06/15/12 DATE IN	SUSPENSE	Jones, W ENGINEER	06/15/12 LOGGED IN	DHC TYPE 457	PJD0121675 9986 APP NO.

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.

Print or Type Name _____ Signature _____ Title _____ Date _____

e-mail Address _____

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION FOR DOWNHOLE COMMINGLING

Form C-107A
Revised June 10, 2003

APPLICATION TYPE
X Single Well
___ Establish Pre-Approved Pools
EXISTING WELLBORE
X Yes ___ No

DHC-4571

Apache Corporation — Operator
303 Veterans Airpark Lane Suite 3000 Midland TX 79705 — Address

Lease	Well No.	Unit Letter	Section	Township	Range	County
J R Phillips	010	A	1	20S	36E	Lea

OGRID No. 873 Property Code 302333 API No. 30-025-39148 Lease Type: ___ Federal ___ State X Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Monument; Paddock		Monument; Blinebry
Pool Code	47080		46990
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	5248'-5652' (existing perfs)		5820'-6232' (existing perfs)
Method of Production (Flowing or Artificial Lift)	Artificial Lift		Artificial Lift
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)			
Oil Gravity or Gas BTU (Degree API or Gas BTU)			
Producing, Shut-In or New Zone	Producing		TA'd Zone
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: Rates: SEE ATTACHED	Date: Rates:	Date: Rates: SEE ATTACHED
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil 43 % Gas 41 %	Oil % Gas %	Oil 57 % Gas 59 %

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ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes X No ___
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes ___ No ___

Are all produced fluids from all commingled zones compatible with each other? Yes X No ___

Will commingling decrease the value of production? Yes ___ No X

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes ___ No ___

NMOCD Reference Case No. applicable to this well: ___

Attachments:
C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
Production curve for each zone for at least one year. (If not available, attach explanation.)
For zones with no production history, estimated production rates and supporting data.
Data to support allocation method or formula.
Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

List of other orders approving downhole commingling within the proposed Pre-Approved Pools
List of all operators within the proposed Pre-Approved Pools
Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
Bottomhole pressure data.

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

SIGNATURE Reesa Holland TITLE Sr. Staff Engineering Tech DATE 6/13/2012

TYPE OR PRINT NAME Reesa Holland TELEPHONE NO. (432) 818-1062

E-MAIL ADDRESS Reesa.Holland@apachecorp.com

Apache

June 13, 2012

Mr. Will Jones
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505-4225

RE: Application for Exception to Rule 303-C – Downhole Commingling
JR Phillips #10 API 30-025-39148
Unit A, Section 1, T20S, R36E
Monument; Paddock (47080) & Monument; Blinebry (46990)
Lea County, New Mexico

Dear Mr. Jones;

Enclosed please find form C-107A 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.

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 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,

Reesa Holland

Reesa Holland
Sr. Staff Engineering Technician

JR Phillips #10
30-025-39148
Apache Corp.

				Cum Oil (BBL):		Cum Gas (MCF):		Cum Water (BBL)	
Lease Name	Well Number	10DIGITAPI	Location	Paddock	Blinebry	Paddock	Blinebry	Paddock	Blinebry
J R PHILLIPS	5	3002504134	1A 20S 36E	204726					
J R PHILLIPS	6	3002504135	1 20S 36E	359439		426613		2508337	
J R PHILLIPS	7	3002504136	1H 20S 36E SE NE	150938		205221		509581	
J R PHILLIPS	9	3002504138	1A 20S 36E	112542	3059	143242		388080	
STATE D	5	3002504143	1 20S 36E	14079	202680		488787		59591
STATE D	6	3002504144	1F 20S 36E		432144		397844		136486
STATE H	3	3002504147	1J 20S 36E	721	382723	592	433537	42347	92062
EUMONT	1	3002504150	1I 20S 36E	177504					
B V CULP NCT B	4	3002505765	31P 19S 37E SE SE		198252		183901		29640
J R PHILLIPS A	5	3002505772	31M 19S 37E		243327		210592		1149128
ARCO PHILLIPS A	7	3002505779	31N 19S 37E		95814		710698		42074
L M LAMBERT	5	3002505929	6G 20S 37E		364740		614936		325410
L M LAMBERT	6	3002505930	6H 20S 37E		349153		749966		472710
L M LAMBERT	7	3002505931	6 20S 37E		274780		304251		1095031
L M LAMBERT	8	3002505932	6B 20S 37E	178237	222824	210710	122253	106821	445350
L M LAMBERT	9	3002505933	6H 20S 37E	344187		257550		130060	
L M LAMBERT	10	3002505934	6G 20S 37E	620645		440098		1052438	
BRITT A 6	3	3002505939	6 20S 37E N2 NW SW	2246	169496	13946	47786	440367	646122
BRITT A 6	4	3002505940	6L 20S 37E	44113					
BRITT A 6	5	3002505941	6 20S 37E		407389		343234		3349490
G C MATTHEWS	5	3002505946	6J 20S 37E NW NW SE	5364	249429	29573	250562	1647	364649
G C MATTHEWS	6	3002505947	6I 20S 37E SW NE SE		86491				
G C MATTHEWS	7	3002505948	6P 20S 37E	436919	6900	416113		2123582	
G C MATTHEWS	8	3002505949	6O 20S 37E		218997		98409		7372
G C MATTHEWS	9	3002505950	6O 20S 37E	308291		356028		93379	
G C MATTHEWS	10	3002505951	6J 20S 37E	258949		285511		112624	
G C MATTHEWS	11	3002505952	6I 20S 37E	267964	102097	234358	258898	261150	634476
G C MATTHEWS	12	3002505953	6P 20S 37E SW SE SE		94675		52244		16231
J R PHILLIPS	5	3002505958	6D 20S 37E		236984		41728		179500
J R PHILLIPS	6	3002505959	6E 20S 37E N2 SW NW	33594		56497		20311	
J R PHILLIPS	7	3002505960	6E 20S 37E	40783	128158	44784	100336	165843	55418
J R PHILLIPS	8	3002505961	6F 20S 37E		246145		262945		467428
J R PHILLIPS	9	3002505962	6C 20S 37E NE NW	749	389788	2239	298357	17047	1576577
J R PHILLIPS	12	3002505965	6F 20S 37E SE SE NW	134834		384419		253514	
BRITT A	3	3002505968	6K 20S 37E	2199	131314	3870		13482	
BRITT A	4	3002505969	6N 20S 37E	12713	90467	38714		358527	
BRITT A	5	3002505970	6K 20S 37E	104370		70103		129106	
BRITT A	6	3002505971	6N 20S 37E	5882					
BERTHA J BARBER	9	3002505977	7A 20S 37E NE NE		365834		466219		125374
BERTHA J BARBER	12	3002505978	7A 20S 37E N2 NE NE	416070		579112		2050265	
BERTHA J BARBER	14	3002505979	7H 20S 37E SE NE		388068		386810		5478438
BERTHA J BARBER	17	3002505980	7I 20S 37E	2	220859		220155		476247
BERTHA J BARBER	18	3002505981	7H 20S 37E	262924		826654		367832	
BERTHA J BARBER	19	3002505982	7I 20S 37E NE SE	398097		432844		968136	
BARBER GAS COM	2	3002505983	7P 20S 37E	281586		257066		127708	
COOPER B	10	3002505988	7 20S 37E		139055		673022		29621
BRITT	10	3002505997	7B 20S 37E		330545		732403		2975528
BRITT	11	3002505998	7G 20S 37E		115833		139138		297420
BRITT	12	3002505999	7C 20S 37E		36450				
BRITT	13	3002506000	7J 20S 37E		3168				
GRAHAM STATE NCT F	6	3002512479	36P 19S 36E		208907		211483		113097
NCT 1	5	3002512722	1K 20S 36E		219138		156608		20198
SKELLY D STATE	5	3002533297	1I 20S 36E	7632		83388		193361	
J R PHILLIPS	13	3002533306	6 20S 37E		11920		5294		135429
BARBER FEDERAL	1	3002533736	7K 20S 37E	44589		6407		40966	
NCT-1	7	3002533774	1N 20S 36E		126605		111597		831638
J R PHILLIPS	10	3002539148	1 20S 36E	57580		117921		98294	
J R PHILLIPS	11	3002539891	1 20S 36E	2198		4008		18936	
			TOTALS	**5,292,666**	**7,494,208**	**5,927,581**	**9,073,993**	**12,593,741**	**21,627,735**
			AVERAGES	**155,667**	**202,546**	**211,699**	**302,466**	**449,776**	**720,925**

Proposed Allocations	Oil	Gas	Water
Paddock	43%	41%	38%
Blinebry	57%	59%	62%
TOTAL	100%	100%	100%

Well Test History Report

6/14/2012 9:01:57 am

Select By: Field

Display: All well tests between 12/01/2011 - 06/12/2012

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: MONUMENT														
PHILLIPS, J R #10 (PADDOCK)														
12/25/2011	12/25/2011	24	A	244	44	70	200	0	1,591	287	0	0	287	
1/29/2012	1/29/2012	24	A	239	41	64	198	0	1,561	268	0	0	268	
2/25/2012	2/25/2012	24	A	236	40	62	196	0	1,550	263	0	0	263	
3/30/2012	3/30/2012	24	A	234	39	60	195	0	1,538	256	0	0	256	
4/24/2012	4/24/2012	24	A	237	43	58	194	0	1,349	245	0	0	245	
5/29/2012	5/29/2012	24	A	228	36	58	192	0	1,611	254	0	0	254	
Averages by Completion				236	41	62	196	0						

** All values are recorded using imperial units.