

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

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF APACHE CORPORATION
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

Case No. 14,985

VERIFIED STATEMENT OF MICHELLE HANSON

Michelle Hanson, being duly sworn upon her oath, deposes and states:

1. I am a landman for Apache Corporation, and have personal knowledge of the matters stated herein.
2. Pursuant to Division Rule NMAC 19.15.4.12.A(1)(b), the following information is submitted in support of the application filed herein:
 - (a) No opposition to this application is expected because the mineral interest owners being pooled are (i) unlocatable, or (ii) have not responded to lease offers or well proposals.
 - (b) A plat outlining the spacing unit being pooled, and marking the location of the proposed well, is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Drinkard formation underlying Lot 4 (the NW/4NW/4) of Section 2, Township 20 South, Range 38 East, NMPM, to form a standard 39.73-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent, including the House-Blinebry Pool, House-Tubb Pool, and House-Drinkard Pool. The unit will be dedicated to the White Owl Well No. 2, to be drilled at an unorthodox oil well location 475 feet from the north line and 1075 feet from the west line of Section 2. The well will be an oil well.
 - (c) The parties being pooled, their interests in Lot 3 of Section 2, and their last known addresses, are listed on Exhibit B.
 - (d) Copies of the proposal letters sent to the locatable, uncommitted mineral interest owners are attached hereto as Exhibit C.
 - (e) Interest owners who are not locatable are highlighted in yellow on Exhibit B. To attempt to locate these interest owners, Apache Corporation examined the Lea County

Oil Conservation Division
Case No. 14985
Exhibit No. 1

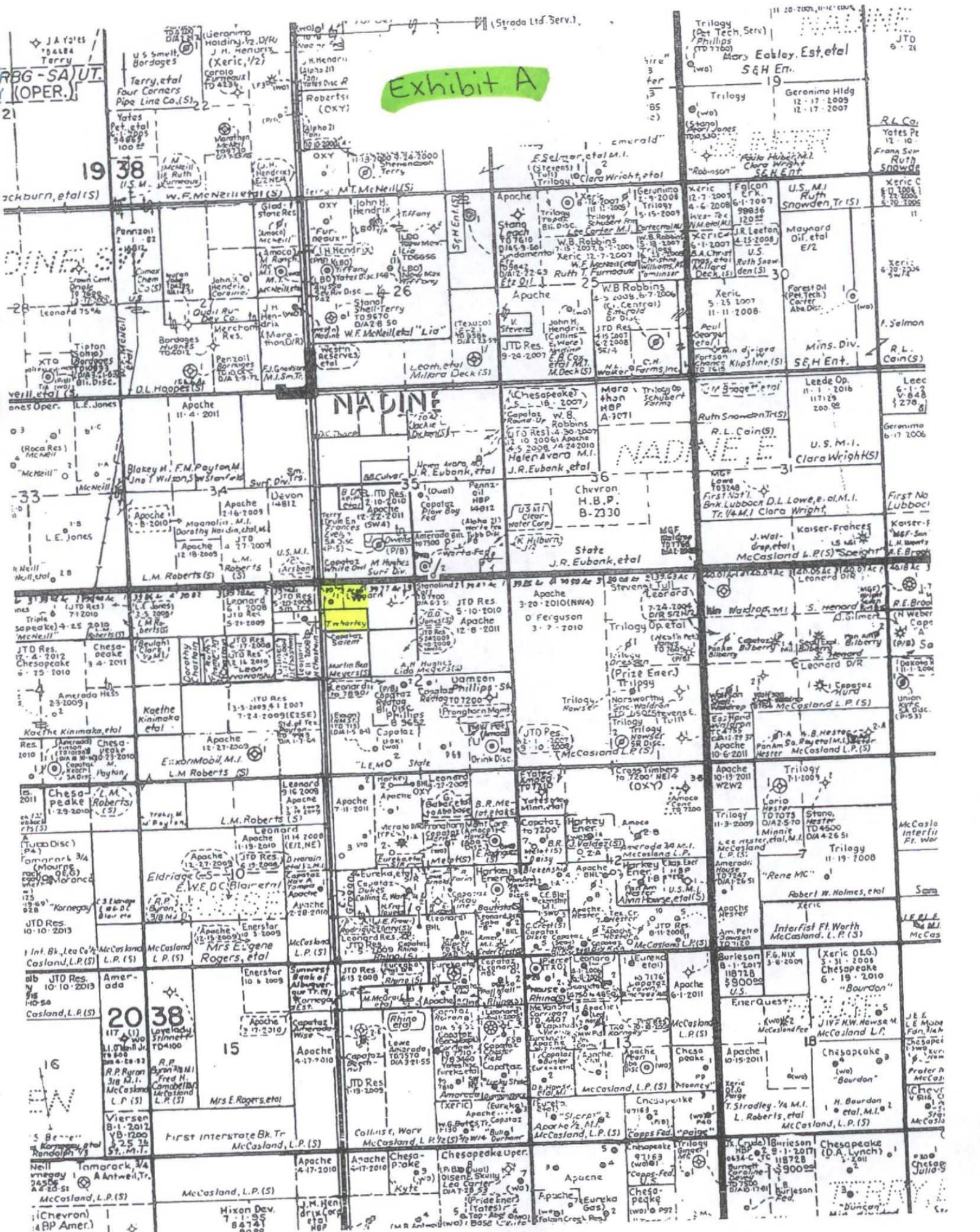


Exhibit A

NADINE

NADINE

RBG-SA) UT. (OPER.)

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EXHIBIT B
WHITE OWL #2

The Salient Zarvona Energy 1010 Lamar, Ste 500 Houston, TX 77002 Office: (713) 600-0600 Fax: (713) 600-0605	0.18450000	Elected to participate (verbally). Currently waiting for executed documents in the mail.
Overton Energy Investment VI, LLC 4265 San Felipe, Ste 1040 Houston, TX 77027 Office: (713) 580-7254	0.04050000	
TLW Investments, L.L.C. 1001 Fannin, Suite 2020 Houston, Texas 77002 Office: (713) 929-1619	0.02500000	
Audrey M. Baker* c/o Michel E. Curry, Trustee P.O. Box 1263 Midland, TX 79702	0.00032550	
C.S. Daley*	0.00039063	Cannot locate
The Heirs or devisees of J. Kenneth Fasken*	0.00039063	Cannot locate
The Heirs or devisees of Harry Levy*	0.00039063	Cannot locate
Beverly B. Nelson*	0.00039063	Cannot locate
Joseph Nelson*	0.00078125	Cannot locate
Gertrude Soper*	0.00052083	Cannot locate
Bernice Wade*	0.00052083	Cannot locate
John Lutrell*	0.00017361	Cannot locate
Libby Linn Underwood Morrish* 1388 Midland Street Brighton, CO 80601-1594	0.00039063	She indicated she would like to lease. Sending Apache's lease form to her for review.
Robert Joe Reichert*	0.00004883	Cannot locate
Pat Farris*	0.00004883	Cannot locate
Cheryl Menz*	0.00004883	Cannot locate
Douglas Menz*	0.00004883	Cannot locate
The Colorado Corporation*	0.00016276	Cannot locate

*Unleased Mineral Owner

Exhibit C

Apache

April 16, 2013

WORKING INTEREST OWNERS

RE: Re-proposal to Drill White Owl #2 Well
475' FNL & 1075' FWL
Township 20 South, Range 38 East;
Section 2: NW/4NW/4 (Lot 4)
Lea County, New Mexico

Dear Interest Owner,

Apache Corporation ("Apache") previously proposed to drill the White Owl #2 well via letters dated July 20, 2012 and November 26, 2012. Due to surface issues, the well location has been re-staked at a new location 475 feet from the North line and 1,075 feet from the West line of Section 2, Township 20 South, Range 38 East, Lea County, New Mexico. The newly staked location is a non-standard location and approval from the New Mexico Oil Conservation Division ("NMOCD") will be required.

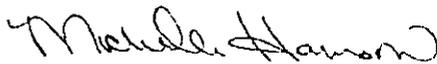
Additionally, there are a number of unleased mineral owners that cannot be located and will require compulsory pooling. Apache plans to combine, into one application, its request for non-standard location approval and its request for compulsory pooling. Said application will be filed immediately as time is of the essence. Apache wishes to have this location ready to spud by mid-June. Please note you will receive formal notice and a copy of Apache's hearing application in a separate letter, from Apache's outside legal counsel, on behalf of Apache. All interest owners will be listed in the pooling application; however, each owner has the right to elect to participate in the drilling of the White Owl #2 up until 30 days after an approved Pooling Order is issued by the New Mexico Oil Conservation Division, in accordance with the terms and conditions of said Order.

Due to the aforementioned delays, Apache hereby re-proposes the drilling of the White Owl #2 Well to a total depth of 7,400' to fully test the Blinbry, Tubb and Drinkard formations. This well is to be located at the above referenced location. Enclosed for your review and further handling are two (2) copies of Apache's drilling and completion AFE. Said AFE contains an itemized breakdown of the estimated cost for the drilling and completion work for the White Owl #2 well.

A mutually acceptable Joint Operating Agreement is attached to this proposal for your review and approval.

Please evidence your election of Apache's well proposal on Page 2 of this letter and should you elect to participate please execute one (1) copy of the enclosed AFE, as well as one (1) original set of all applicable signature and acknowledgement pages to the JOA, and return same, along with your election on Page 2, to the undersigned within thirty (30) days from your receipt of this letter. I have enclosed a postage paid envelope for your convenience. Should you have any questions concerning this matter, please the undersigned at (432) 818-1093.

Yours truly,
APACHE CORPORATION



Michelle Hanson
Landman
Fax: (432) 818-1190
michelle.hanson@apachecorp.com

_____ The undersigned elects to **PARTICIPATE** in the drilling of the White Owl #2 well as proposed above. Attached is an executed copy of Apache's AFE #PA-11-0680 R1. Please also find enclosed with this election all applicable signature and acknowledgment pages to the proposed *Joint Operating Agreement, fully executed on behalf of the undersigned.*

_____ The undersigned elects **NOT** to participate in the drilling and completing of the White Owl #2 well as proposed above. The undersigned understands that Apache plans to obtain approval for Compulsory Pooling of all outstanding interests associated with the White Owl #2 Wellbore and its 40-acre proration unit, insofar and only insofar as to the Blinbry, Tubb and Drinkard formations.

Company: _____

By: _____

Name: _____

Title: _____

Date: _____

November 26, 2012

WORKING INTEREST OWNERS

RE: Re-proposal to Drill White Owl #2 Well
330' FNL & 940' FWL
NW/4 NW/4 Section 2, T20S - R38E
Lea County, New Mexico

Dear Interest Owner,

By letter dated July 20, 2012, I proposed the drilling of the above referenced well. Subsequently, there were some surface issues that delayed the drilling of this well. We believe we have rectified those issues and we are now ready to move forward.

Due to said delay, Apache Corporation ("Apache") hereby re-proposes the drilling of the White Owl #2 Well to a total depth of 7,800' to test the Blinebry, Tubb and Drinkard formations. This well is to be located at the above referenced location. The estimated dry hole cost for this well is \$397,500.00 and the total completed well cost is approximately \$1,392,675.00. Enclosed for your review and further handling are two (2) copies of Apache's drilling and completion AFE. Said AFE contains an itemized breakdown of the estimated cost for the drilling and completion work for the White Owl #2 well.

Should you elect to participate in the referenced well as proposed above, a mutually acceptable Joint Operating Agreement will be forwarded for your review and execution.

Please evidence your election of Apache's well proposal on Page 2 of this letter and should you elect to participate please execute one (1) copy of the enclosed AFE and return same, along with your election on Page 2, to the undersigned within 30-days from your receipt of this letter. I have enclosed a postage paid envelope for your convenience. Should you have any questions concerning this matter, please contact John Nelson, our Reservoir Engineer at (432) 818-4972, or the undersigned at (432) 818-1097.

Yours truly,

APACHE CORPORATION



Dylan C. Park
Landman
dylan.park@apachecorp.com

Page 2 – Re-proposal to Drill White Owl #2
November 26, 2012

_____ The undersigned elects to **PARTICIPATE** in the drilling of the White Owl #2 well as proposed above. Attached is an executed copy of Apache's AFE # PA-11-0680. Please forward a mutually acceptable Joint Operating Agreement for my review and execution.

_____ The undersigned elects **NOT** to participate in the drilling and completing of the White Owl #2 well as proposed above.

By: _____
Name: _____
Title: _____
Date: _____

July 20, 2012

WORKING INTEREST OWNERS

RE: Proposal to Drill White Owl #2 Well
330' FNL & 940' FWL
NW/4 NW/4 Section 2, T20S - R38E
Lea County, New Mexico

Dear Interest Owner,

Apache Corporation ("Apache") hereby proposes the drilling of the White Owl #2 Well to a total depth of 7,800' to test the Blinebry, Tubb and Drinkard formations. This well is to be located 330' FNL & 940' FWL in the NW/4 of the NW/4 of Section 2, T20S - R38E, Lea County, New Mexico. The estimated dry hole cost for this well is \$397,500.00 and the total completed well cost is approximately \$1,392,675.00. Enclosed for your review and further handling are two (2) copies of Apache's drilling and completion AFE. Said AFE contains an itemized breakdown of the estimated cost for the drilling and completion work for the White Owl #2 well.

Should you elect to participate in the referenced well as proposed above, a mutually acceptable Joint Operating Agreement will be forwarded for your review and execution.

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Landman
dylan.park@apachecorp.com

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July ____, 2012

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_____ The undersigned elects **NOT** to participate in the drilling and completing of the White Owl #2 well as proposed above.

By: _____
Name: ' _____
Title: _____
Date: _____

November 26, 2012

MINERAL INTEREST OWNERS

RE: Re-proposal to Drill White Owl #2 Well
330' FNL & 940' FWL
NW/4 NW/4 Section 2, T20S - R38E
Lea County, New Mexico

Dear Interest Owner,

By letter dated August 27, 2012, I proposed the drilling of the above referenced well. Subsequently, there were some surface issues that delayed the drilling of this well. We believe we have rectified those issues and we are now ready to move forward.

Due to said delay, Apache Corporation ("Apache") hereby re-proposes the drilling of the White Owl #2 Well to a total depth of 7,800' to test the Blinebry, Tubb and Drinkard formations. This well is to be located at the above referenced location. The estimated dry hole cost for this well is \$397,500.00 and the total completed well cost is approximately \$1,392,675.00. Enclosed for your review and further handling are two (2) copies of Apache's drilling and completion AFE. Said AFE contains an itemized breakdown of the estimated cost for the drilling and completion work for the White Owl #2 well.

Should you elect to participate in the referenced well as proposed above, a mutually acceptable Joint Operating Agreement will be forwarded for your review and execution.

However, should you elect not to participate, please consider leasing your mineral interest to Apache by contacting the undersigned at (432) 818-1097 or 303 Veterans Airpark Lane, Suite 3000, Midland, TX 79705. Should you consider leasing, Apache is offering a bonus of \$250 per net acre or \$50 minimum, whichever is greater, for a 3 year lease, with option to extend for an additional 2 years at \$250 per net acre, delivering 1/4 oil and gas royalty.

Please evidence your election of Apache's well proposal on Page 2 of this letter and should you elect to participate please execute one (1) copy of the enclosed AFE and return same, along with your election on Page 2, to the undersigned within 30-days from your receipt of this letter. I have enclosed a postage paid envelope for your convenience. Should you have any questions concerning this matter, please contact John Nelson, our Reservoir Engineer at (432) 818-4972, or the undersigned at (432) 818-1097.

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_____ The undersigned elects **NOT** to participate in the drilling and completing of the White Owl #2 well as proposed above.

_____ The undersigned agrees to **LEASE** its mineral interest to Apache pursuant to the terms previously stated on Page 1 of this letter. Please forward a mutually acceptable lease form for my review and execution.

By: _____

Name: _____

Title: _____

Date: _____



August 27, 2012

MINERAL INTEREST OWNERS

RE: Proposal to Drill White Owl #2 Well
330' FNL & 940' FWL
NW/4 NW/4 Section 2, T20S - R38E
Lea County, New Mexico

Dear Interest Owner,

Apache Corporation ("Apache") hereby proposes the drilling of the White Owl #2 Well to a total depth of 7,800' to test the Blinbry, Tubb and Drinkard formations. This well is to be located 330' FNL & 940' FWL in the NW/4 of the NW/4 of Section 2, T20S - R38E, Lea County, New Mexico. The estimated dry hole cost for this well is \$397,500.00 and the total completed well cost is approximately \$1,392,675.00. Enclosed for your review and further handling are two (2) copies of Apache's drilling and completion AFE. Said AFE contains an itemized breakdown of the estimated cost for the drilling and completion work for the White Owl #2 well.

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By: _____
Name: _____
Title: _____
Date: _____

July 20, 2012

MINERAL INTEREST OWNERS

RE: Proposal to Drill White Owl #2 Well
330' FNL & 940' FWL
NW/4 NW/4 Section 2, T20S - R38E
Lea County, New Mexico

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Should you elect to participate in the referenced well as proposed above, a mutually acceptable Joint Operating Agreement will be forwarded for your review and execution.

However, should you elect not to participate, please consider leasing your mineral interest to Apache by contacting the undersigned at (432) 818-1097 or 303 Veterans Airpark Lane, Suite 3000, Midland, TX 79705. Should you consider leasing, Apache is offering a bonus of \$250 per net acre or \$50 minimum, whichever is greater, for a 3 year lease, with option to extend for an additional 2 years at \$250 per net acre, delivering 1/4 oil and gas royalty.

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_____ The undersigned agrees to **LEASE** its mineral interest to Apache pursuant to the terms previously stated on Page 1 of this letter.

By: _____
Name: _____
Title: _____
Date: _____



Exhibit D
DRILLING AND COMPLETION V AFE
ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

①

PROPERTY NO. 0		<input checked="" type="checkbox"/> IMS <input type="checkbox"/> ITS		AFE NO. PA-11-0680 R1	
COUNTY/STATE LEA, NM		DISTRICT EUNICE AREA		DATE 03/20/13	
LEASE NAME WHITE OWL		WELL NO. 2		FIELD HOUSE	
PROSPECT/LEASE # HOUSE (4022)		LEGAL / ZIP CODE SEC 02, T20S-R38E		<input checked="" type="checkbox"/> ORIGINAL <input type="checkbox"/> SUPPLEMENT <input type="checkbox"/> EXPLORATION <input checked="" type="checkbox"/> DEVELOPMENT <input type="checkbox"/> PUD	
OPERATOR APACHE CORPORATION		APACHE WI 75.000000%			
OBJECTIVE BLINEBRY/TUBB/DRINKARD - 7,400'		PROSPECT # NM4022			
FOCUS AREA NEW MEXICO		API # 0			
ESTIMATED PROJECT START DATE			ESTIMATED PROJECT COMPLETION DATE		
DESCRIPTION Drill, Complete, and Equip a 7,300' B-T-D well.					

INTANGIBLE DEVELOPMENT COSTS

ACCT	DESCRIPTION	DRY HOLE	COMPLETION	SUPPLEMENT	TOTAL WELL COST
70002	AIR TRANSPORTATION	0	0	0	0
70003	BITS, COREHEADS AND REAMERS	20,000	0	0	20,000
70004	CASING CREWS	5,000	5,000	0	10,000
70005	CATERING AND GROCERIES	0	0	0	0
70006	CEMENT AND CEMENTING SERVICES	25,000	45,000	0	70,000
70009	COMPANY LABOR	0	1,000	0	1,000
70011	COMPANY SUPERVISION	1,500	6,000	0	7,500
70012	COMPANY VEHICLE EXPENSE	500	1,000	0	1,500
70019	CONTRACT DRILLING - DAYWORK @ \$13200 /day + TAX	129,000	55,000	0	184,000
70020	CONTRACT DRILLING - FOOTAGE	0	0	0	0
70017	CONTRACT LABOR	5,000	30,000	0	35,000
70021	CONTRACT SUPERVISION	15,000	2,000	0	17,000
70022	DIRECTIONAL TOOLS	0	0	0	0
70025	DRILLING FLUIDS	20,000	0	0	20,000
65506	DRILLING OVERHEAD	4,500	0	0	4,500
70059	DRY HOLE PLUGGING	0	50,000	0	50,000
70031	EQUIPMENT RENTAL	39,000	35,000	0	74,000
70033	FILTRATION	0	0	0	0
70034	FORMATION STIMULATION	0	385,000	0	385,000
70035	FORMATION TESTING	0	0	0	0
70037	FUEL AND POWER	27,000	0	0	27,000
70039	GEOLOGICAL AND ENGINEERING	0	0	0	0
70040	GRAVEL PACK SERVICES	0	0	0	0
70045	INSURANCE	0	0	0	0
70046	LAND AND SITE RECLAMATION	35,000	3,000	0	38,000
70047	LEGAL AND CURATIVE	3,000	0	0	3,000
70049	LOGGING	12,000	50,000	0	62,000
70050	MARINE TRANSPORTATION	0	0	0	0
70054	OTHER INTANGIBLE	20,000	30,000	0	50,000
70064	RIG MOBILIZATION	25,000	0	0	25,000
70065	ROADS AND SITE PREPARATION	45,000	2,000	0	47,000
70069	SHUBBING/COIL TUBING UNIT	0	0	0	0
70073	TAX ON EQUIPMENT	0	0	0	0
70074	TRUCKING AND HAULING	15,000	25,000	0	40,000
70075	TUBING CONVEY PERFORATING	0	0	0	0
70076	TUBULAR INSPECTIONS	3,000	2,000	0	5,000
70077	WATER	40,000	5,000	0	45,000
70078	WELLSITE LOSS AND DAMAGES	10,000	0	0	10,000
	SUB-TOTAL INTANG. DEVELOPMENT COSTS	499,500	732,000	0	1,231,500

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PROPERTY: WHITE OWL 2 AFE #: PA-11-0680 R1

TANGIBLE MATERIAL COSTS

ACCT	DESCRIPTION	DRY HOLE	COMPLETION	SUPPLEMENT	TOTAL WELL COST
71001	ARTIFICIAL LIFT EQUIPMENT	0	120,000	0	120,000
71005	COMPRESSOR STATIONS	0	0	0	0
71006	CONDUCTOR CSG	6,500	0	0	6,500
71008	DEHYDRATION / AMINE UNITS	0	0	0	0
71012	FLOW LINES TO BATTERY	0	0	0	0
71017	HIGH PRESSURE KNOCK-OUT	0	15,000	0	15,000
71019	INTERMEDIATE CSG	0	0	0	0
71024	LINER HANGERS	0	0	0	0
71025	LINERS - DRILLING OR PRODUCTION	0	0	0	0
71007	ONSHORE PLATFORM	0	0	0	0
71032	OTHER SUBSURFACE EQUIPMENT	0	5,000	0	5,000
71033	OTHER SURFACE EQUIPMENT	0	40,000	0	40,000
71039	PRIME MOVER	0	20,000	0	20,000
71040	PRODUCTION CASING -7400' of 5-1/2" 17# L80 LTC	0	130,300	0	130,300
71043	PUMPS	0	5,000	0	5,000
71045	SALES LINE	0	7,500	0	7,500
71046	SEPARATORS	0	0	0	0
71048	SUCKER RODS	0	25,000	0	25,000
71050	SURFACE CSG 1,619' - 8-5/8" 24# J55 STC	33,000	0	0	33,000
71051	TANK BATTERY	0	0	0	0
71052	TREATERS	0	0	0	0
71053	TUBING 2-7/8" 6.5# J-55	0	45,000	0	45,000
71056	WELLHEAD ASSEMBLY	5,000	7,500	0	12,500
	SUB-TOTAL TANGIBLE MATERIAL COSTS	44,500	420,300	0	464,800
	SUB-TOTAL INTANGIBLE COSTS (PAGE 1)	499,500	732,000	0	1,231,500
	GRAND TOTAL	544,000	1,152,300	0	1,696,300
	LESS OUTSIDE INTERESTS	136,000	288,075	0	424,075
	TOTAL NET COSTS	408,000	864,225	0	1,272,225

PREPARED BY	TERRY WEST <i>Terry West</i>	3/27/13
		DATE
PREPARED BY	RYAN TAYLOR <i>Ryan Taylor</i>	4/11/13
		DATE
APPROVED BY	BOBBY SMITH <i>Bobby Smith</i>	3/27/13
		DATE
APPROVED BY	MIKE THORSON <i>Mike Thorson</i>	4-3-13
		DATE
APPROVED BY	KEN NEOPERT <i>Ken Neopert</i>	4/10/13
		DATE
APPROVED BY	TIM CUSTER <i>Tim Custer</i>	4/14/13
		DATE
APPROVED BY	JOHN CHRISTMANN <i>John Christmann</i>	4/15/13
		DATE

Notice to Nonoperators: Costs shown on this form estimates only. Nonoperators should not consider these estimates as establishing any limit on monies which will be required to perform the proposed operation.

A.	GROSS ORIGINAL AFE AMOUNT	1,696,300
B.	APACHE ORIGINAL NET AFE AMOUNT	1,272,225
C.	NET ASSET TRANSFERS	
D.	TOTAL ORIGINAL NET AFE (LINE B PLUS LINE C)	1,272,225
E.	GROSS SUPPLEMENTS	0
F.	APACHE TOTAL NET AFE AMOUNT	1,272,225
	IN BUDGET	NOT IN BUDGET

COMPANY	WORKING INTEREST	APPROVED BY	DATE

COMMENTS: _____ 0
 _____ 0