

**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. 14,989

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 the SW/4NW/4 of Section 2, Township 20 South, Range 38 East, NMPM, to form a standard 40-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-Blinbry Pool, House-Tubb Pool, and House-Drinkard Pool. The unit will be dedicated to the Pinot Well No. 2, to be drilled at an orthodox oil well location in the SW/4NW/4 of Section 2. The well will be an oil well.
 - (c) The parties being pooled, their interests in the SW/4NW/4 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. 14989
Exhibit No. 1

records, telephone directories, records in the counties of the last known residences of the out-of-state owners, and internet directories. Correspondence to the last known addresses of these interest owners was returned to sender. Apache Corporation has been trying to locate these persons for several years for the proposed well and other wells operated by Apache in the immediate area.

(f) Apache Corporation has made a good faith effort to obtain the voluntary joinder of interest owners in the well, or to locate the interest owners.

(g) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against non-consenting interest owners.

(h) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit D. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Lea County.

(i) Overhead charges of \$7,500/month for a drilling well, and \$750/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Apache Corporation requests that the rates be adjusted under the COPAS accounting procedure.

(j) Applicant requests that it be designated operator of the well.

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

Michelle Hanson, being duly sworn upon her oath, deposes and states that: She is a landman for Apache Corporation; she is authorized to make this verification on its behalf; she has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of her knowledge, information, and belief.

Michelle Hanson
Michelle Hanson

SUBSCRIBED AND SWORN TO before me this 28th day of May, 2013 by Michelle Hanson.

My Commission Expires: 9/9/2013

Melissa L. Dimit
Notary Public

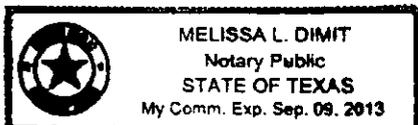


EXHIBIT B
PINOT #2

| | | |
|---|------------|--|
| Royalty Holding Company* 3535 NW 58 th Ste 720 Oklahoma City, OK 73112 | 0.20312500 | |
| The Salient Zarvona Energy 1010 Lamar, Ste 500 Houston, TX 77002 Office: (713) 600-0600 Fax: (713) 600-0605 | 0.18450000 | Elects to participate |
| Overton Energy Investment VI, LLC 4265 San Felipe, Ste 1040 Houston, TX 77027 Office: (713) 580-7254 | 0.04050000 | Elects to participate |
| Burlington Resources Oil & Gas Company, L.P.* c/o ConocoPhillips Company Attn: Ashley Manning-Dyke 600 N. Dairy Ashford, 2WL-15060 Houston, TX 77252-2197 | 0.03472222 | Currently negotiating lease form. |
| A&P Family Limited Partnership* P.O. Box 1046 Eunice, NM 88231 | 0.03125000 | Currently negotiating lease form. |
| Pat Alston Ward* 207 Porr Drive Ruidoso, NM 88355 | 0.03125000 | |
| TLW Investments, L.L.C. 1001 Fannin, Suite 2020 Houston, Texas 77002 Office: (713) 929-1619 | 0.02500000 | Elects to participate. Has not yet executed the proposed JOA. |
| Muirfield Resources Company* P.O. Box 3166 Tulsa, OK 74101-3166 | 0.01041667 | Elects to participate. |
| The Allar Company* P.O. Box 1567 Graham, TX 76450 (940) 549-0077 | 0.00694444 | Currently negotiating lease form. |
| Sally Rogers* 152b Arroyo Hondo Road Santa Fe, NM 87508 | 0.00625000 | |

EXHIBIT B
PINOT #2

| | | |
|--|------------|--|
| Wells Fargo Bank, N.A., Trustee* Oil & Gas Distribution – Armstrong P.O. Box 40909 Austin, TX 78704 | 0.00390625 | Currently negotiating lease form. |
| William J. Meier* 257 Rutherford Shreveport, LA 71104 | 0.00390625 | |
| Seven Ways Minerals, Ltd.* P.O. Box 6009 Midland, TX 79704 | 0.00130208 | Currently negotiating lease form. |
| Joseph Nelson* | 0.00078125 | Cannot locate |
| Bank of America, N.A., Trustee of the Myrtle L. Davis Trust* P.O. Box 830308 Dallas, TX 85283-0308 | 0.00062500 | Just recently obtained new mailing address. Sent well proposal to this address. 5/28/13 - received Bank of America lease form for my review. |
| Gertrude Soper* | 0.00052083 | Cannot locate |
| Bernice Wade* | 0.00052083 | Cannot locate |
| 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 |
| Libby Linn Underwood Morrish* 1388 Midland Street Brighton, CO 80601-1594 | 0.00039063 | She indicated she would like to lease. Sent Apache's lease form to her for review. Have not yet received a response to my mailing. |
| Audrey M. Baker* c/o Michel E. Curry, Trustee P.O. Box 1263 Midland, TX 79702 | 0.00032550 | Elects to participate. |
| Max W. Coll III* 7625-2 El Centro Blvd Las Cruces, NM 88012 | 0.00022344 | Elects to participate |
| John Luttrell* | 0.00017361 | Cannot locate |
| The Colorado Corporation* | 0.00016276 | Cannot locate |
| Robert Joe Reichert* | 0.00004883 | Cannot locate |
| Pat Farris* | 0.00004883 | Cannot locate |

EXHIBIT B
PINOT #2

| | | |
|---------------|------------|---------------|
| Cheryl Menz* | 0:00004883 | Cannot locate |
| Douglas Menz* | 0:00004883 | Cannot locate |

* Unleased Mineral Owner

Exhibit C

①



April 16, 2013

WORKING INTEREST OWNERS

RE: Proposal to Drill Pinot #2 Well
1850' FNL & 990' FWL
Township 20 South, Range 38 East;
Section 2: SW/4NW/4
Lea County, New Mexico

Dear Interest Owner,

Apache Corporation ("Apache") hereby proposes to drill the Pinot #2 well to a total depth of approximately 7,400' to test the Blinbry, Tubb and Drinkard formations and shall be located 1850 feet from the North line & 990 feet from the West line of Section 2, Township 20 South, Range 38 East, Lea County, New Mexico. Please find enclosed, for your review and approval, a copy of Apache's Authority for Expenditure ("AFE") detailing the estimated costs for drilling and completing the proposed well.

Also enclosed for your review and approval is a mutually acceptable 1989 Form Joint Operating Agreement ("JOA"). Said JOA shall govern operations for both the Pinot #1 well (proposed under separate cover) and the Pinot #2 well proposed herein.

Please be advised there are a number of unleased mineral owners that cannot be located and will require compulsory pooling. Apache plans to immediately file its application for compulsory pooling 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 of compulsory pooling 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 Pinot #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.

Lastly, 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 contact the undersigned at (432) 818-1093.

Yours truly,

APACHE CORPORATION

Michelle Hanson

Landman

Fax: (432) 818-1190

michelle.hanson@apachecorp.com

Page 2 – Proposal to Drill Pinot #2
Blinebry, Tubb and Drinkard test
April 16, 2013

_____ The undersigned elects to **PARTICIPATE** in the drilling of the Pinot #2 well as proposed above. Please find attached one (1) executed copy of Apache's AFE #PA-13-0370 and one (1) original set of 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 Pinot #2 well as proposed above. The undersigned understands that Apache plans to obtain approval for compulsory pooling of all non-participating interests associated with the Pinot #1 Wellbore and its 40-acre proration unit, insofar and only insofar as to the Blinebry, Tubb and Drinkard formations.

Company: _____

By: _____

Name: _____

Title: _____

Date: _____



(Exhibit D)
DRILLING AND COMPLIANCE AFE
 ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

| | | | | | |
|---|--|--|-----------------------------------|--|--|
| PROPERTY NO. 0 | | <input checked="" type="checkbox"/> EMS <input type="checkbox"/> ITS | | AFE NO. PA-13-0370 | |
| COUNTY/STATE LEA, NM | | DISTRICT EUNICE AREA | | DATE 03/20/13 | |
| LEASE NAME PINOT | | WELL NO. 2 | | FIELD HOUSE | |
| PROSPECT/LEASE # HOUSE | | 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 WM 45.140000% | | | |
| OBJECTIVE BTD - 7,400' | | PROSPECT # NM4022 | | | |
| FOCUS AREA NEW MEXICO | | API # 0 | | | |
| ESTIMATED PROJECT START DATE | | | ESTIMATED PROJECT COMPLETION DATE | | |
| DESCRIPTION Drill, Complete, and Equip a 7,350' B-T-D well. | | | | | |
| | | | | | |
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| | | | | | |

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 | 1,000 | 0 | 21,000 |
| 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 |
| 70018 | CONTRACT DRILLING - DAYWORK @ \$13,200 /day + TAX | 129,000 | 55,000 | 0 | 184,000 |
| 70020 | CONTRACT DRILLING - FOOTAGE | 0 | 0 | 0 | 0 |
| 70017 | CONTRACT LABOR | 10,000 | 30,000 | 0 | 40,000 |
| 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 | SNUBBING/COIL TUBING UNIT | 0 | 0 | 0 | 0 |
| 70073 | TAX ON EQUIPMENT | 0 | 0 | 0 | 0 |
| 70074 | TRUCKING AND HAULING | 5,000 | 25,000 | 0 | 30,000 |
| 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 | 494,500 | 733,000 | 0 | 1,227,500 |

PROPERTY: PINOT 2 AFE #: PA-13-0370

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 | 32,000 | 0 | 32,000 |
| 71050 | SURFACE CSG 1,611' - 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 | 427,300 | 0 | 471,800 |
| | SUB-TOTAL INTANGIBLE COSTS (PAGE 1) | 494,500 | 733,000 | 0 | 1,227,500 |
| | GRAND TOTAL | 539,000 | 1,160,300 | 0 | 1,699,300 |
| | LESS OUTSIDE INTERESTS | 295,695 | 636,541 | 0 | 932,236 |
| | TOTAL NET COSTS | 243,305 | 523,759 | 0 | 767,064 |

| | | |
|-------------|----------------------------------|---------|
| PREPARED BY | TERRY WEST <i>Terry West</i> | 3/27/13 |
| | | DATE |
| PREPARED BY | RYAN TAYLOR | |
| | | DATE |
| APPROVED BY | BOBBY SMITH <i>Bobby L Smith</i> | 3/27/13 |
| | | DATE |
| APPROVED BY | MIKE THORSON <i>MIT</i> | 4-2-13 |
| | | DATE |
| APPROVED BY | KEN NEUPERT | |
| | | DATE |
| APPROVED BY | JOHN CHRISTMANN | |
| | | DATE |

| | | |
|----|---|---------------|
| A. | GROSS ORIGINAL AFE AMOUNT | 1,699,300 |
| B. | APACHE ORIGINAL NET AFE AMOUNT | 767,064 |
| C. | NET ASSET TRANSFERS | |
| D. | TOTAL ORIGINAL NET AFE (LINE B PLUS LINE C) | 767,064 |
| E. | GROSS SUPPLEMENTS | 0 |
| F. | APACHE TOTAL NET AFE AMOUNT | 767,064 |
| | IN BUDGET | NOT IN BUDGET |
| | | |

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.

| COMPANY | WORKING INTEREST | APPROVED BY | DATE |
|---------|------------------|-------------|------|
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COMMENTS: _____ 0
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