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|-----------------|----------|---------------|-------------------|------------|--------------------|
| DATE IN: 3/8/11 | SUSPENSE | ENGINEER: DKB | LOGGED IN: 3-8-11 | TYPE: NSL- | APP NO: 1106756818 |
|-----------------|----------|---------------|-------------------|------------|--------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

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



APACHE

Lou Werthan #28

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

Agent for Apache Corporation
 Title

3/7/11
 Date

drcatanach@netscape.com
 E-Mail Address

March 7, 2011

Hand Delivered

New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505

Attention: Mr. Daniel Sanchez
Acting Division Director

Re: Unorthodox Well Location &
Simultaneous Dedication
Lou Worthan Well No. 28
API No. (N/A)
2310' FNL & 1311' FEL, Unit H
Section 11, T-22 South, R-37 East, NMPM,
Lea County, New Mexico

Dear Mr. Sanchez:

Pursuant to Division Rule 19.15.15.13, Apache Corporation ("Apache") respectfully requests administrative approval of an unorthodox oil and gas well location and simultaneous dedication for its proposed Lou Worthan Well No. 28. This well will be drilled as a development gas well in the Blinebry Oil & Gas Pool (Prorated Gas-72480) and a development oil well in the Tubb Oil & Gas (Oil-60240), Drinkard (Oil-19190) and Wantz-Abo (62700) Pools.

In the Blinebry Oil and Gas Pool the proposed Lou Worthan No. 28 and the existing Lou Worthan No. 12 (**API No. 30-025-10221**) **located 1980 feet from the North line and 560 feet from the East line of Section 11**) will be simultaneously dedicated to an existing 40-acre non-standard gas spacing and proration unit comprising the SE/4 NE/4 of Section 11 (approved by Order No. NSP-1937-A npt). Consequently, Apache seeks approval of an unorthodox gas well location and simultaneous dedication for this well in the Blinebry Oil & Gas Pool. (**Note: NSP-1937-A npt established eight 40-acre non-standard gas spacing and proration units in the Blinebry and Tubb Oil & Gas Pools within the N/2 of Section 11.**)

In the Tubb Oil & Gas Pool the proposed Lou Worthan No. 28 will be drilled as a development oil well and dedicated to an existing 40-acre oil spacing and proration unit comprising the SE/4 NE/4 of Section 11. This unit is currently dedicated to the Lou Worthan No. 18 (API No. 025-25568) located 1905 feet from the North line and 860 feet from the East line. Consequently, Apache seeks approval of an unorthodox oil well location for this well in the Tubb Oil & Gas Pool.

In the Drinkard Pool, the proposed Lou Worthan No. 28 will be drilled as a development oil well and dedicated to a standard 40-acre oil spacing and proration unit comprising the SE/4 NE/4 of Section 11. Consequently, Apache seeks approval of an unorthodox oil well location for this well in the Drinkard Pool.

In the Wantz-Abo Pool, the proposed Lou Worthan No. 28 will be dedicated to an existing 40-acre oil spacing and proration unit comprising the SE/4 NE/4 of Section 11. This unit is currently dedicated to the above-described Lou Worthan No. 18. Consequently, Apache seeks approval of an unorthodox oil well location for this well in the Wantz-Abo Pool.

The Blinebry and Tubb Oil & Gas Pools are currently governed by the General Rules and Regulations for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Blinebry and Tubb Oil & Gas Pools as established by Order No. R-8170, as amended. These rules require standard 160-acre gas spacing and proration units and 40-acre oil spacing and proration units. Setback requirements for gas wells to which more than 40 acres is dedicated are 660 feet to the outer boundary of the spacing unit or of the quarter section, and 330 feet to any governmental quarter-quarter section. The setback requirement for oil wells and gas wells to which no more than 40 acres is dedicated is 330 feet to the outer boundary of the spacing unit.

The Drinkard and Wantz-Abo Pools are subject to Division Rule 19.19.15.9.

The Lou Worthan No. 28 is being drilled as an infill location between existing Blinebry, Tubb and Drinkard producers. A well at this location should recover additional oil and gas reserves from the target reservoirs that will otherwise not be drained by the existing wells, thereby preventing waste.

In support of the application, the following tables show the offset wells, drainage areas, estimated ultimate oil and gas recoveries, cumulative oil and gas production and current daily oil and gas producing rates (as of 11/2010 unless otherwise noted.) **(Note: drainage areas were calculated from SophiH taken off contoured isopach maps or from log calculations.)**

| Operator | Well Name | Unit | Reservoir | SophiH (Ft) | Area (Acres) | EUR (MBO) | EUR (MMCFG) |
|-------------------|-------------------|------|------------------------|-------------|--------------|-----------|-------------|
| Apache | Lou Worthan 4, 15 | G | Blinebry/Tubb/Drinkard | 42 | 28.5 | 169 | 6,194 |
| Apache | Lou Worthan 12,18 | H | Blinebry/Tubb/Drinkard | 36 | 62 | 215 | 15,847 |
| Chevron | S E Long 7 | I | Blinebry/Tubb/Drinkard | 16 | 55 | 122 | 4,551 |
| Hendrix & Chevron | S E Long 2,8 | J | Blinebry/Tubb/Drinkard | 36 | 69.5 | 45.7 | 20,615 |

| Operator | Well Name | Unit | Reservoir | Cum Oil (MBO) | Cum Gas (MMCFG) | Daily Oil (Bbls) | Daily Gas (MCFG) |
|----------|----------------|------|-------------------------------------|---------------|-----------------|------------------|------------------|
| Apache | Lou Worthan 4 | G | Blinebry | 135 | 1,460 | 16.5 | 197 |
| Apache | Lou Worthan 15 | G | Tubb/Drinkard/Abo | 18.7 | 30,026 | 1.8 | 395 |
| Apache | Lou Worthan 12 | H | Blinebry | 21 | 3,033 | 0.9 | 94 |
| Apache | Lou Worthan 18 | H | Tubb/Abo/Granite Wash | 39.7 | 710 | 1.86 | 87 |
| Chevron | S E Long 7 | I | Blinebry/Tubb/Drinkard/Granite Wash | 18 | 1,512 | 10 | 174 |
| Hendrix | S E Long 2 | J | Drinkard | 0.145 | 1,253 | 0 | 90 |
| Chevron | S E Long 8 | J | Blinebry/Tubb | 9.0 | 1,541 | 0 | 39 |

(S E Long No. 7-Current production is Blinebry/Tubb only)

(S E Long No. 8-Current production is Blinebry only. Date of last Blinebry production 6/2009)

Utilizing the average offset drainage areas and SophiH and applying it to the proposed location for the Lou Worthan No. 28 results in an estimated recovery of 44 MBO and 400 MMCF of gas from the Blinebry, Tubb and Drinkard reservoirs.

The affected offset acreage with regards to the unorthodox location in the Blinebry Oil & Gas, Tubb Oil & Gas, Drinkard and Wantz-Abo Pools is the SW/4 NE/4 and NW/4 SE/4 of Section 11. The SW/4 NE/4 of Section 11 is operated by Apache and is contained within the commonly-owned Lou Worthan lease. Within the NW/4 SE/4 of Section 11, the Blinebry, Tubb and Abo producing rights are owned by Chevron Midcontinent, L.P. and/or Chevron U.S.A., Inc., and the Drinkard producing rights are owned by John H. Hendrix Corporation.

With regards to the proposed simultaneous dedication of the Lou Worthan No. 28 in the Blinebry Oil & Gas Pool, Apache is providing notice of this application to all affected offset acreage in the Blinebry Oil & Gas Pool, described as follows:

Acreage Description

Operator

NW/4, N/2 NE/4, SW/4 NE/4
of Section 11, T-22S, R-37E

Apache Corporation
(Lou Worthan Lease)

SE/4 of Section 11, T-22S, R-37E

Chevron Midcontinent, L.P.
Chevron U.S.A., Inc.
John H. Hendrix Corporation

SW/4 of Section 11, T-22S, R-37E

John H. Hendrix Corporation

S/2 of Section 2, T-22S, R-37E

Exxon Mobil Corporation

SW/4 of Section 1, T-22S, R-37E

John H Hendrix Corporation

W/2 of Section 12, T-22S, R-37E

John H. Hendrix Corporation

Please note that Apache Corporation owns 100% of the working interest in the Lou Worthan Lease comprising the N/2 of Section 11.

In summary, approval of the application will provide Apache Corporation the opportunity to recover additional oil and gas reserves from the Blinbry, Tubb, Drinkard and Abo formations underlying the SE/4 NE/4 of Section 11 that may otherwise not be recovered by the existing producing wells, thereby preventing waste, and will not violate correlative rights.

If you should have any questions, please call me at (505) 690-9453.

Sincerely,



David Catanach, Agent
Apache Corporation
6120 S. Yale
Suite 1500
Tulsa, Oklahoma 74136

Xc: OCD-Hobbs

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

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 July 16, 2010
Submit one copy to appropriate
District Office
☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|--------------------------|--|--|
| API Number N/A | Pool Code 72480 | Pool Name Blinebry Oil & Gas Pool (Prorated Gas) |
| Property Code | Property Name Lou Worthan | Well Number 28 |
| OGRID No. 873 | Operator Name Apache Corporation | Elevation 3342 |

Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|-----------|-----------------|----------------|---------|---------------|------------------|---------------|----------------|------------|
| H | 11 | 22 South | 37 East | | 2310' | North | 1311' | East | Lea |

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 |
|------------------------------|-----------------|------------------|---|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |
| Dedicated Acres 40 | Joint or Infill | Consolidate Code | Order No. NSP-1937-A npt approved a 40-acre non-standard gas unit in the Blinebry Oil & Gas Pool comprising the SE/4 NE/4 to be dedicated to the Lou Worthan No. 12. | | | | | | |

No Allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the Division

| | |
|--|--|
| | <p>OPERATOR CERTIFICATION</p> <p><i>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 bottomhole 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 heretofor entered by the Division.</i></p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p> <p>E-mail Address _____</p> |
| | |

March 7, 2011

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: OFFSET OPERATORS

Re: Apache Corporation
Unorthodox Well Location & Simultaneous Dedication
Lou Worthan No. 28
2310' FNL & 1311' FEL (Unit H)
Section 11, T-22 South, R-37 East, NMPM,
Blinebry & Tubb Oil & Gas, Drinkard & Wantz-Abo Pools
Lea County, New Mexico

Ladies and Gentlemen:

Enclosed please find a copy of the application filed by Apache Corporation for authorization to drill its Lou Worthan No. 28 at an unorthodox oil well location in the Tubb Oil and Gas, Drinkard and Wantz-Abo Pools, and an unorthodox gas well location in the Blinebry Oil & Gas Pool 2310 feet from the North line and 1311 feet from the East line (Unit H) of Section 11, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico. It is proposed to simultaneously dedicate an existing 40-acre non-standard gas spacing and proration unit in the Blinebry Oil & Gas Pool comprising the SE/4 NE/4 of Section 11 to the Lou Worthan No. 28 and to the existing Lou Worthan No. 12 (API No. 30-025-10221) located 1980 feet from the North line and 560 feet from the East line.

As the owner of an interest that may be affected by the proposed unorthodox well location and simultaneous dedication, you are being provided notice as per Division rules and regulations. Objections must be filed in writing at the Division's Santa Fe office within 20 days from the date this notice was sent to you. If no objection is received within twenty days after the filing of this application and proof of notice with the Division, the application may be approved.

If you should have any questions, please call me at (505) 690-9453.

Sincerely,



David Catanach
Agent-Apache Corporation
6120 S. Yale
Suite 1500
Tulsa, Oklahoma 74136

Enclosure

Notice List
Apache Corporation
Application for Unorthodox Well Location & Simultaneous Dedication
Lou Worthan No. 28
2310' FNL & 1311' FEL (Unit H) Section 11, T-22 South, R-37 East, NMPM

John H. Hendrix Corporation
Box 3040
Midland, Texas 79702-3040

Chevron U.S.A., Inc.
Chevron Midcontinent, L.P.
Box 36366
Houston, Texas 77236

Exxon Mobil Corporation
Box 4721
Houston, Texas 77210-4721

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|---|----|--------|------------|
| Postage | \$ | \$1.05 | 0500 |
| Certified Fee | | \$2.80 | 03 |
| Return Receipt Fee (Endorsement Required) | | \$2.30 | |
| Restricted Delivery Fee (Endorsement Required) | | \$0.00 | |
| Total Postage & Fees | \$ | \$6.15 | 03/08/2011 |

Sent to
Street, Apt. No.,
or PO Box No. *Exxon Mobil Corporation*
City, State, Zip+4 *Box 4721*
Houston, Texas 77210-4721
PS Form 3800, August 2006 See Reverse for instructions

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|---|----|--------|------------|
| Postage | \$ | \$1.05 | 0500 |
| Certified Fee | | \$2.80 | 03 |
| Return Receipt Fee (Endorsement Required) | | \$2.30 | |
| Restricted Delivery Fee (Endorsement Required) | | \$0.00 | |
| Total Postage & Fees | \$ | \$6.15 | 03/08/2011 |

Sent to
Street, Apt. No.,
or PO Box No. *John H. Hendrix Corporation*
City, State, Zip+4 *Box 3040*
Midland, Texas 79702-3040
PS Form 3800, August 2006 See Reverse for instructions

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| Certified Fee | | \$2.80 | 03 |
| Return Receipt Fee (Endorsement Required) | | \$2.30 | |
| Restricted Delivery Fee (Endorsement Required) | | \$0.00 | |
| Total Postage & Fees | \$ | \$6.15 | 03/08/2011 |

Sent to
Street, Apt. No.,
or PO Box No. *Cherion USA, Inc. - Cherion Midcontinent*
City, State, Zip+4 *Box 36366*
Houston, Texas 77236
PS Form 3800, August 2006 See Reverse for instructions

2990 5890 0835 0657
2000 0820 0700

0590 5890 0835 0650
2000 0820 0700