

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.

Brian Wood

Print or Type Name

Brian Wood

Signature

Consultant

Title

brian@permitswest.com

e-mail Address

3-13-17

Date

2017 MAR 13 AM 11:11
 RECEIVED 000

PERMITS WEST, INC.

PROVIDING PERMITS for LAND USERS

37 Verano Loop, Santa Fe, New Mexico 87508

(505) 466-8120

**REQUEST FOR ADMINISTRATIVE APPROVAL
NONSTANDARD LOCATION
APACHE CORPORATION'S
PALMILLO 14-15 STATE 301H
SHL: 250' FSL & 315' FEL SEC. 15
FTP: 335' FSL & 100' FWL SEC. 14
LTP: 380' FSL & 330' FEL SEC. 14
BHL: 380' FSL & 280' FEL SEC. 14
T. 19 S., R. 28 E., EDDY COUNTY, NM
API 30-015-44040**

I. This proposed Palmillo; Bone Spring, SW (96413) oil well is on NM State Land Office (NMSLO) surface and 9,166.42 acre NMSLO oil and gas lease X0-0648-0150 (Exhibit A). Dedication is the 160 acres comprising the S2S2 14-19s-28e. The FTP is 100' and 335' from the closest dedication boundaries (Exhibit B). The FTP is 335' from the closest lease line (Exhibit A).

Apache requests a nonstandard location due to its goal of maximizing recovery and due to land uses, surface and subsurface, that makes wellbore geometry difficult. There are 3 State Land Office pipeline rights-of-way (City of Carlsbad, DCP, & Navajo Refining), 1 oil well, 1 injection well, and uncounted power lines, flow lines, water injection lines, and a central tank battery associated with Stephens & Johnson's East Millman Unit in P-15-19s-28e (see Exhibits C and D). Five surface pipelines were moved to allow construction of the pad (Exhibit E). There is one planned Bone Spring well (30-015-42544) in M-14-19s-28e and one 11352' deep well (30-015-22089) in O-14-19s-28e to further complicate matters for this 8697' (TVD) Third Bone Spring sand well.

A standard location must be at least 330' from the dedication boundary. The FTP is 100' from the west dedication boundary and 335' from the south dedication boundary (see C-102 as EXHIBIT B). The FTP is 230' too far west. West is toward the interior of the same State lease.

II. Form C-102 showing the well and 160 acre dedication (S2S2 14-19s-28e) is attached as EXHIBIT B.

Apache operates the Bone Spring dedication bordering on the north of the proposed dedication. Mewbourne operates the Bone Spring dedications bordering on the east. No Bone Spring dedication borders on the south or west.

III. State oil and gas lease boundary is marked as a solid line on EXHIBIT A. Encroachment to the west and southwest is part of the same State lease. Encroachment toward the south is a different State lease (E0-5136-0004), but that lease is 335' from the FTP. Three existing Bone Spring dedications (EXHIBIT F) touch the proposed dedication. One (N2S2 Section 14) is Apache operated. Two (to the east) are Mewbourne operated. Apache, COG, EOG Y, Khody, and Penroc have 100% of the Bone Spring working interests in the affected lands. This information is current and correct.

IV. See Exhibit F for the proposed well, dedications, and wells. Apache does not believe moving the FTP to a standard location is cost effective for this well.

V. There are numerous manmade land use constraints (EXHIBITS C, D, and E).

VI. Archaeology is not an issue.

VII. I hereby certify that Apache Corporation and its partners have 100% of the Bone Spring working interest in the lease which comprises the proposed 160 acre spacing unit (S2S2 Section 14), the adjacent quarter-section (SE4 Section 15) of the side toward which it encroaches, and the quarter sections (NE4 Section 22 and NW4 Section 23) closest to the encroachment. The same 1/8 royalty is due the State for production from both leases E0-5136-0004 and X0-0648-0150. This information is current and correct.

I hereby attest that I, on or before the date that the application was submitted to the division, sent notification to the affected persons (EXHIBIT F) by certified mail, return receipt requested, advising them that if they have an objection it must be filed in writing within 20 days from the date the division receives the application. These affected persons have working or royalty interests in lands that most directly border the FTP portion of the 160-acre spacing unit. Said notice was sent to:

COG Operating LLC
EOG Y Resources
Khody Land & Minerals
NM State Land Office
Penroc Oil

B. Wood

Brian Wood, Consultant

3-12-17

Date

STATE OF NEW MEXICO)
) SS:
COUNTY OF SANTA FE)

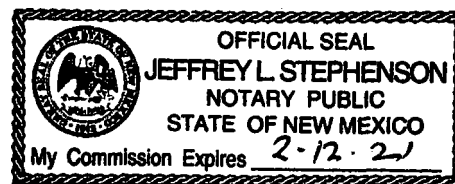
The foregoing instrument was acknowledged before me this 12th day of March, 2017 by Brian Wood. Witness my hand and official seal.

Jeffrey L. Stephenson
Notary Public

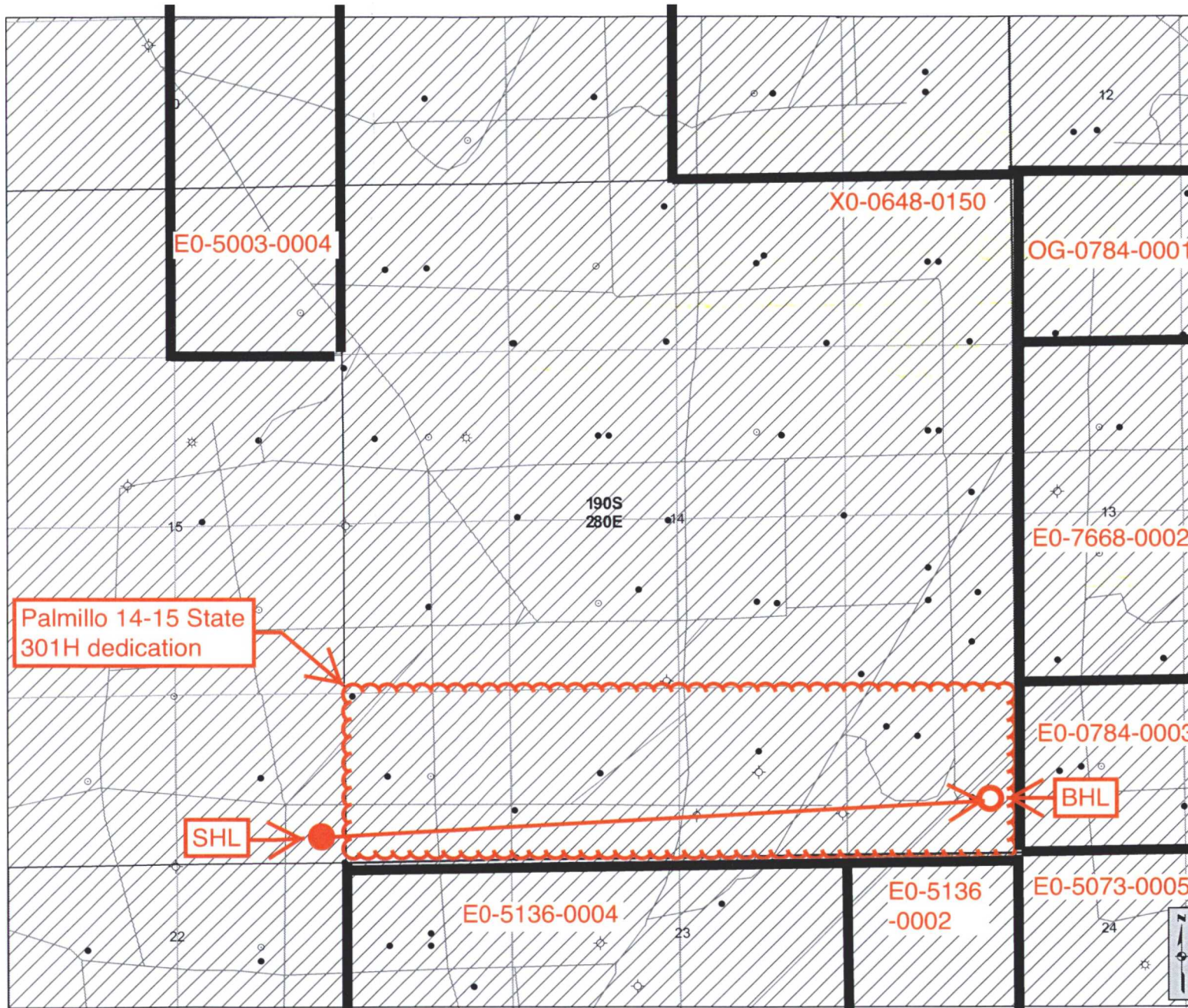
My Commission Expires: *2-12-2021*

Business Address:

*37 VERANO LOOP
SANTA FE, NM 87508*



cc: Flores, OCD (Santa Fe)



Cartographic Features

- County Boundaries
- County Seats
- City, Town or Village
- SLO District Offices
- SLO District Boundary
- Hwy Mileposts
- Interstate
- NM Hwy
- Continental Divide
- US Hwy
- Local Road

Federal Minerals Ownership

- All Minerals
- Coal Only
- Oil and Gas Only
- Oil, Gas and Coal Only
- Other Minerals

State Trust Lands

- Surface Estate
- Subsurface Estate
- Surface and Subsurface Estate

State Leases

- Oil and Gas Leases
- Agricultural Leases
- Commercial Leases
- Minerals Leases
- Not Available for Oil and Gas Leasing
- Oil and Gas Leasing Influenced by Restriction

Oil and Gas Related Features

- Oil and Gas Unit Boundary
- Participating Areas in Units
- Geologic Regions
- Volcanic Vents
- NMOCD Order R-111-P
- Potash Enclave Outline

NMOCD Oil and Gas Wells

- CO₂
- Injection
- Oil
- Water
- Gas
- Miscellaneous
- Salt Water Disposal
- DA or PA

Palmillo 14-15 State
301H dedication

SHL

BHL

New Mexico State Land Office Oil, Gas and Minerals

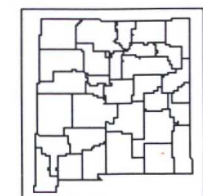
0 0.05 0.1 0.2 0.3 0.4 Miles
Universal Transverse Mercator Projection, Zone 13
1983 North American Datum

The New Mexico State Land Office assumes no responsibility or liability for, or in connection with, the accuracy, reliability or use of the information provided here, in State Land Office data layers or any other data layer.

Land Office Geographic Information Center
logic@slo.state.nm.us

Created On: 2/25/2017 11:04:13 AM

EXHIBIT A



www.nmstatelands.org

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-015-44040		² Pool Code 96413		³ Pool Name PALMILLO; BONESPRING, SW	
⁴ Property Code		⁵ Property Name PALMILLO 14-15 STATE			⁶ Well Number 301H
⁷ GRID NO. 873		⁸ Operator Name APACHE CORPORATION			⁹ Elevation 3420'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet From the	East/West line	County
P	15	19S	28E		250	SOUTH	315	EAST	EDDY

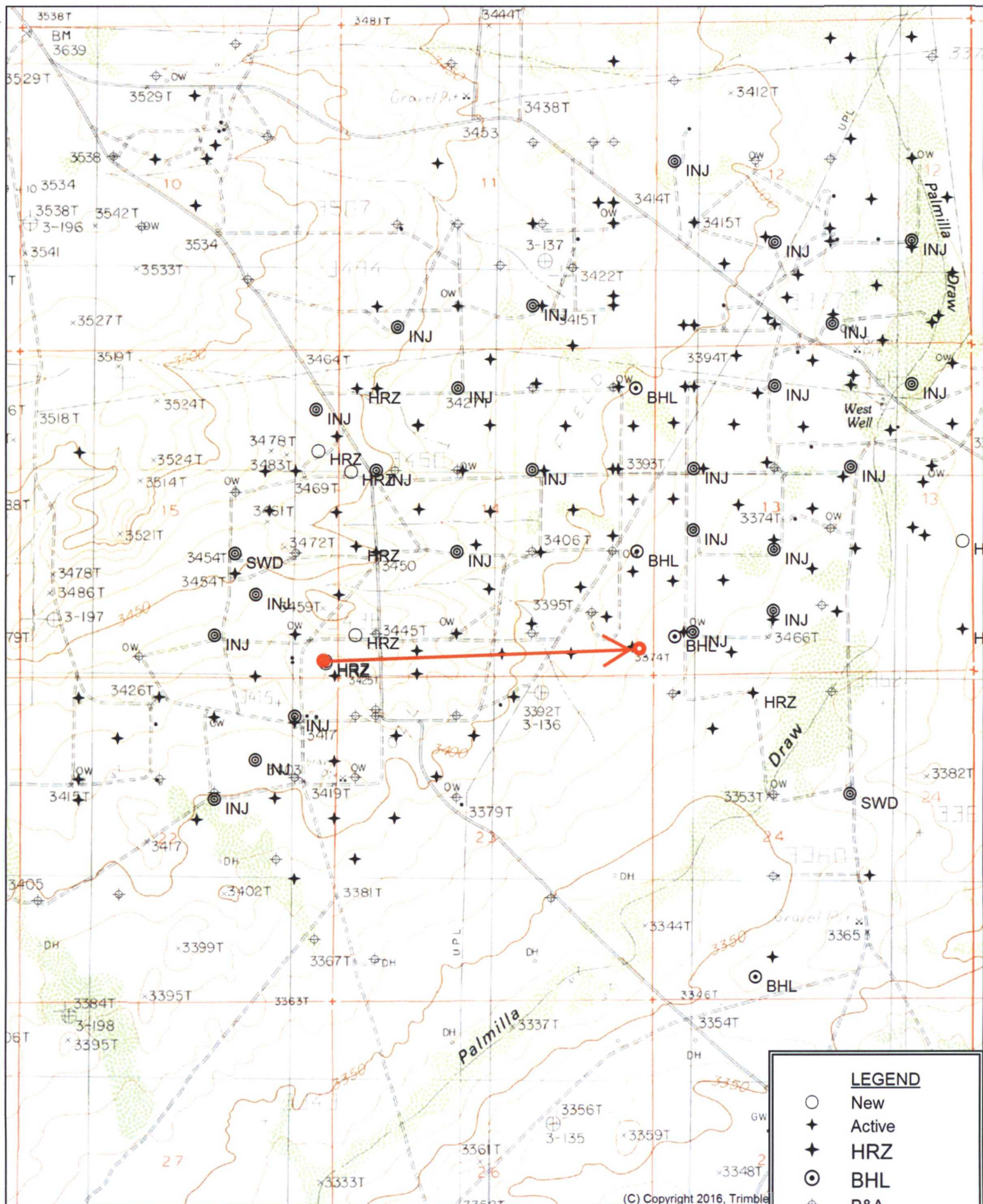
¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	14	19S	28E		380	SOUTH	280	EAST	EDDY

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
160			

No allowable will be assigned to this completion until all interest have been consolidated or a non-standard unit has been approved by the division.

<p>¹⁶ GEODETIC DATA NAD 27 GRID - NM EAST</p> <p>SURFACE LOCATION N: 601726.3 - E: 554484.6 LAT: 32.65412240° N LONG: 104.15630556° W</p> <p>FIRST TAKE POINT (F.T.P.) N: 601814.5 - E: 554899.6 LAT: 32.65436286° N LONG: 104.15495638° W</p> <p>LAST TAKE POINT (L.T.P.) N: 601896.3 - E: 559663.7 LAT: 32.65456479° N LONG: 104.13947678° W</p> <p>BOTTOM LOCATION N: 601896.7 - E: 559713.7 LAT: 32.65456555° N LONG: 104.13931436° W</p>		<p>CORNER DATA NAD 27 GRID - NM EAST</p> <p>A: FOUND BRASS CAP "1941" N: 601428.9 - E: 549605.0 B: FOUND BRASS CAP "1941" N: 604061.8 - E: 549614.0 C: FOUND BRASS CAP "1941" N: 606698.6 - E: 549623.9 D: FOUND BRASS CAP "1941" N: 606727.2 - E: 552217.4 E: FOUND BRASS CAP "1941" N: 606756.6 - E: 554810.5 F: FOUND BRASS CAP "1941" N: 606778.9 - E: 557407.3 G: FOUND BRASS CAP "1941" N: 606801.8 - E: 560004.8 H: FOUND BRASS CAP "1941" N: 604169.0 - E: 559998.8</p>		<p>CORNER DATA NAD 27 GRID - NM EAST</p> <p>I: FOUND BRASS CAP "1941" N: 601519.0 - E: 559992.8 J: FOUND BRASS CAP "1941" N: 601498.3 - E: 557396.3 K: FOUND BRASS CAP "1941" N: 601479.3 - E: 554798.9 L: FOUND BRASS CAP "1941" N: 601455.6 - E: 552204.4</p> <p>1: CALCULATED POINT N: 601467.4 - E: 553501.6 2: CALCULATED POINT N: 602785.7 - E: 553504.7 3: CALCULATED POINT N: 602797.4 - E: 554801.8 4: CALCULATED POINT N: 602844.0 - E: 559995.8</p>		<p>¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Sorina L Flores</i> 1/11/17 Signature _____ Date _____ SORINA L. FLORES Printed Name _____ sorina.flores@apachecorp.com E-mail Address _____</p>
				<p>¹⁸ 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 belief.</p> <p>11-30-2016 Date of Survey _____ Signature and Seal of Professional Surveyor _____ 19680 Certificate Number _____ 1/10/16 DIR PLAN EXHIBIT B</p>		



(C) Copyright 2016, Trimble



Quad: ILLINOIS CAMP
Scale: 1 inch = 2,000 ft.

EXHIBIT C

LEGEND

- New
- + Active
- ✦ HRZ
- ⊙ BHL
- ⊕ P&A
- ⊗ INJ
- ⊗ SWD
- ⊗ Water



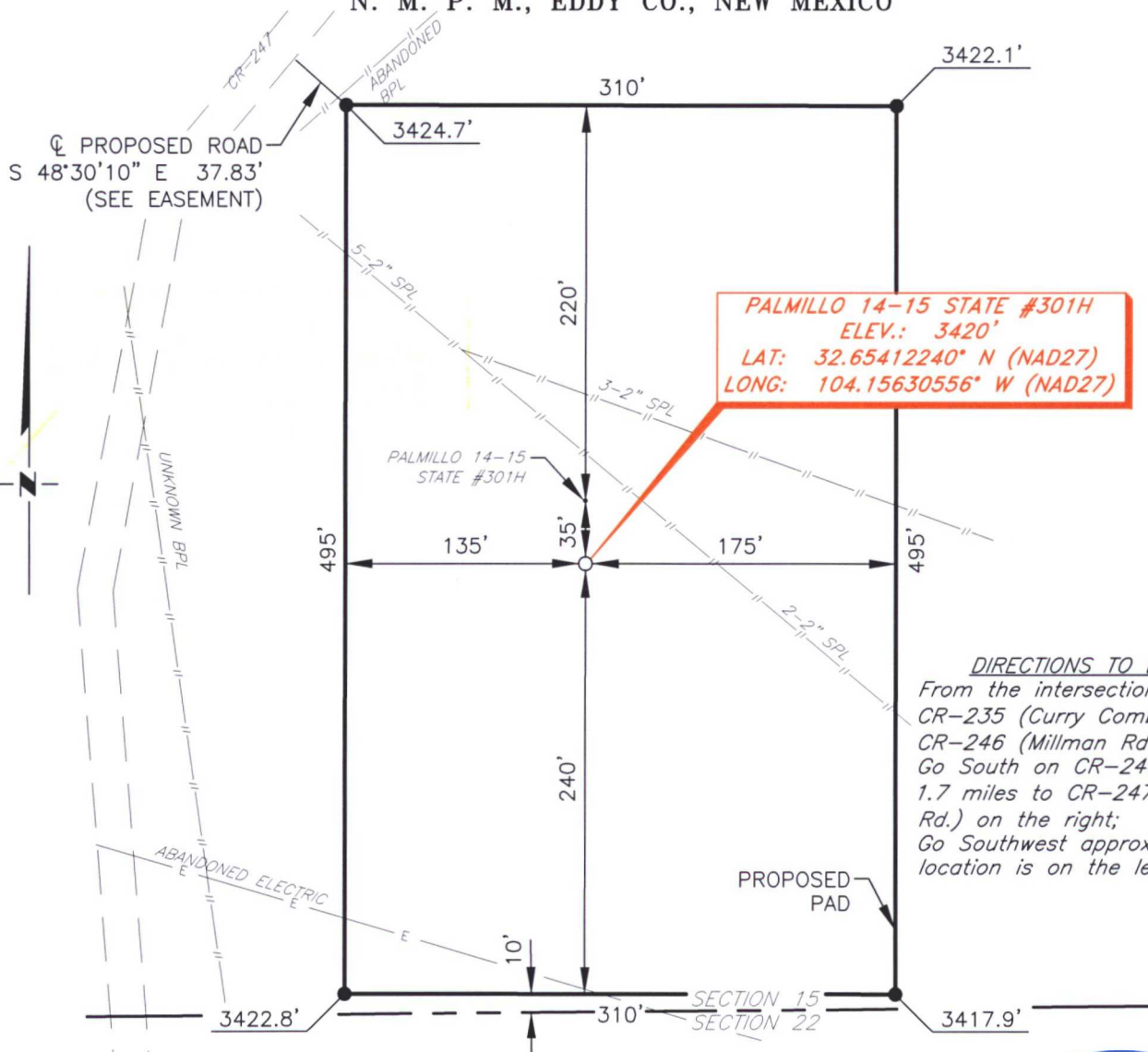
Looking E from Stephens & Johnson battery. Cat on Palmillo 14-15 State 2H pad.



EXHIBIT D

Looking N at Palmillo 14-15 State 2H pad (right) and Stephens & Johnson pipe.

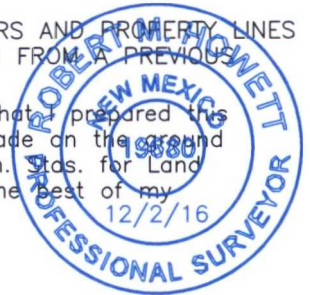
APACHE CORPORATION
PALMILLO 14-15 STATE #301H
(250' FSL & 315' FEL)
SECTION 15, T19S, R28E
N. M. P. M., EDDY CO., NEW MEXICO



THIS IS NOT A BOUNDARY SURVEY, APPARENT PROPERTY CORNERS AND PROPERTY LINES ARE SHOWN FOR INFORMATION ONLY. BOUNDARY DATA IS SHOWN FROM A PREVIOUS SURVEY REFERENCED HEREON.

I, R. M. Howett, a N. M. Professional Surveyor, hereby certify that I prepared this unclassified survey of a well location from an actual survey made on the ground under my direct supervision, said survey and plat meet the Min. Stds. for Land Surveying in the State of N. M. and are true and correct to the best of my knowledge and belief.

Robert M. Howett
 Robert M. Howett NM PS 19680



SCALE: 1" = 100'
 0 50 100
 BEARINGS ARE
 NAD 27 GRID - NM EAST
 DISTANCES ARE
 GROUND.

Firm No.: TX 10193838 NM 4655451

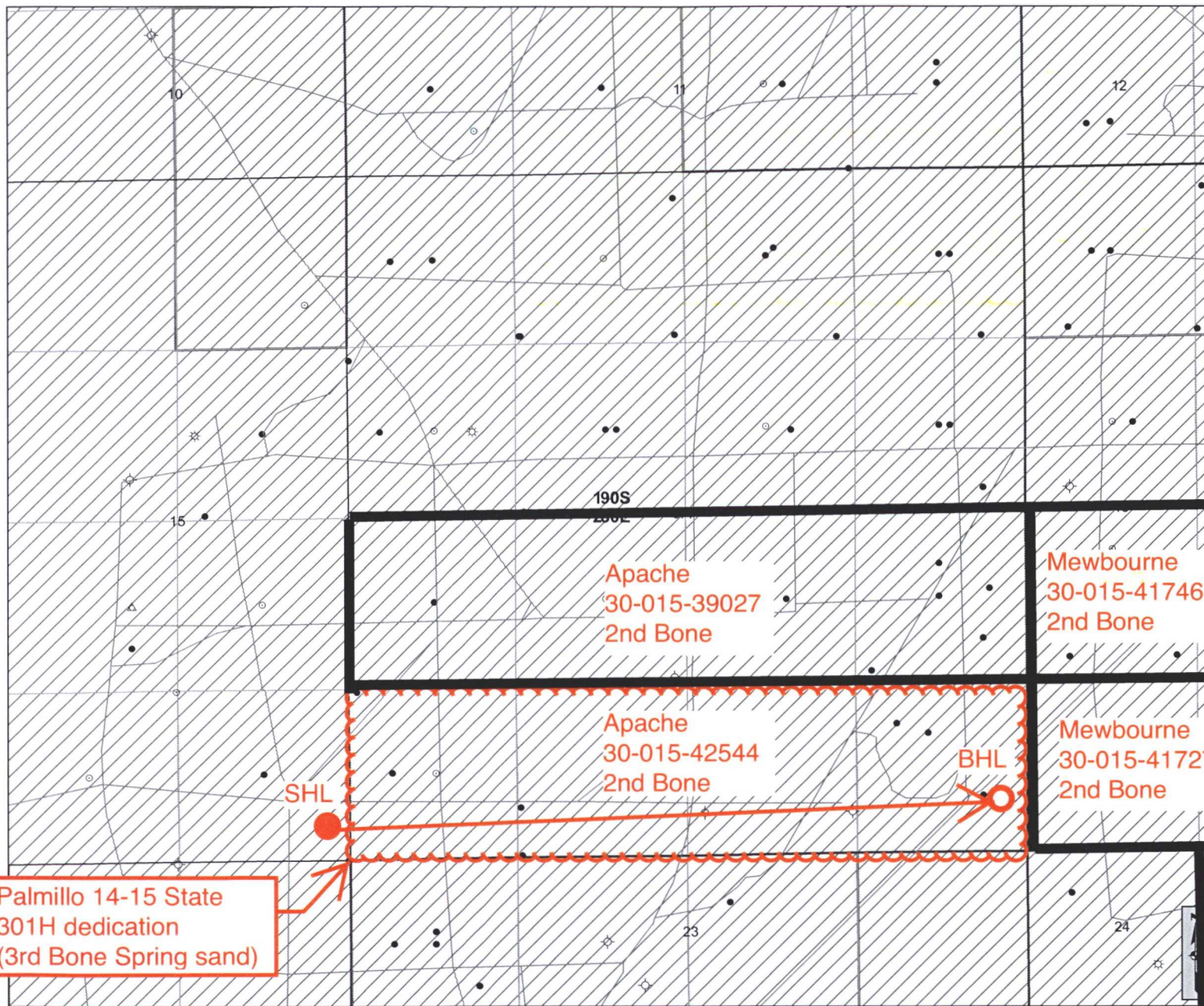
Copyright 2016 - All Rights Reserved

NO.	REVISION	DATE
JOB NO.:	LS1611380	
DWG. NO.:	1611380PAD	

RRC

308 W. BROADWAY ST., HOBBS, NM 88240 (575) 964-8200

SCALE: 1" = 1000'
DATE: 11-30-2016
SURVEYED BY: JM/HD
DRAWN BY: CMJ
APPROVED BY: R. M. HOWETT
SHEET: EXHIBIT E



Cartographic Features

- County Boundaries
- County Seats
- City, Town or Village
- SLO District Offices
- SLO District Boundary
- Hwy Mileposts
- Interstate
- NM Hwy
- Local Road
- Continental Divide

Federal Minerals Ownership

- All Minerals
- Coal Only
- Oil and Gas Only
- Oil, Gas and Coal Only
- Other Minerals

State Trust Lands

- Surface Estate
- Subsurface Estate
- Surface and Subsurface Estate

State Leases

- Oil and Gas Leases
- Agricultural Leases
- Commercial Leases
- Minerals Leases
- Not Available for Oil and Gas Leasing
- Oil and Gas Leasing Influenced by Restriction

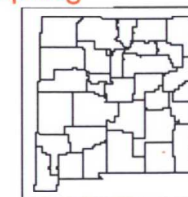
Oil and Gas Related Features

- Oil and Gas Unit Boundary
- Participating Areas in Units
- Geologic Regions
- Volcanic Vents
- NMOCD Order R-111-P
- Potash Enclave Outline

NMOCD Oil and Gas Wells

- CO₂
- Gas
- Miscellaneous
- Salt Water Disposal
- DA or PA

Mewbourne
30-015-37988
Bone Spring



www.nmstatelands.org

New Mexico State Land Office Oil, Gas and Minerals

0 0.05 0.1 0.2 0.3 0.4 Miles
Universal Transverse Mercator Projection, Zone 13
1983 North American Datum

The New Mexico State Land Office assumes no responsibility or liability for, or in connection with, the accuracy, reliability or use of the information provided here, in State Land Office data layers or any other data layer.

Land Office Geographic Information Center
logic@slo.state.nm.us

Created On: 2/25/2017 11:04:13 AM

EXHIBIT F

PERMITS WEST, INC.
PROVIDING PERMITS for LAND USERS
37 Verano Loop, Santa Fe, New Mexico 87508 (505) 466-8120

March 12, 2017

NM State Land Office
PO Box 1148
Santa Fe NM 87504

TYPICAL LETTER

As required by New Mexico Oil Conservation Division Rules, I am notifying you of the following nonstandard location (NSL) for a well. This letter is a notice only. No action is needed unless you have questions or objections.

Apache Corporation is applying to produce its Palmillo 14-15 State 301H oil well from a NSL. The minimum State distance for take points is 330' from a dedication line. The first take point (FTP) is 230' further west than is standard (see attachment). Thus, it is a nonstandard location. The NSL is due to geology and land uses.

Well Name: Palmillo 14-15 State 301H MD: 13,571' TVD: 8,697'

Proposed NSL Zone: Palmillo; Bone Spring, SW

NSL Acreage Dedication: 160 acres (S2S2 Section 14)

SHL: 250' FSL & 315' FEL Sec. 15, T. 19 S., R. 28 E., Eddy County, NM
on NM State Land Office lease X0-0648-0150 (FTP is 335' from lease boundary)

Approximate Location: ~14 air miles southwest of Loco Hills, NM


Applicant Name: Apache Corporation (432) 818-1167

Applicant's Address: 303 Veterans Airpark Lane, Suite 3000, Midland, TX 79705

Submittal Information: Application for a nonstandard location will be filed with the NM Oil Conservation Division (NMOCD). If you have an objection, then it must be filed in writing within 20 days from the date the NMOCD receives the application. The New Mexico Oil Conservation Division address is 1220 South St. Francis Dr. Santa Fe, NM 87505. Their phone number is (505) 476-3440.

Please call me if you have any questions.

Sincerely,



Brian Wood

U.S. Postal Service **CERTIFIED MAIL® RECEIPT**
Domestic Mail Only

For delivery information, visit our website at www.usps.com

OFFICIAL USE

Certified Mail Fee \$

Extra Services & Fees (check box, add fees as appropriate)

<input type="checkbox"/> Return Receipt (hardcopy)	\$
<input type="checkbox"/> Return Receipt (electronic)	\$
<input type="checkbox"/> Certified Mail Restricted Delivery	\$
<input type="checkbox"/> Adult Signature Required	\$
<input type="checkbox"/> Adult Signature Restricted Delivery	\$

Postage \$

Total Postage and Fees \$

Sent To STATE LAND OFFICE

Street and Apt. No., or PO Box No.

City, State, ZIP+4® SF

Postmark MAR 13 2017

Post Office 87552-9998

EXHIBIT G

PERMITS WEST, INC.

PROVIDING PERMITS TO LAND USERS

March 12, 2017

COG-Y Resources
5509 Champions Dr.
Midland, TX 79706

As required by New Mexico Oil Conservation Division Rules, I am notifying you of the following nonstandard location (NSL) for a well. This letter is a notice only. No action is needed unless you have questions or objections.

Apache Corporation is applying to produce its Palmillo 14-15 State 301H oil well from a NSL. The minimum State distance for take points is 330' from a dedication line. The first take point (FTP) is 230' further west than is standard (see attachment). Thus, it is a nonstandard location. The NSL is due to geology and land uses.

Well Name: Palmillo 14-15 State 301H **MD:** 13,571' **TVD:** 8,697'
Proposed NSL Zone: Palmillo; Bone Spring, SW
NSL Acreage Dedication: 160 acres (S2S2 Section 14)
SHL: 250' FSL & 315' FEL Sec. 15, T. 19 S., R. 28 E., Eddy County, NM
on NM State Land Office lease X0-0648-0150 (FTP is 335' from lease boundary)
Approximate Location: ~14 air miles southwest of Loco Hills, NM
Applicant Name: Apache Corporation (432) 818-1167
Applicant's Address: 303 Veterans Airpark Lane, Suite 3000, Midland, TX 79705

Submission Information: Application for a nonstandard location will be filed with the NM Oil Conservation Division (NMOCD). If you have an objection, then it must be filed in writing within 20 days from the date the NMOCD receives the application. The New Mexico Oil Conservation Division address is 1220 South St. Francis Dr. Santa Fe, NM 87505. Their phone number is (505) 476-3440.

Please call me if you have any questions.

Sincerely,

Brian Wood

PERMITS WEST, INC.

PROVIDING PERMITS TO LAND USERS

March 12, 2017

COG Operating LLC
600 West Illinois Ave.
Midland, TX 79701

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NSL Acreage Dedication: 160 acres (S2S2 Section 14)
SHL: 430' FSL & 280' FEL Sec. 15, T. 19 S., R. 28 E., Eddy County, NM
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Please call me if you have any questions.

Sincerely,

Brian Wood

U.S. Postal Service **APACHE PALMILLO**
CERTIFIED MAIL® RECEIPT 301H
Domestic Mail Only

For delivery information, visit our website at www.usps.com

OFFICIAL USE

Certified Mail Fee \$ 3.35

Extra Services & Fees (check box, add fee as appropriate)

☐ Return Receipt (hardcopy) \$ 2.75

☐ Return Receipt (electronic) \$ 0.00

☐ Certified Mail Restricted Delivery \$ 0.00

☐ Adult Signature Required \$ 0.00

☐ Adult Signature Restricted Delivery \$ 0.00

Postage \$ 1.40

Total Postage and Fees \$ 1.50

Sent To COG Y

Street and Apt. No., or PO Box No. 5509 Champions Dr.

City, State, ZIP+4® MIDLAND TX 79706

PECOS NM
Postmark
Here
2017
87552-9998

EXHIBIT G

U.S. Postal Service **APACHE PALMILLO**
CERTIFIED MAIL® RECEIPT 301H
Domestic Mail Only

For delivery information, visit our website at www.usps.com

OFFICIAL USE

Certified Mail Fee \$ 3.35

Extra Services & Fees (check box, add fee as appropriate)

☐ Return Receipt (hardcopy) \$ 2.75

☐ Return Receipt (electronic) \$ 0.00

☐ Certified Mail Restricted Delivery \$ 0.00

☐ Adult Signature Required \$ 0.00

☐ Adult Signature Restricted Delivery \$ 0.00

Postage \$ 1.40

Total Postage and Fees \$ 1.50

Sent To COG

Street and Apt. No., or PO Box No. 600 West Illinois Ave.

City, State, ZIP+4® MIDLAND TX 79701

PECOS NM
Postmark
Here
2017
87552-9998

7016 2710 0000 0122 9101

March 12, 2017

Khody Land & Minerals Company
3500 One Williams Center, MD 35
Tulsa OK 74172

As required by New Mexico Oil Conservation Division Rules, I am notifying you of the following nonstandard location (NSL) for a well. This letter is a notice only. No action is needed unless you have questions or objections.

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Applicant Name: Apache Corporation (432) 818-1167
Applicant's Address: 303 Veterans Airpark Lane, Suite 3000, Midland, TX 79705

Submission Information: Application for a nonstandard location will be filed with the NM Oil Conservation Division (NMOCD). If you have an objection, then it must be filed in writing within 20 days from the date the NMOCD receives the application. The New Mexico Oil Conservation Division address is 1220 South St. Francis Dr. Santa Fe, NM 87505. Their phone number is (505) 476-3440.

Please call me if you have any questions.

Sincerely,

Brian Wood

Brian Wood

March 12, 2017

Penroc Oil Corporation
PO Box 2769
Hobbs NM 88241

As required by New Mexico Oil Conservation Division Rules, I am notifying you of the following nonstandard location (NSL) for a well. This letter is a notice only. No action is needed unless you have questions or objections.

Apache Corporation is applying to produce its Palmillo 14-15 State 301H oil well from a NSL. The minimum State distance for take points is 330' from a dedication line. The first take point (FTP) is 230' further west than is standard (see attachment). Thus, it is a nonstandard location. The NSL is due to geology and land uses.

Well Name: Palmillo 14-15 State 301H **MD:** 13,571' **TVD:** 8,697'
Proposed NSL Zone: Palmillo; Bone Spring, SW
NSL Acreage Dedication: 160 acres (S2S2 Section 14)
SHL: 250' FSL & 315' FEL Sec. 15, T. 19 S., R. 28 E., Eddy County, NM
on NM State Land Office lease XO-0648-0150 (FTP is 335' from lease boundary)
Approximate Location: ~14 air miles southwest of Loco Hills, NM
Applicant Name: Apache Corporation (432) 818-1167
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Sincerely,

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U.S. Postal Service® *APACHE PALMILLO*
CERTIFIED MAIL® RECEIPT *301H*
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EXHIBIT G

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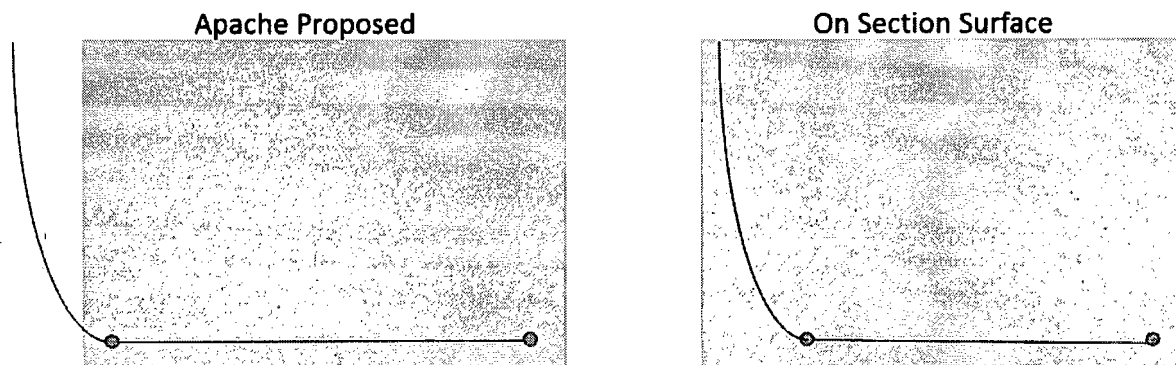
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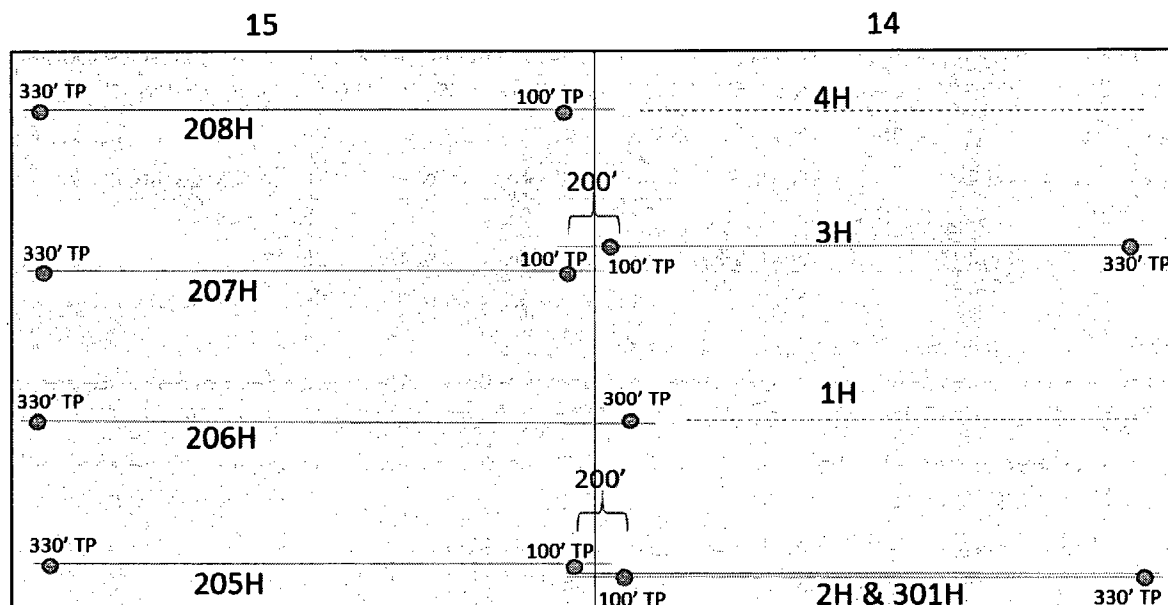
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7016 2710 0000 2518 0870

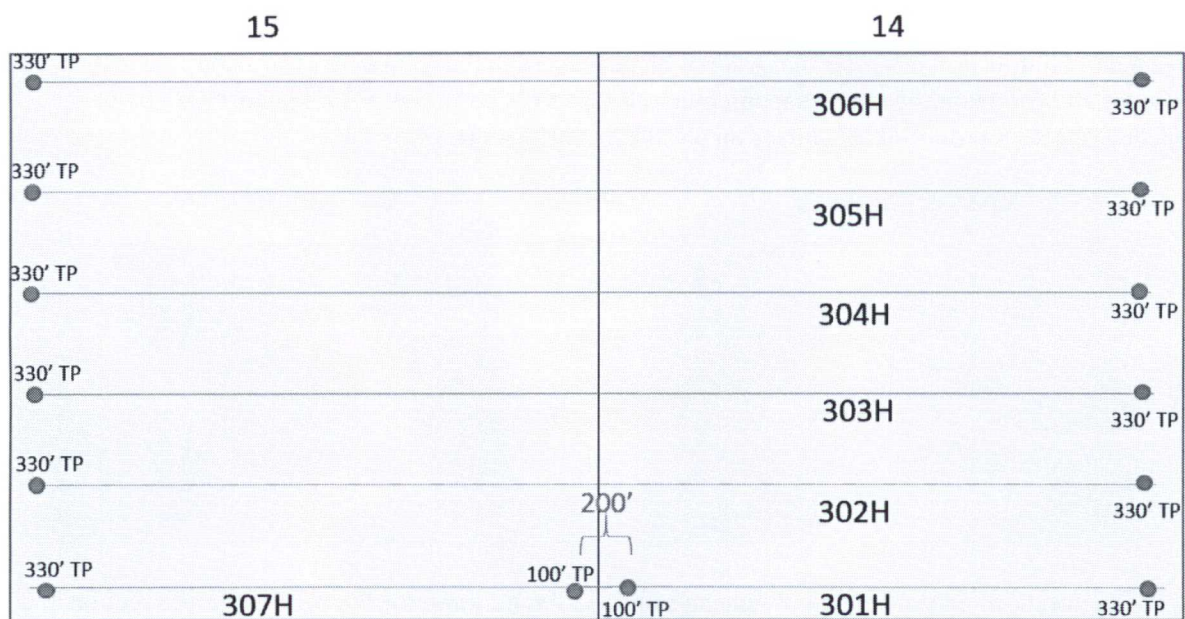
Apache desires to develop sections 14 and 15 in a way that exploits the maximum reserves and does not leave behind untouched reservoir that will not be developed in the future. The NSL allows Apache to perforate and complete the lateral section much closer to the section line. Two pictures are below depicting Apache's proposed NSL versus an on section surface site.



For the perforations on the outside of Apache's unit, 330' is honored for the distance to the section line. However, within the unit, Apache desires minimize the space between wellbores in section 14 and 15 by keeping only 100' from the 14/15 section line. This leaves on 200' of untouched reservoir instead of 660'. The 200' was chosen to make sure Apache does not frac into the lateral opposing it. The figure below shows the existing 4H & 1H wells; the 2017 planned 3H, 2H, and 301H; and the 2018 planned 205H-208H. Except for the 301H, these wells are all planned in the 2nd Bone Spring Sand.



The 301H is planned as a test in the 3rd Bone Spring Sand. If this test is successful, Apache plans to develop the remaining 3rd Bone Spring with 2 mile horizontal wells as seen in the next figure below.



Apache and our partners in Sec 14 & 15 have mutually agreed to form a working interest unit for the development of future Palmillo 14-15 State wells as to the Bone Spring formation, less & except the existing Palmillo 14 State 1H and Palmillo 14 State 4H wells. The revised unit working interest for these future Palmillo 14-15 State wells is reflected in amendments under the joint operating agreements governing the sections. Concho and EOG Y have sold their working interest in the future Palmillo 14-15 State wells to Apache but retained their working interest in the existing 1H & 4H wellbores.

	Palmillo 14-15 State Unit WI
Apache	76.041667%
Penroc	11.979167%
WPX (Khody)	11.979167%

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<p>2. Article Number (Transfer from service label)</p> <p>7016 2710 0000 2518 0860</p>		<p>PS Form 3811, July 2015 PSN 7530-02-000-9053</p> <p>Domestic Return Receipt</p>	

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<p>1. Article Addressed to:</p> <p>Penroc Oil Corporation PO Box 2769 Hobbs NM 88241</p>		<p>3. Service Type</p> <p><input type="checkbox"/> Adult Signature <input type="checkbox"/> Priority Mail Express®</p> <p><input type="checkbox"/> Adult Signature Restricted Delivery <input type="checkbox"/> Registered Mail™</p> <p><input checked="" type="checkbox"/> Certified Mail® <input type="checkbox"/> Registered Mail Restricted Delivery</p> <p><input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Collect on Delivery <input type="checkbox"/> Signature Confirmation™</p> <p><input type="checkbox"/> Collect on Delivery Restricted Delivery <input type="checkbox"/> Signature Confirmation Restricted Delivery</p>	
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