DATE IN	1213109 SUSPENSE	ENGINEER BYOCKS LOGGED IN 12/31 TYPE NSL APP NO 0936533414
		ABOVE THIS LINE FOR DIVISION USE ONLY
		MEXICO OIL CONSERVATION DIVISION - Engineering Bureau - 220 South St. Francis Drive, Santa Fe, NM 87505 - Engineering Bureau -
	ADN	MINISTRATIVE APPLICATION CHECKLIST DC. Havdy #11
Tŀ	IS CHECKLIST IS MANDATC	DRY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE
Applic	cation Acronyms:	
	[DHC-Downhole ([PC-Pool Con [WFX-] [3]	
[1]		CATION - Check Those Which Apply for [A]
		ation - Spacing Unit - Simultaneous Dedication NSL NSP SD
	[B] Com	Only for [B] or [C] nmingling - Storage - Measurement DHC CTB PLC PC OLS OLM Ction - Disposal - Pressure Increase - Enhanced Oil Recovery WFX PMX SWD IPI EOR PPR Er: Specify F
	[C] Injea	ction - Disposal - Pressure Increase - Enhanced Oil Recovery WFX PMX SWD IPI EOR PPR
	[D] Othe	er: Specify
[2]	NOTIFICATION F	REQUIRED TO: - Check Those Which Apply, or X Does Not Apply Working, Royalty or Overriding Royalty Interest Owners
	[B]	Offset Operators, Leaseholders or Surface Owner Blinebry 6660
	[C]	Application is One Which Requires Published Legal Notice <i>Drinkard 19480</i> <i>Tubb 60240</i>
		Application is One Which Requires Published Legal Notice Notification and/or Concurrent Approval by BLM or SLO U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office 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.

Michelle Hanson	Mobelle Hanon	Landman	12/18/09
Print or Type Name	Signature	Title	Date

Michelle.hanson@apachecorp.com e-mail Address



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON Governor Joanna Prukop Cabinet Secretary Mark E. Fesmire, P.E. Director Oil Conservation Division

January 9, 2008

Mr. James Bruce P.O.Box 1056 Santa Fe, NM 87504

Administrative Order NSL-5758

Re: Apache Corporation DC Hardy Well No. 11 990 feet FSL and 1540 feet FEL Unit O, Section 20-21S-37E Lea County

RECEIVED

JAN 1 7 2008

TULSA LAND DEPT.

Dear Mr. Bruce:

Reference is made to the following:

(a) your application (administrative application reference No. pKVR07-33728660) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Apache Corporation (Apache), on November 30, 2007, and

(b) the Division's records pertinent to this request.

Apache has requested to drill the above-referenced well from the surface location described above to at an unorthodox Blinebry/Tubb/Drinkard bottom-hole oil well location, 990 feet from the South line and 1330 feet from the East line (Unit O) of Section 20, Township 21 South, Range 37 East, N.M.P.M., in Lea County, New Mexico. The SW/4 SE/4 of Section 20 will be dedicated to this well in order to form a standard 40-acre spacing unit in the Blinebry Oil & Gas Pool (6660), Tubb Oil & Gas Pool (86440) and Drinkard Pool (19190).

Spacing in the Blinebry Oil & Gas Pool is governed by the Special Rules and Regulation for the Blinebry Oil and Gas Pool, as provided in Order R-8170 issued on March 28, 1986, which provide that standard oil units shall consist of 40 acres, with wells located at least 330 feet from any unit outer boundary or quarter-quarter section line. Spacing in the Tubb Oil & Gas pool is governed by the Special Rules and Regulation for the Tubb Oil and Gas Pool, as provided in Order R-8170 issued on March 28, 1986, which provide that standard oil units shall consist of 40 acres, with wells located at least 330 feet from any unit outer boundary or quarter-quarter section line. The Drinkard Pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the eastern unit boundary.

Your application on behalf of Apache has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that this location is being requested because Apache's geologic interpretation indicates that the well can tap into stranded reserves located on the margins of existing spacing units that cannot be effectively drained by wells at standard locations.

It is also understood that notice of this application to offsetting operators or owners is unnecessary because working interest ownership in the unit towards which this location encroaches is identical with the subject unit.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

Mark E. Fesmire, P.E. Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs

6120 S. YALE / SUITE 1500 / TULSA, OKLAHOMA 74136

Central Region Land Department

(918) 491-4900 (918) 491-4854 (FAX)

RECEIVED OCL

woul P

December 28, 2009

Mark E. Fesmire, P. E. **Oil Conservation Division** 1220 South St. Francis Drive Santa Fe, New Mexico 87505

RE: Non-Standard Location DC Hardy No. 11 Township 21 South, Range 37 East; N.M.P undesignated Wantz abo Section 20: SE/4 Lea County, New Mexico

To Whom It May Concern:

Administrative Order NSL-5758, a copy of which is enclosed, was approved January 9, 2008 for the DC Hardy Well No. 1/1 for a bottom-hole location of 990' FSL and 1330' FEL of Section 20, Township 21 South, Range 37 East, Lea County, New Mexico, covering the Blinebry, Tubb and Drinkard formations? Also enclosed is a request for administrative approval for a new surface and bottom-hole location for the DC Hardy Well No. 11, being 1310' FSL and 1250' FEL' of same Section 20, covering not only the Blinebry, Tubb and Drinkard formations, but also the Abo formation! Further, Apache Corporation ("Apache") owns 100% leasehold working interest in and to the S/2SE/4 Sec 20 (fee land) and Apache Permian Exploration & Production, LLC, a fully owned subsidiary of Apache, owns 100% leasehold working interest in and to the N/2SE/4 Sec 20 (fee land). It further appears that the revenue interest ownership is also uncommon between the two tracts. As a result of the difference in ownership, enclosed with the NSL Application is a Cooperative Well Agreement depicting the production allocations for the two tracts.

Should you have any questions, please contact the undersigned at (918) 491-4838.

Sincerely, APACHE CORPORATION

Juchelle Hanons

Michelle Hanson Landman (918) 491-4854 Fax michelle.hanson@apachecorp.com Application of Apache Corporation for administrative approval of an unorthodox well location:

40 acres – 1310' FSL & 1250' FEL Section 20, Township 21 South, Range 37 East, NMPM Lea County, New Mexico

PRIMARY OBJECTIVES:

Blinebry, Tubb, Drinkard and Abo

In support:

- 1. Apache Corporation (Apache) is the operator of the proposed DC Hardy #11 well (Exhibit 1).
- Pool rules that apply to the proposed location are the Blinebry Oil & Gas (Oil), Tubb Oil & Gas (Oil), Drinkard and Wantz; Abo. The proposed unorthodox location encroaches on spacing units 20I, 20J, 20O and 20P which have four (4) wells currently producing from one or more of the aforementioned zones (Exhibit 1). The cumulative and daily production values are displayed on Exhibit 2.

API					Cum thru 8-09	Daily
30025	Op.	Well	Loc	Pool	O/G/W	O/G/W
06688	Apache Corp	Dayton Hardy #2	I-20	Blinebry Oil & Gas, Tubb Oil & Gas, Drinkard	145/714/26	4/132/34
06689	Apache Corp	Dayton Hardy #3	J-20	Penrose-Skelly; Grayburg, Paddock, Blinebry Oil & Gas, Drinkard	147/624/13	TA'd as to Gray, Bli & Drinkard
06690	Apache Corp	D C Hardy #3	P-20	Penrose-Skelly; Grayburg, Drinkard	198/1469/24	TA'd as to Drinkard
06691	Apache Corp	D C Hardy #4	O-20	Tubb Oil & Gas, Drinkard	382/2096/136	5/37/9
06694	Apache Corp	D C Hardy #5	P-20	Paddock, Blinebry Oil & Gas	71/5906/13	TA'd as to Blinebry
38004	Apache Corp	D C Hardy #9	O-20	Drinkard	34/99/28	18/96/18
39342	Apache Corp	D C Hardy #10	P-20	Tubb Oil & Gas, Drinkard	0/0/0	32/83/129

MBO BOPD MMCFG MCFGPD MBW BWPD **3.** The proposed DC Hardy #11 unorthodox location of 1310' from south line and 1250' from east line is based upon drainage considerations.

Location and Drainage

The proposed DC Hardy #11 is a "true" 20 Acre infill location between existing Blinebry, Tubb and Drinkard producers. It is approximately equidistant from those wells and should encounter an undrained reservoir volume.

The following table provides drainage areas of the offset wells calcuated from SophiH taken off contoured isopach maps or from log calculations.

		21S 37E		SophiH	Area	EUR	EUR
Oper.	Well	Loc	Reservoir	ft	ac	MBO	MMCFG
Apache	Dayton Hardy #2	1-20	B-T-D	22	10.7	156	800
Apache	Dayton Hardy #3	J-20	B-D	21	10.5	147	624
Apache	D C Hardy #3, #5, #10	P-20	B-T-D	22	20.4	302	7485
Apache	D C Hardy #4, #9	O-20	T-D	15	45.0	449	2360

Reserves for the proposed location were calculated by averaging the offset drainage areas and SophiH and applying it to the new location. Any competitive drainage is shared between the proposed well and the existing offset wells. The results are as follows:

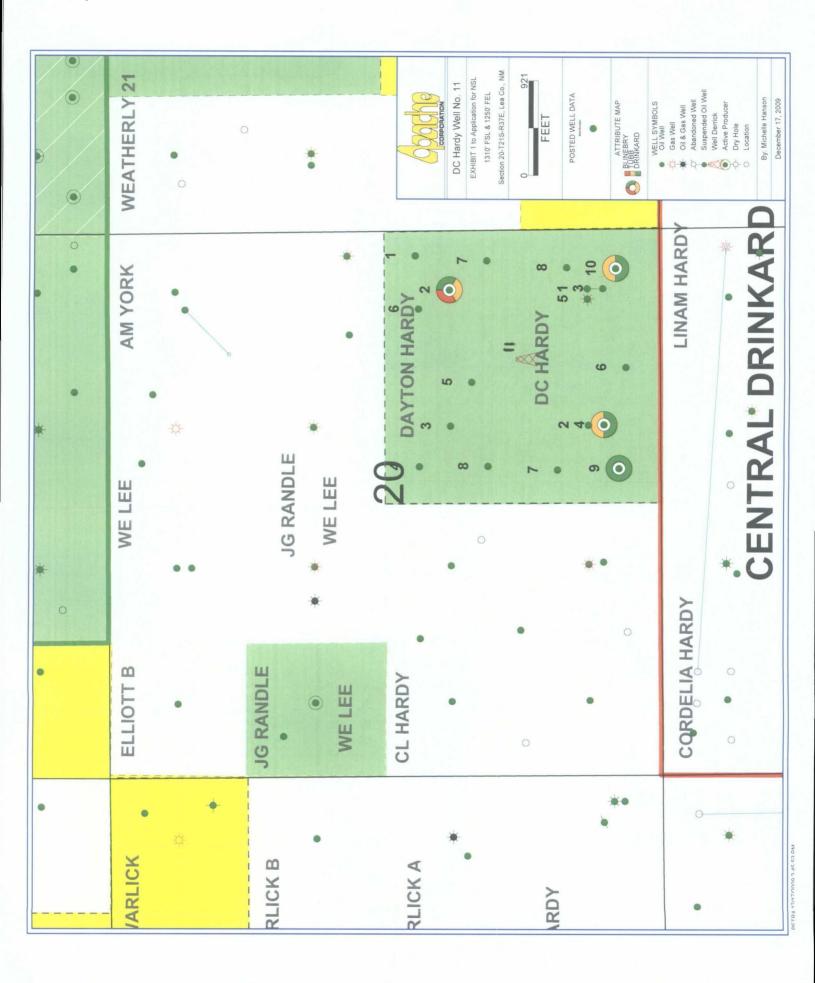
		21S 37E		SophiH	Area	EUR	EUR
Oper.	Well	Loc	Reservoir	ft	ac	MBO	MMCFG
Apache	D C Hardy #11	O-20	B-T-D	21	2.8	38.5	308

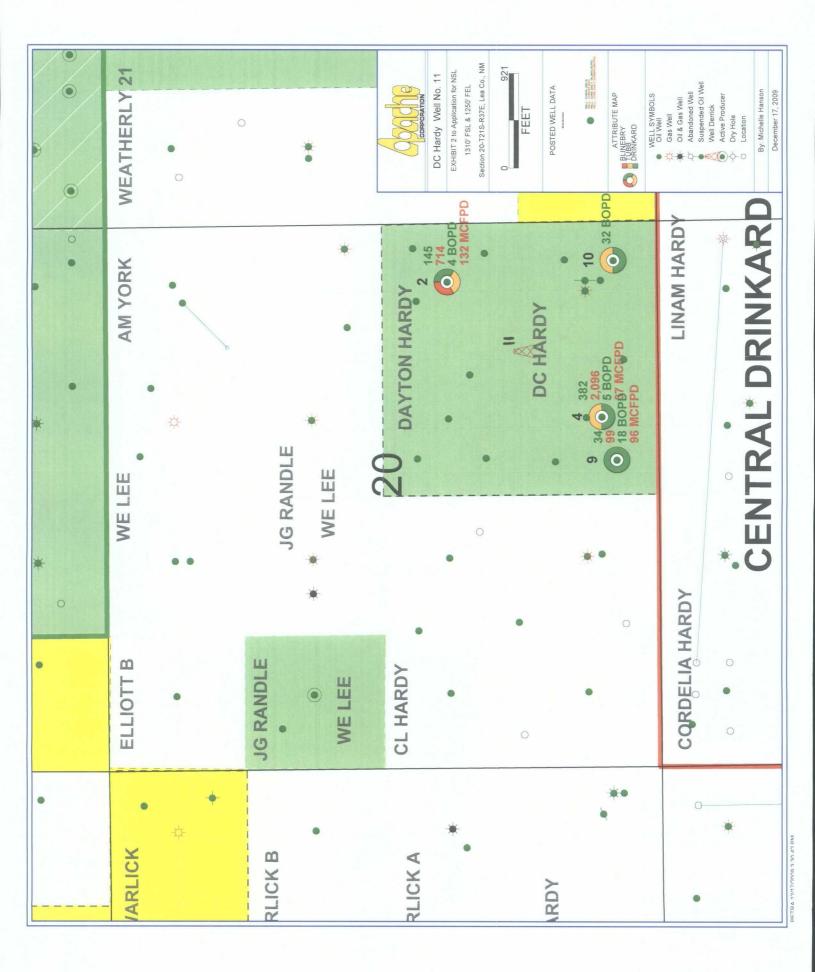
4. Notice

Apache is the operator and 100% working interest owner, as to all depths, in both the DC Hardy Lease (S/2SE/4 Sec 20) and Dayton Hardy Lease (N/2SE/4 Sec 20). Thus, no other working interest owners need to be notified.

Additionally, the proposed well is a "leaseline" well between the DC Hardy Lease and the Dayton Hardy Lease, both of which are fee leases. It appears the revenue interest ownership is uncommon between the two leases. As a result, Apache will enter into an appropriate Cooperative Well Agreement before the well is spudded.

5. Approval of this application will afford the interest owners in these spacing units an opportunity to recover oil and gas which would not otherwise be recovered and will do so without violating correlative rights.





<u>COOPERATIVE WELL AGREEMENT</u> (for the DC Hardy #11 Well)

This Cooperative Well Agreement ("Agreement") is entered into and is effective as of December 1, 2009, **APACHE CORPORATION**, whose address is 6120 South Yale Avenue, Suite 1500, Tulsa, Oklahoma 74136 ("Apache"). Apache is sometimes hereafter referred to individually as "Party" and collectively as "Parties".

WITNESSETH:

WHEREAS, Apache is Operator of the following oil and gas leases in Lea County, New Mexico (hereinafter sometimes collectively referred to as the "Properties"):

Lessor:Dayton C. Hardy, a single manLessee:Llano Oil CompanyDate:April 12, 1926Description:Insofar and only insofar as same covers the followin	<u>Dayton Hardy Lease</u> –					
Date: April 12, 1926 Description: Insofar and only insofar as same covers the followin						
Description: Insofar and only insofar as same covers the followin						
described land in Lea County, New Mexico: <u>Township 21 South, Range 37 East, N.M.P.M.</u> Section 20: SE/4NW/4SE/4 and SW/4NE/4SE/4	g-					
2. <u>DC Hardy Lease</u> –						
Lessor: Dayton C. Hardy, a single man						
Lessee: Llano Oil Company						
Date: April 12, 1926						

Description: Insofar and only insofar as same covers the followingdescribed land in Lea County, New Mexico: <u>Township 21 South, Range 37 East, N.M.P.M.</u> Section 20: NE/4SW/4SE/4 and NW/4SE/4SE/4

WHEREAS, Apache Corporation owns 100% of the operating rights in and to the DC Hardy Lease; and

WHEREAS, Apache Permian Exploration and Production, LLC ("APEP), a fully owned subsidiary of Apache Corporation, owns 100% of the operating rights in and to the Dayton Hardy Lease; and

WHEREAS, the Parties desire to drill and complete the **DC Hardy #11 Well** ("Cooperative Well") for the production of oil, gas and related hydrocarbons, insofar as it covers the Blinebry, Tubb, Drinkard and Abo formations, at a non-standard location encroaching on the lease line between the Dayton Hardy Lease and DC Hardy Lease in Section 20 as described below; and

WHEREAS, the Parties desire to provide for the sharing of production from and the costs of drilling, completing and operating said **DC Hardy #11 Well** as described hereinbelow.

NOW THEREFORE, the Parties hereby agree as follows:

1. **DESIGNATION AND RESPONSIBILITIES OF OPERATOR**

A. Apache is designated as operator ("Operator") of the **DC Hardy #11 Well** for the purposes of this Agreement.

B. Operator shall drill, complete and operate the Cooperative Well for oil and/or gas production from horizons encountered from the surface of the earth down to and including the base of the Abo Formation as follows:

DC Hardy #11 Well:

SURFACE LOCATION:

1310' FSL & 1250' FEL, Sec. 20, T21S-R37E, Lea County, New Mexico,

PLANNED TOTAL DEPTH:

7,500 feet, but in no event below the base of the Abo Formation plus one hundred (100) feet for operational purposes only.

C. All charges and credits to the Joint Account for the Cooperative Well shall be borne, and production therefrom will be shared, including but not limited to charges, credits and production associated with recompletions of the Cooperative Well to horizons shallower than the Abo formation, by the below named Parties in the percentage shown opposite their name as follows:

Apache	53.9%
APEP	. 46.1%

All other operations conducted on the lands described above will not be affected by this Agreement.

2. <u>TERM OF AGREEMENT</u>

This Agreement shall remain in full force and effect so long as such Cooperative Well continues to produce oil or gas or both, and for an additional period of ninety (90) days from cessation of all production; provided, however, if, prior to the expiration of such additional period, the Parties are engaged in drilling or reworking operations to restore production from the Cooperative Well hereunder, this Agreement shall continue in force and effect until such operations have been completed, with no cessation of more than 60 consecutive days, and if production results therefrom, this Agreement shall continue in full force and effect as provided herein. Upon cessation of the production of oil or gas or both, Operator shall plug and abandon the Cooperative Well in accordance with all rules and regulations of all governmental agencies having jurisdiction over the premises at the cost, risk, and expense of the Parties, and shall salvage all equipment in and on the well for the account of the Party(ies) that initially paid for said equipment. The termination of this Agreement shall not relieve any of the parties from any liability which has accrued hereunder prior to the date of such termination.

Notwithstanding anything to the contrary contained elsewhere in this Agreement if the actual drilling operations for the Cooperative Well are not commenced on or before September 1, 2010, then this Agreement shall immediately terminate and shall have no further force and effect.

3. NON-PARTNERSHIP ELECTION

A. Under no circumstances shall this Agreement be construed as creating a partnership, mining partnership or an association for profit between or among the Parties hereto. The liability of the parties shall be several and not joint or collective. Each Party shall be liable only for the costs incurred and the risks assumed by each respective Party in connection with the performance of this Agreement.

Notwithstanding any provisions herein that the right and liabilities of the B. Parties hereunder are several and not joint or collective or that this Agreement and the operations hereunder shall not constitute a partnership, if for Federal income tax purposes this Agreement and the operations hereunder are regarded as a partnership, then each of the Parties hereto hereby elects to be excluded from the application of all the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, as permitted and authorized by Section 761 of said Code and the regulation promulgated thereunder. Operator is authorized and directed to execute on behalf of each of the Parties hereto such evidence of this election as may be required by the Secretary of the Treasury of the United State or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the date required by Federal Regulations 1.761-2. Should there be any requirement that each Party hereto further evidence this election, each Party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. Each Party hereto further agrees not to give any notices or take any other action inconsistent with election made hereby. If any present or future income tax laws of the state or states in which the property covered by this Agreement is located, or any future income tax law of the United States, contain, or shall hereafter contain, provisions similar to those contained in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, under which an election similar to that provided by Section 761 of Subchapter K is permitted, each of the Parties hereby makes such election or agrees to make such election as may be permitted by such laws. In making this election, each of the Parties hereto hereby states that the income derived by it from the operations under this Agreement can be adequately determined without the computation of the partnership taxable income.

4. TRANSFER OF INTEREST

If any instrument purporting to effectuate the sale, assignment, or transfer of any interest of a Party in or to the Dayton Hardy Lease and/or the DC Hardy Lease does not expressly provide that such sale, assignment or transfer is made and accepted subject to this Agreement, the purported sale, assignment or transfer of any such interest shall be void.

5. <u>CLAIMS AND LAWSUITS</u>

A. If any Party is sued on an alleged cause of action arising out of operations covered by this Agreement, it shall give prompt written notice of the suit to the other Parties.

B. Operator may settle any single damage claim or suit arising from operations hereunder for any settlement amount not exceeding Thirty-Five Thousand Dollars (\$35,000), provided such payment is in complete settlement of such claim or suit.

C. If, in Operator's opinion, such claim or suit is not amenable to or susceptible of settlement, Operator may upon delegation of such authority by the remaining Parties supervise the administration of said claim or suit employing Operator's staff attorneys or other attorneys as it may see fit to do so. The fees and expenses of settlement and handling such claim or suit shall be charged to the Joint Account, provided no charge shall be made for services performed by the staff attorneys for any Party.

6. **TAKING PRODUCTION IN KIND**

Each Party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Cooperative Well, exclusive of production which may be used in development and producing operations and in preparing and treating oil and gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any Party of its proportionate share of the production shall be borne by such Party. Any Party taking its share of production in kind shall be required to pay only for its proportionate share of such part of Operator's surface facilities which it uses. In the event one or more Parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines which on a day-to-day basis for any reason are not exactly equal to a Party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the Parties shall be in accordance with the Gas Balancing Agreement attached to the Cooperative Well Operating Agreement.

In the event any Party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil produced from the Cooperative Well, Operator shall have the right, subject to the revocation at will by the Party owning it, but not the obligation, to purchase such oil or sell it to others at any time and from time to time, for the account of the non-taking Party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil not previously delivered to a purchaser. Any purchase or sale by Operator of any other Party's share of oil shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

7. PRODUCTION ALLOCATION AND BURDENS ADMINISTRATION

All royalties, overriding royalty interests, production payments, or similar lease burdens encumbering the Properties which are created and existing as of the effective date hereof are defined as the Existing Burdens. Solely for the payment of such Existing Burdens, all oil, gas and related hydrocarbons produced from or allocated to the Cooperative Well shall be allocated to the Properties as follows:

Dayton Hardy Lease46.1%DC Hardy Lease53.9%

Each Party shall account for and administer its share of the Existing Burdens attributable to the Dayton Hardy Lease and/or the DC Hardy Lease based on such Party's operating rights in said lease(s) insofar and only insofar as to the formation(s) being produced from the Cooperative Well. Further, each Party shall indemnify and hold harmless each other Parties for the payment of its share of such Existing Burdens.

Acceptance of the payment of such Existing Burdens by the owners thereof shall never be construed as approval or ratification of a pooling, unitization, or communitization of the Dayton Hardy Lease and the DC Hardy Lease.

8. <u>MEASUREMENT</u>

Subject to the provisions of Paragraph 6, all oil produced from the Cooperative Well will be measured in accordance with the standard metering practice accepted by the State of New Mexico. The method used shall be checked for accuracy at least once every month. All gas separated from such oil shall be metered or determined from a well test(s) before delivery to the gas purchaser.

9. <u>TITLE</u>

This Agreement is not intended as a conveyance of any interest whatsoever in real property owned or controlled by the Parties, but is merely a contractual arrangement between the Parties to operate the Cooperative Well and share the production and costs thereof.

10. NOTICES

A. All notices authorized or required by this Agreement, unless otherwise specifically provided, shall be deemed to have been given when it is received by the Party to whom addressed if it is given in writing by Certified Mail, Return Receipt Requested, or telegram, postage or charges prepaid, and addressed to the Parties to whom the notice is given at the addresses listed above.

B. Each Party shall have the right to change its address at any time and from time to time by giving written notice thereof to the other Parties.

11. PRE-COMMENCEMENT APPROVALS

Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual drilling operations for the Cooperative Well until this Cooperative Well Agreement has been approved by the Commissioner of Public Lands of the State of New Mexico.

This Agreement is freely assignable and shall extend to and be binding on the successors legal representatives and assigns of the Parties hereto.

This Agreement may be executed in any number of counterparts, each of which shall be considered as an original for all purposes.

IN WITNESS WHEREOF, the Parties have caused the execution of this instrument to be effective on the date first above written.

APACHE CORPORATION n. By:_ Printed Mame: James I Title: Attorney-in-Fact

APACHE PERMIAN EXPLORATION AND PRODUCTION, LLC.

By: Printed Name: James L. ¢hru Su Title: <u>Attorney-in-Fact</u>

STATE OF OKLAHOMA § SCOUNTY OF TULSA §

This instrument was acknowledged before me this <u>18</u> day of <u>December</u>, 2009, by James L. Sughru, Attorney-in-Fact, for Apache Corporation, a Delaware corporation, on behalf of said corporation.

Notary Public, State of Oklahoma april 2.

STATE OF OKLAHOMA § SCOUNTY OF TULSA §

This instrument was acknowledged before me this <u>18</u> day of <u>December</u>, 2009, by James L. Sughru, Attorney-in-Fact, for Apache Permian Exploration and Production, LLC, a Delaware limited liability company, on behalf of the limited liability company.

02007481 o کو ل کو ک کو Notary Public, State of Oklahoma

Brooks, David K., EMNRD

From:Brooks, David K., EMNRDSent:Tuesday, January 12, 2010 10:22 AMTo:'Hanson, Michelle'Cc:Kautz, Paul, EMNRD; 'Ilrwb@austin.rr.com'Subject:Lou Wortham Wells, Lea County NM; NSP application ---- DC Hardy Well No. 11, Lea County
NM; NSL application

Dear Ms. Hanson

Your NSP application for the Lou Wortham wells was granted under date of December 29, 2009, by Order NSP-1937.

Your NSL application for the DC Hardy #11 was granted under date of January 11, 2010 by Order NSL-5758-A.

The signed original orders will be posted on OCD's website.

Sincerely

David K. Brooks Legal Examiner