allocation purposes. By using this allocation method all zones will be brought online in a more effective and efficient manner. This will in turn generate a higher productive rate and quicker revenue streams not only for the operator but for the State of New Mexico too.

If you need additional information or have any questions, please give me a call at (432) 818-1062.

Sincerely,

A handwritten signature in cursive script that reads "Reesa Fisher".

Reesa Holland Fisher
Sr. Staff Regulatory Technician

McDonald St AC-2 #29
 30-025-25884
 Apache Corp.

Lease Name	Well Number	10DIGIT API	Location	Cum Oil (BBL)		Cum Gas (MCF)		Cum Water (BBL)	
				Blinebry	Tubb	Blinebry	Tubb	Blinebry	Tubb
H T MATTERN NCT E	13	3002508889	22S 36E 12H	19386		28496		173195	
H T MATTERN NCT D	14	3002525081	22S 37E 7C	48775	28889	222017	187647	1306959	947780
H T MATTERN NCT D	15	3002525092	22S 37E 7D		12147		106665		38223
H T MATTERN NCT D	16	3002525104	22S 37E 7E SW NW	56547	1944	272156	15058	648660	6278
H T MATTERN NCT D	17	3002525113	22S 37E 7F	29385	4526	150309	40713	98030	6645
A L CHRISTMAS NCT C	9	3002525499	22S 37E 18G	16211		95068		107193	
A L CHRISTMAS NCT C	10	3002525530	22S 37E 18F	1396		25232		82499	
A L CHRISTMAS NCT C	11	3002525594	22S 37E 18H	24808		184227		184048	
A L CHRISTMAS NCT C	12	3002525624	22S 37E 18E	52791		494169		869984	
A L CHRISTMAS NCT C	13	3002525634	22S 37E 18A	1037	1291	18720	9515	39421	50990
A L CHRISTMAS NCT C	14	3002525645	22S 37E 18D	38286		253620		1395074	
A L CHRISTMAS NCT C	15	3002525657	22S 37E 18L	47516		213761		1035689	
DECK FEDERAL	1	3002525665	22S 37E 18B NW NE	7480		125057		6773	
A L CHRISTMAS NCT C	16	3002525670	22S 37E 18M SW SW	10347	9400	36645	151196	229370	18393
MCDONALD STATE AC 2	29	3002525884	22S 36E 13H SE NE	38655		138806		836147	
MCDONALD STATE AC 2	30	3002525926	22S 36E 13A E2 NE NE	41923	3455	189465	10270	344404	57969
MCDONALD STATE AC 2	32	3002525933	22S 36E 13B NW NE	41268		132046		937952	
MCDONALD STATE AC 2	33	3002526012	22S 36E 13I NE SE	14441		58654		294051	
NEW MEXICO M STATE	49	3002526015	22S 37E 18J NW NW SE	40228		154723		35156	
NEW MEXICO M STATE	51	3002537355	22S 37E 18I NW NE SE	18041		146333		701336	
NEW MEXICO M STATE	52	3002537613	22S 37E 18J SW NW SE		7975		13374		18166
NEW MEXICO M STATE	53	3002537692	22S 37E 18O SE SW SE	38554		126742		38246	
NEW MEXICO M STATE	361	3002538432	22S 37E 18P NW SE SE	14136		55072		241487	
ENCORE M STATE	2	3002539541	22S 37E 19	9343		27834		43263	
ENCORE M STATE	3	3002539751	22S 37E 19C	9125		15384		31193	
ENCORE M STATE	4	3002540091	22S 37E 19H	11834		43066		45511	
ENCORE M STATE	5	3002540299	22S 37E 19A	7417		23310		54734	
ENCORE M STATE	6	3002540398	22S 37E 19I	5838		15287		35639	
ENCORE M STATE	7	3002540399	22S 37E 19B	3829		13003		13414	
STATE PA	7	3002540540	22S 37E 18N		1565		4604		4970
TOTALS				648,597	71,192	3,259,202	539,042	9,825,788	1,149,414
AVERAGES				24,022	7,910	120,711	59,894	363,918	127,713

Proposed Allocations	Oil	Gas	Water
Blinebry	75%	67%	74%
Tubb	25%	33%	26%
TOTAL	100%	100%	100%

Well Test History Report

Select By: Field
Display: All well tests between 01/01/2012 - 08/28/2013

Test Date	Effective Date	Measured Hours	Type	24 Hour Volumes					Ratios					Fluid Level
				Gr Liquid	OIL	GAS	WAT	LIFT	GOR	GLR	IGOR	IGLR	TGLR	
Field: EUNICE SOUTH														
MCDONALD STATE AC 2 #29 (BLINEBRY)														
1/13/2012	1/13/2012	24	A	353	3	10	350	0	3,333	28	0	0	28	
2/16/2012	2/16/2012	24	A	364	4	11	360	0	3,143	30	0	0	30	
3/23/2012	3/23/2012	24	A	366	4	13	362	0	3,250	36	0	0	36	
3/24/2012	3/24/2012	24	A	362	4	13	358	0	3,250	36	0	0	36	
5/15/2012	5/15/2012	24	A	271	4	12	267	0	3,429	44	0	0	44	
6/18/2012	6/18/2012	24	A	210	3	12	207	0	4,000	57	0	0	57	
7/16/2012	7/16/2012	24	A	203	3	11	200	0	3,667	54	0	0	54	
8/8/2012	8/8/2012	24	A	183	3	10	180	0	3,333	55	0	0	55	
9/6/2012	9/6/2012	24	A	194	3	13	191	0	4,333	67	0	0	67	
10/9/2012	10/9/2012	24	A	175	3	12	172	0	4,000	69	0	0	69	
11/11/2012	11/11/2012	24	A	207	3	10	204	0	3,333	48	0	0	48	
1/24/2013	1/24/2013	24	A	0	0	0	0	0						
2/27/2013	2/27/2013	24	A	0	0	1	0	0						
3/28/2013	3/28/2013	24	A	0	0	1	0	0						
4/13/2013	4/13/2013	24	A	0	0	1	0	0						
5/12/2013	5/12/2013	24	A	0	0	1	0	0						
6/25/2013	6/25/2013	24	A	0	0	1	0	0						
Averages by Completion				170	2	8	168	0						

** All values are recorded using imperial units.