

BEATTY & WOZNIAK, P.C.

ATTORNEYS AT LAW
500 DON GASPAR AVENUE
SANTA FE, NEW MEXICO 87505-2626
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CASPER
CHEYENNE
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SALT LAKE CITY
SANTA FE

CANDACE CALLAHAN

DIRECT: (505) 983-8764
E-MAIL: CCALLAHAN@BWENERGYLAW.COM

November 18, 2014

VIA HAND DELIVERY

Florene Davidson
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of Apache Corporation
For Compulsory Pooling
Eddy County, New Mexico

Dear Florene:

Enclosed for filing on behalf of Apache Corporation please find an original and one copy of:

- 1) Application for compulsory pooling;
- 2) Proposed advertisement;
- 3) Pre-Hearing Statement;
- 4) Verified Affidavit of Chase Bradley;
- 5) Affidavit of Notice; and
- 6) Proposed Order.

The proposed advertisement has also been e-mailed to the Division. Return receipt cards for our Affidavit of Notice will be submitted at the hearing. Please set this matter for the December 18, 2014 Examiner Hearing. Thank you.

Very truly yours,



Candace H. Callahan
Attorney for Apache Corporation

RECEIVED OGD
2014 NOV 18 P 3:45

PERSONS NOTIFIED OF APPLICATION

Mark B. Heinen, and spouse if married
1221 S. Main Street, Suite 206
Boerne, TX 78006

Mark Tisdale & Betty Nugent
6 Desta Drive, Suite 6500
Midland, TX 79705

John Kennedy, and spouse if married
6 Desta Drive, Suite 3000
Midland, TX 79705

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

RECEIVED
2014 NOV 18 P 3:45

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

CASE NO. 15242

APPLICATION

Apache Corporation ("Apache") applies for an order pooling all mineral interests from the surface to the base of the Yeso formation underlying the NW/4NE/4 of Section 31, Township 17 South, Range 28 East, NMPM, and in support hereof, states:

1. Apache (OGRID 873) is a working interest owner in the NW/4NE/4 of Section 31, Township 17 South, Range 28 East, and has the right to drill a well thereon.
2. Applicant proposes to drill its T-Rex State Nos. 1 (API 30-015-41770), 2 (API 30-015-41771), and 4 (API 30-015-41774) Wells (at an orthodox location, to a depth sufficient to test the base of the Yeso formation, and seeks to dedicate the NW/4NE/4 of Section 31, Township 17 South, Range 28 East, to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within that vertical extent, including but not necessarily limited to the House-Blinebry Pool (333230), House-Tubb Pool (78760), House-Drinkard Pool (33250) and House-Abo Pool (33210) in the Yeso formation, collectively called the Glorieta-Yeso Pool (96830) ("the Unit").
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the NW/4NE/4 of Section 31, Township 17 South, Range 28 East, for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interest to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the NW/4NE/4 of Section 31, Township 17 South, Range 28 East, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the NW/4NE/4 of Section 31, Township 17 South, Range 28 East, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interest in the NW/4NE/4 of Section 31, Township 17 South, Range 28 East, to establish a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40-acre spacing within that vertical extent, including but not necessarily limited to the House-Blinbry Pool (333230), House-Tubb Pool (78760), House-Drinkard Pool (33250) in the Yeso formation, collectively called the Glorieta-Yeso Pool (96830) ("the Unit");
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- D. Approving actual operating charges and costs for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

- E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the drilling of the well.

Respectfully submitted,

BEATTY & WOZNIAK, P.C.

By: 

Candace H. Callahan
500 Don Gaspar Avenue
Santa Fe, New Mexico 87505
(505) 983-8545
ccallahan@bwenergylaw.com
ATTORNEY FOR APACHE CORPORATION

PERSONS NOTIFIED OF APPLICATION

Mark B. Heinen, and spouse if married
1221 S. Main Street, Suite 206
Boerne, TX 78006

Mark Tisdale & Betty Nugent
6 Desta Drive, Suite 6500
Midland, TX 79705

John Kennedy, and spouse if married
6 Desta Drive, Suite 3000
Midland, TX 79705

PROPOSED ADVERTISEMENT

Case No. _____: Application of Apache Corporation for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interest from the surface to the base of the Yeso formation underlying the NW/4NE/4 of Section 31, Township 17 South, Range 28 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 Glorieta Formation, Paddock Pool, Blinbry Pool, Tubb Pool, and Drinkard Pool in the Yeso Formation, collectively called the Glorieta-Yeso. The unit will be dedicated to the **T-Rex State Well Nos. 1, 2, and 4** to be drilled at orthodox oil well locations in the NW/4NE/4 of Section 31. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 11 miles from Artesia, New Mexico.

**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 A COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO**

CASE NO. 15242

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by applicant as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

Apache Corporation
Suite 300
300 Veterans Airpark Lane
Midland, Texas 79705
Attn: Chase Bradley

APPLICANT'S ATTORNEY

Candace Callahan
500 Don Gaspar Avenue
Santa Fe, New Mexico 87505
(505) 983-8545

OPPONENT

OPPONENT'S ATTORNEY

STATEMENT OF THE CASE

APPLICANT

Applicant seeks an order pooling all mineral interest from the surface to the base of the Yeso formation underlying the NW/4NE/4 of Section 31, Township 17 South, Range 28 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 Glorieta Formation, Paddock Pool, Blinebry Pool, Tubb Pool, and Drinkard Pool in the Yeso Formation, collectively called the Glorieta-Yeso. The unit will be dedicated to the T-Rex State Wells Nos. 1, 2, and 4, to be drilled at orthodox oil well locations in the NW/4NE/4 of Section 31. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well.

OPPONENT

PROPOSED EVIDENCE

APPLICANT

WITNESSES

Chase Bradley
(landman)

EST. TIME

15 min.

EXHIBITS

Approx. 5

**IF THE MATTER IS UNCONTESTED IT WILL BE SUBMITTED BY
AFFIDAVIT.**

OPPONENT


WITNESSES

EST. TIME

EXHIBITS

PROCEDURAL MATTERS

Respectfully submitted,



Candace H. Callahan
500 Don Gaspar Avenue
Santa Fe, New Mexico 87505
(505) 983-8545
ATTORNEY FOR APACHE CORPORATION

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
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 A COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 15242

VERIFIED STATEMENT OF CHASE BRADLEY

Chase Bradley, being duly sworn upon his oath, deposes and states:

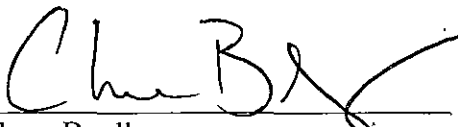
1. I am a landman for Apache Corporation, and have personal knowledge of the matters stated herein.
2. Pursuant to Division Rule NMAC 19.15.4.12.A(1)(b), the following information is submitted in support of the application filed herein:
 - a) No opposition to this application is expected because the 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 interest from the surface to the base of the Yeso formation underlying the NW/4NE/4 of Section 31, Township 17 South, Range 28 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 but not necessarily limited to the House-Blinbry Pool (333230), House-Tubb Pool (78760), House-Drinkard Pool (33250) in the Yeso formation, collectively called the Glorieta-Yeso Pool (96830) ("the Unit"). The unit will be dedicated to T-Rex State Well Nos. 1, 2, and 4, to be drilled at an orthodox oil well location in the NW/4NE/4 of Section 31.
 - c) The parties being pooled, their interests in the NW/4NE/4 of Section 31, and their last known addresses, are listed on Exhibit B.
 - d) Apache Corporation was able to locate all interest owners within the Unit and has made a good faith effort to obtain the voluntary joinder of interest owners in the well.

- e) Copies of the proposal letters sent to the locatable, uncommitted mineral interest owners are attached hereto as Exhibit C.
- f) 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 Eddy County.
- g) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against non-consenting interest owners.
- h) 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.
- i) Applicant requests that it be designated operator of the well.

VERIFICATION


STATE OF TEXAS)
) ss.
 COUNTY OF MIDLAND)

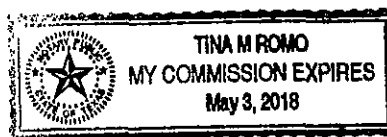
Chase Bradley, being duly sworn upon his oath, deposes and states that: he is a landman for Apache Corporation; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge,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


 Chase Bradley

SUBSCRIBED AND SWORN TO before me this 13th day of November 2014 by Chase Bradley.

My Commission Expires: May 3, 2018


 Notary Public



CHASE B. BRADLEY

512.568.9850

2102 Oaklawn Drive, Midland, Texas 79705

Chase.Bradley1@gmail.com

EDUCATION

Texas Tech University: Lubbock, Texas

May 2008

Rawls College of Business, B.B.A. *Energy Commerce*

GPA: 3.008

Coursework included:

- ▶ Petroleum Land Management, Oil & Gas Law, Gas Marketing, Business Law, Accounting, Gas Transportation, Oil and Gas Agreements, Energy Industry Fundamentals, Energy Markets

WORK EXPERIENCE

Apache Corporation: Midland, Texas

July 2013 – Present

Landman

- ▶ Work in a team environment with Engineers and Geologists effectively managing an active rig line throughout the Delaware Basin, Northwestern Shelf and Central Basin Platform in Eddy and Lea County, New Mexico. Our goal is to safely drill vertical and horizontal wells with a high rate of return for the company.
- ▶ Acquire leasehold acreage throughout New Mexico by way of Lease Sales, Acquisitions, Farm Outs and Assignments in order to grow Apache's horizontal and vertical well inventory.
- ▶ Negotiate and draft Oil & Gas Leases, Operating Agreements, Farm Outs and other legal documents.

Lone Star Production Company: Houston, Texas

January 2012 – July 2013

Landman

- ▶ Generated several thousand acres of geological attractive oil prospects which enabled Lone Star to partner with industry leading operators to drill conventional and unconventional wells throughout the Permian Basin.
- ▶ Negotiated lease forms and bonus consideration with Lessors, their attorneys and E&P Companies.
- ▶ Analyzed and drafted Oil and Gas Leases, Memorandums, Operating Agreements and permits
- ▶ Determined mineral ownership through courthouse research with a thorough understanding of chain of title.
- ▶ GIS and mapping experience

Waggoner Osborne Land Services, Ltd: Fort Worth, Texas

November 2010 – January 2012

Landman

- ▶ Ran mineral title from patent to present in various Texas counties for a large exploration and production company
- ▶ Prepared Title Runsheets and Mineral Ownership Reports for leasing agents
- ▶ Skilled in Court House research and Internet Research
- ▶ Calculated Working Interest and Net Revenue Interest for producing and non-producing land

Dale Property Services, L.L.C.: Fort Worth, Texas

January 2010 – November 2010

Landman

- ▶ Acquired Oil & Gas Leases from commercial and residential property owners in order to develop minerals
- ▶ Determined mineral ownership through research of public record, and calculated mineral interest on real property
- ▶ Performed title research and title curative prior to spudding horizontal natural gas wells
- ▶ Negotiated provisions and terms of the lease with mineral owners on a daily basis

INTERNSHIP

Cinco Resources: Dallas, Texas

May 2007 – July 2007

Landman Intern

- ▶ Cinco Resources provided me with valuable insight and knowledge of an In-House Landman's responsibility and duties.
- ▶ Learned the basic structure of a lease under the leadership of Cinco Natural Resources Senior Landman
- ▶ Calculated royalty interest for mineral owners and managed their royalty payments.

ACTIVITIES AND HONORS

Dean's Honor List (3.5 GPA and above)

Fall 2004 – Spring 2005

AAPL Member

2007 – Present

Permian Basin Landman Association

2013 – Present

Young Professionals in Energy

2010 – Present

Houston Association of Petroleum Landmen

2012- Present

Texas Tech Energy Commerce Association Member

2007– 2008

EXHIBIT B

Mark B. Heinen, and spouse if married
1221 S. Main Street, Suite 206
Boerne, TX 78006

Mark Tisdale & Betty Nugent
6 Desta Drive, Suite 6500
Midland, TX 79705

John Kennedy, and spouse if married
6 Desta Drive, Suite 3000
Midland, TX 79705

June 24, 2014

Mark Tisdale & Betty Nugent
6 Desta Drive, Ste 6500
Midland, TX 79705

**Re: Proposal to Drill – Joint Operating Agreement
T Rex State Lease – NW/4NE/4, Section 31
Township 17 South, Range 28 East
Eddy County, New Mexico**

Dear Interest Owner:

Apache Corporation ("Apache") proposes the drilling of four (4) T Rex State wells to an approximate depth of 4,700 feet or a depth sufficient to test the Yezo formation. The proposed locations are listed on Page 2 of this letter. Enclosed are Apache's drilling and completion AFE for each well and our proposed Operating Agreement for your review. Please have the AFEs, Operating Agreement and extra set of signature pages executed, returning the AFEs and extra signature pages to my attention.

Your immediate attention to this proposal will be greatly appreciated and should you have any questions or need more information concerning this matter, please do not hesitate to contact me at your earliest convenience.

Respectfully,

APACHE CORPORATION

Christopher T. Lanning
Landman
Permian Region West
(432) 818-1878 Direct
(432) 638-5765 Cell
chris.lanning@apachecorp.com

Proposed Locations:

T Rex State #1	330' FNL & 2270' FEL, Section 31-T17S-R28E, UL B
T Rex State #2	SHL: 575' FNL & 1650' FEL, Section 31-T17S-R28E, UL B BHL: 330' FNL & 1650' FEL, Section 31-T17S-R28E, UL B
T Rex State #3	875' FNL & 2430' FEL, Section 31-T17S-R28E, UL B
T Rex State #4	890' FNL & 1750' FEL, Section 31-T17S-R28E, UL B

July 22, 2014

Mark Tisdale & Betty Nugent
6 Desta Drive, Ste 6500
Midland, TX 79705

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Respectfully,

APACHE CORPORATION

Chase B. Bradley
Sr. Land Analyst
Permian Region West
(432) 818-1109 Direct
Chase.Bradley@ApacheCorp.com

June 24, 2014

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1221 S. Main St, Ste. 206
Boerne, TX 78006

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June 24, 2014

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July 22, 2014

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6 Desta Drive, Ste 3000
Midland, TX 79705

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APACHE CORPORATION

Chase B. Bradley
Sr. Land Analyst
Permian Region West
(432) 818-1109 Direct
Chase.Bradley@ApacheCorp.com

SENDER.COM

- ☐ Complete item
item 4 if Restr
☐ Print your nam
so that we can
☐ Attach this car
or on the front

1. Article Addressed

Mark B. H
1221 S. M
Boerne, T
CL-T REX #

2. Article Number
(Transfer from seU.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	

Postmark
Here

Mark B. Heinen
1221 S. Main St, Ste. 206
Boerne, TX 78006
CL-T REX #1 - #4-New Drills & JOA

PS Form 3800, August 2006

See Reverse for Instructions

VERY

- ☐ Agent
☐ Addressee

C. Date of Delivery

- 1? ☐ Yes
☐ No

pt for Merchandise

- ☐ Yes

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

SENDER.COM

- ☐ Complete item
item 4 if Restr
☐ Print your nam
so that we can
☐ Attach this car
or on the front

1. Article Addressed

Mark Tisd
6 Desta D
Midland,
CL-T REX #

2. Article Number
(Transfer from serviU.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	

Postmark
Here

Total
Sent To
Mark Tisdale & Betty Nugent
6 Desta Drive, Ste 6500
Midland, TX 79705
CL-T REX #1 - #4-New Drills & JOA

PS Form 3800, August 2006

See Reverse for Instructions

VERY

- ☐ Agent
☐ Addressee

C. Date of Delivery

- 1? ☐ Yes
☐ No

for Merchandise

- ☐ Yes

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

SENDER.COM

- ☐ Complete item
item 4 if Restr
☐ Print your nam
so that we can
☐ Attach this car
or on the front

1. Article Addressed

John Kenn
6 Desta Dri
Midland, T
CL-T REX #

2. Article Number
(Transfer from serviU.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	

Postmark
Here

To:
Sent To
John Kennedy
6 Desta Drive, Ste 3000
Midland, TX 79705
CL-T REX #1 - #4-New Drills & JOA

PS Form 3800, August 2006

See Reverse for Instructions

VERY

- ☐ Agent
☐ Addressee

C. Date of Delivery

- 1? ☐ Yes
☐ No

pt for Merchandise

- ☐ Yes

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540



AFE Summary

AFE # **11-13-0609** WELL NAME **T Rex State** WELL NUMBER **1**

WELL/LEASE NAME	T Rex State	PROPERTY #	Pending1	OPERATOR	Apache Corp
WELL NUMBER	1	LEASE NUMBERS	1655518 (ST NM B-1538)	EST. START DATE	
PROSPECT NAME	CROW FLATS	PROSPECT #	NMS518	EST FINISH DATE	
COUNTY/STATE	EDDY / NEW MEXICO	DISTRICT	EUNICE	API #	
ESTIMATED SIZE		APACHE FIELD NAME	ARTESIA (BP)	JOA #	
		FOCUS AREA		BUDGETED	Yes

LEGAL DESCRIPTION

NW/4NE/4, Section 31-T17S-R28E

PROJECTS	AFE #	WI %	Objective	Description
Drilling	11-13-0609-DH	43.750000	Yes - 4500'	Drill a vertical hole to 4500' on a daywork contract at \$14,500/day as follows: Drill a 12-1/4" hole to 500'. Run 8-5/8" 24# J-55 ST&C surface casing and cement to surface. Drill a 7-7/8" hole to 4500' TD. Log the open hole per Geology. Estimated time is 8 days.
Completion	11-13-0609-CP	43.750000	Yes - 4500'	LDDP, run 5-1/2" 17# J-55 LT&C casing and cement to surface.
Equipping	11-13-0609-EQ	43.750000	Yes - 4500'	Install artificial lift equipment (rod pump).

		Intangible Development Costs			Additional Cost	Total Well Cost
Description		Dry Hole	Completion	Equipping		
65506	Drilling/Percentage Development Overhead	\$4,000	\$0	\$0	\$0	\$4,000
70003	Bits Coreheads and Reamers	\$25,000	\$2,500	\$0	\$0	\$27,500
70004	Casing Crews	\$9,000	\$5,000	\$0	\$0	\$14,000
70005	Cement and Cementing Services	\$15,000	\$36,000	\$0	\$0	\$51,000
70009	Company Labor	\$0	\$2,000	\$0	\$0	\$2,000
70011	Company Supervision	\$1,500	\$4,000	\$5,000	\$0	\$10,500
70012	Company Vehicle and/or Boat	\$500	\$0	\$0	\$0	\$500
70017	Contract Labor	\$5,000	\$25,000	\$50,000	\$0	\$80,000
70019	Contract Rigs - Daywork	\$123,000	\$40,000	\$0	\$0	\$163,000
70021	Contract Supervision	\$16,000	\$2,000	\$0	\$0	\$18,000
70025	Drilling Fluids	\$12,000	\$0	\$0	\$0	\$12,000
70026	Electrical Contract	\$0	\$0	\$10,000	\$0	\$10,000
70031	Equipment Rental	\$26,000	\$36,000	\$15,000	\$0	\$77,000
70034	Formation and Well Stimulation	\$0	\$200,000	\$0	\$0	\$200,000
70037	Fuel	\$29,000	\$0	\$0	\$0	\$29,000
70039	Geological and Engineering	\$9,000	\$0	\$0	\$0	\$9,000
70046	Land and Site Reclamation	\$66,000	\$5,000	\$0	\$0	\$71,000
70047	Legal and Curative	\$6,000	\$0	\$0	\$0	\$6,000
70049	Logging	\$15,000	\$40,000	\$0	\$0	\$55,000
70054	LOE-Other	\$50,000	\$0	\$0	\$0	\$50,000
70064	Rig Mobilization	\$30,000	\$0	\$0	\$0	\$30,000
70065	Road and Site Preparation	\$40,000	\$5,000	\$20,000	\$0	\$65,000
70074	Trucking and Hauling	\$15,000	\$30,000	\$0	\$0	\$45,000
70076	Tubular Inspection/Testing	\$5,000	\$5,000	\$0	\$0	\$10,000
70077	Water	\$30,000	\$20,000	\$0	\$0	\$50,000
70078	Wellsite Damages, Loss, Right-of-Way	\$4,000	\$0	\$0	\$0	\$4,000
70121	Automation	\$0	\$0	\$7,500	\$0	\$7,500
Subtotal Intangible Development Costs		\$536,000	\$457,500	\$107,500	\$0	\$1,101,000

AFE#: 11-13-0609 | Well Name: T Rex State | Well Number: 1

Date Printed: 6/25/2014 | Page 1 of 2


EXHIBIT "D"

Acct	Description	Tangible Development Costs				Total Well Cost
		Dry Hole	Completion	Equipping	Additional Cost	
71001	Artificial Lift Equipment	\$0	\$0	\$110,000	\$0	\$110,000
71006	Conductor Casing	\$17,000	\$0	\$0	\$0	\$17,000
71012	Flow Lines	\$0	\$0	\$30,000	\$0	\$30,000
71032	Other Subsurface Equipment	\$0	\$10,000	\$0	\$0	\$10,000
71033	Other Surface Equipment	\$0	\$0	\$15,000	\$0	\$15,000
71040	Production Casing	\$0	\$69,000	\$0	\$0	\$69,000
71048	Sucker Rods	\$0	\$23,000	\$0	\$0	\$23,000
71050	Surface Casing	\$11,000	\$0	\$0	\$0	\$11,000
71051	Tanks	\$0	\$0	\$30,000	\$0	\$30,000
71053	Tubing	\$0	\$35,000	\$0	\$0	\$35,000
71056	Wellhead Assembly	\$3,000	\$4,000	\$0	\$0	\$7,000
Subtotal Tangible Materials Cost		\$31,000	\$141,000	\$185,000	\$0	\$357,000

Description	Dry Hole	Completion	Equipping	Additional Cost	Total Well Cost
Sub-Total Intangible Material Costs	\$536,000	\$457,500	\$107,500	\$0	\$1,101,000
Sub-Total Tangible Material Costs	\$31,000	\$141,000	\$185,000	\$0	\$357,000
Grand Total	\$567,000	\$598,500	\$292,500	\$0	\$1,458,000
Less Outside Interests	\$318,938	\$336,656	\$164,531	\$0	\$820,125
Total Net Costs	\$248,063	\$261,844	\$127,969	\$0	\$637,875

External Partner Response:

Clayton Williams Energy
Attn: Land Department
6 Desta Drive, Suite 1100
Midland, TX 79705

Working Interest	Approved By	Date
		5/13/14

Approved By		
Completion	sheldon.plahn	05/06/2014
Drilling	bobby.smith	05/06/2014
Equipping	sheldon.plahn	05/06/2014
Region Land	tim.custer	05/08/2014
Region Reservoir	breezt.province	05/06/2014
Region Reservoir	ken.neupert	05/06/2014



AFE Summary

AFE #	11-13-0610	WELL NAME	T Rex State	WELL NUMBER	2
WELL/LEASE NAME	T Rex State	PROPERTY #	Pending1	OPERATOR	Apache Corp
WELL NUMBER	2	LEASE NUMBERS	1655518 (ST NM 8-11538)	EST. START DATE	
PROSPECT NAME	CROW FLATS	PROSPECT #	NM5518	EST FINISH DATE	
COUNTY/STATE	EDDY / NEW MEXICO	DISTRICT	EUNICE	API #	30-015-41771
ESTIMATED SIZE		APACHE FIELD NAME	ARTESIA (BP)	JOA #	
		FOCUS AREA		BUDGETED	Yes

LEGAL DESCRIPTION

NW/4NE/4, Section 31-T175-R28E

PROJECTS	AFE #	WI %	Objective	Description
Type				
Drilling	11-13-0610-DH	43.750000	YESO - 4500'	Drill a deviated hole to 4500' MD / 4500' TVD on a daywork contract at \$14,500/day as follows: Drill a 12-1/4" hole to 500'. Run 8-5/8" 24# J-55 ST&C surface casing and cement to surface. Drill a 7-7/8" hole to 4500' TD. Log the open hole per Geology. Estimated time is 8 days.
Completion	11-13-0610-CP	43.750000	Yeso - 4500'	LDDP, run 5-1/2" 17# J-55 LT&C casing and cement to surface.
Equipping	11-13-0610-EQ	43.750000	Yeso - 4500'	Install artificial lift equipment (rod pump).

		Intangible Development Costs		Equipping	Additional Cost	Total Well Cost
Description		Dry Hole	Completion			
65506	Drilling/Percentage Development Overhead	\$4,000	\$0	\$0	\$0	\$4,000
70003	Bits Coreheads and Reamers	\$25,000	\$2,500	\$0	\$0	\$27,500
70004	Casing Crews	\$9,000	\$5,000	\$0	\$0	\$14,000
70006	Cement and Cementing Services	\$15,000	\$36,000	\$0	\$0	\$51,000
70009	Company Labor	\$0	\$2,000	\$0	\$0	\$2,000
70011	Company Supervision	\$1,500	\$4,000	\$5,000	\$0	\$10,500
70012	Company Vehicle and/or Boat	\$500	\$0	\$0	\$0	\$500
70017	Contract Labor	\$5,000	\$25,000	\$50,000	\$0	\$80,000
70019	Contract Rigs - Daywork	\$123,000	\$40,000	\$0	\$0	\$163,000
70021	Contract Supervision	\$16,000	\$2,000	\$0	\$0	\$18,000
70022	Directional Drilling	\$77,000	\$0	\$0	\$0	\$77,000
70025	Drilling Fluids	\$12,000	\$0	\$0	\$0	\$12,000
70026	Electrical Contract	\$0	\$0	\$10,000	\$0	\$10,000
70031	Equipment Rental	\$25,000	\$36,000	\$15,000	\$0	\$77,000
70034	Formation and Well Stimulation	\$0	\$200,000	\$0	\$0	\$200,000
70037	Fuel	\$29,000	\$0	\$0	\$0	\$29,000
70039	Geological and Engineering	\$9,000	\$0	\$0	\$0	\$9,000
70046	Land and Site Reclamation	\$66,000	\$5,000	\$0	\$0	\$71,000
70047	Legal and Curative	\$6,000	\$0	\$0	\$0	\$6,000
70049	Logging	\$15,000	\$40,000	\$0	\$0	\$55,000
70054	LOE-Other	\$50,000	\$0	\$0	\$0	\$50,000
70064	Rig Mobilization	\$30,000	\$0	\$0	\$0	\$30,000
70065	Road and Site Preparation	\$40,000	\$5,000	\$20,000	\$0	\$65,000
70074	Trucking and Hauling	\$15,000	\$30,000	\$0	\$0	\$45,000
70076	Tubular Inspection/Testing	\$5,000	\$5,000	\$0	\$0	\$10,000
70077	Water	\$30,000	\$20,000	\$0	\$0	\$50,000
70078	Wellsite Damages, Loss, Right-of-Way	\$4,000	\$0	\$0	\$0	\$4,000
70121	Automation	\$0	\$0	\$7,500	\$0	\$7,500

AFE#: 11-13-0610 | Well Name: T Rex State | Well Number: 2

Date Printed: 6/25/2014 | Page 1 of 2

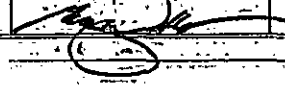
Subtotal Intangible Development Costs \$613,000 \$457,500 \$107,500 \$0 \$1,178,000

Tangible Development Costs					
Acct	Description	Dry Hole	Completion	Equipping	Additional Cost
71001	Artificial Lift Equipment	\$0	\$0	\$110,000	\$0
71006	Conductor Casing	\$17,000	\$0	\$0	\$0
71012	Flow Lines	\$0	\$0	\$30,000	\$0
71032	Other Subsurface Equipment	\$0	\$10,000	\$0	\$0
71033	Other Surface Equipment	\$0	\$0	\$15,000	\$0
71040	Production Casing	\$0	\$69,000	\$0	\$0
71048	Sucker Rods	\$0	\$23,000	\$0	\$0
71050	Surface Casing	\$11,000	\$0	\$0	\$0
71051	Tanks	\$0	\$0	\$30,000	\$0
71053	Tubing	\$0	\$35,000	\$0	\$0
71056	Wellhead Assembly	\$3,000	\$4,000	\$0	\$0
Subtotal Tangible Materials Cost		\$31,000	\$141,000	\$185,000	\$0

Description	Dry Hole	Completion	Equipping	Additional Cost	Total Well Cost
Sub-Total Intangible Material Costs	\$613,000	\$457,500	\$107,500	\$0	\$1,178,000
Sub-Total Tangible Material Costs	\$31,000	\$141,000	\$185,000	\$0	\$357,000
Grand Total	\$644,000	\$598,500	\$292,500	\$0	\$1,535,000
Less Outside Interests	\$362,250	\$336,656	\$164,531	\$0	\$863,438
Total Net Costs	\$281,750	\$261,844	\$127,969	\$0	\$671,563

External Partner Response:

Clayton Williams Energy
Attn: Land Department
6 Desta Drive, Suite 1100
Midland, TX 79705

Working Interest	Approved By	Date
		11/2/14

Approved By		
Completion	sheldon.plahn	05/09/2014
Drilling	bobby.smith	05/06/2014
Equipping	sheldon.plahn	05/09/2014
Region Land	tim.custer	05/08/2014
Region Reservoir	breezi.province	05/06/2014
Region Reservoir	ken.neupert	05/06/2014



AFE Summary

AFE #	11-13-0612	WELL NAME	T Rex State	WELL NUMBER	4
WELL/LEASE NAME	T Rex State	PROPERTY #	Pending	OPERATOR	Apache Corp
WELL NUMBER	4	LEASE NUMBERS	1655518 (ST NM B-1538)	EST. START DATE	
PROSPECT NAME	CROW FLATS	PROSPECT #	NM5518	EST. FINISH DATE	
COUNTY/STATE	EDDY / NEW MEXICO	DISTRICT	EUNICE	API #	30-015-41774
ESTIMATED SIZE		APACHE FIELD NAME	ARTESIA (BP)	JOA #	
		FOCUS AREA		BUDGETED	Yes

LEGAL DESCRIPTION

NW/4NE/4, Section 31-T175-R28E

PROJECTS

Type	AFE #	WT %	Objective	Description
Drilling	11-13-0612-DH	43.750000	Yes - 4500'	Drill a vertical hole to 4500' on a daywork contract at \$14,500/day as follows: Drill a 12-1/4" hole to 500'. Run 8-5/8" 24# J-55 ST&C surface casing and cement to surface. Drill a 7-7/8" hole to 4500' TD. Log the open hole per Geology. Estimated time is 8 days.
Completion	11-13-0612-CP	43.750000	Yes - 4500'	LDDP, run 5-1/2" 17# J-55 LT&C casing and cement to surface.
Equipping	11-13-0612-EQ	43.750000	Yes - 4500'	Install artificial lift equipment (rod pump).

		Intangible Development Costs				Total Well Cost
Description		Dry Hole	Completion	Equipping	Additional Cost	
65506	Drilling/Percentage Development Overhead	\$4,000	\$0	\$0	\$0	\$4,000
70003	Bits Coreheads and Reamers	\$25,000	\$2,500	\$0	\$0	\$27,500
70004	Casing Crews	\$9,000	\$5,000	\$0	\$0	\$14,000
70006	Cement and Cementing Services	\$15,000	\$36,000	\$0	\$0	\$51,000
70009	Company Labor	\$0	\$2,000	\$0	\$0	\$2,000
70011	Company Supervision	\$1,500	\$4,000	\$5,000	\$0	\$10,500
70012	Company Vehicle and/or Boat	\$500	\$0	\$0	\$0	\$500
70017	Contract Labor	\$5,000	\$25,000	\$50,000	\$0	\$80,000
70019	Contract Rigs - Daywork	\$123,000	\$40,000	\$0	\$0	\$163,000
70021	Contract Supervision	\$16,000	\$2,000	\$0	\$0	\$18,000
70025	Drilling Fluids	\$12,000	\$0	\$0	\$0	\$12,000
70026	Electrical Contract	\$0	\$0	\$10,000	\$0	\$10,000
70031	Equipment Rental	\$26,000	\$36,000	\$15,000	\$0	\$77,000
70034	Formation and Well Stimulation	\$0	\$200,000	\$0	\$0	\$200,000
70037	Fuel	\$29,000	\$0	\$0	\$0	\$29,000
70039	Geological and Engineering	\$9,000	\$0	\$0	\$0	\$9,000
70046	Land and Site Reclamation	\$66,000	\$5,000	\$0	\$0	\$71,000
70047	Legal and Curative	\$6,000	\$0	\$0	\$0	\$6,000
70049	Logging	\$15,000	\$40,000	\$0	\$0	\$55,000
70054	LOE-Other	\$50,000	\$0	\$0	\$0	\$50,000
70064	Rig Mobilization	\$30,000	\$0	\$0	\$0	\$30,000
70065	Road and Site Preparation	\$40,000	\$5,000	\$20,000	\$0	\$65,000
70074	Trucking and Hauling	\$15,000	\$30,000	\$0	\$0	\$45,000
70076	Tubular Inspection/Testing	\$5,000	\$5,000	\$0	\$0	\$10,000
70077	Water	\$30,000	\$20,000	\$0	\$0	\$50,000
70078	Wellsite Damages, Loss, Right-of-Way	\$4,000	\$0	\$0	\$0	\$4,000
70121	Automation	\$0	\$0	\$7,500	\$0	\$7,500
Subtotal Intangible Development Costs		\$536,000	\$457,500	\$107,500	\$0	\$1,101,000

AFE#: 11-13-0612 | Well Name: T Rex State | Well Number: 4


Date Printed: 6/25/2014 | Page 1 of 2

		Tangible Development Costs				Total Well Cost
Acct	Description	Dry Hole	Completion	Equipping	Additional Cost	
71001	Artificial Lift Equipment	\$0	\$0	\$110,000	\$0	\$110,000
71006	Conductor Casing	\$17,000	\$0	\$0	\$0	\$17,000
71012	Flow Lines	\$0	\$0	\$30,000	\$0	\$30,000
71032	Other Subsurface Equipment	\$0	\$10,000	\$0	\$0	\$10,000
71033	Other Surface Equipment	\$0	\$0	\$15,000	\$0	\$15,000
71040	Production Casing	\$0	\$69,000	\$0	\$0	\$69,000
71048	Sucker Rods	\$0	\$23,000	\$0	\$0	\$23,000
71050	Surface Casing	\$11,000	\$0	\$0	\$0	\$11,000
71051	Tanks	\$0	\$0	\$30,000	\$0	\$30,000
71053	Tubing	\$0	\$35,000	\$0	\$0	\$35,000
71056	Wellhead Assembly	\$3,000	\$4,000	\$0	\$0	\$7,000
Subtotal Tangible Materials Cost		\$31,000	\$141,000	\$185,000	\$0	\$357,000

Description	Dry Hole	Completion	Equipping	Additional Cost	Total Well Cost
Sub-Total Intangible Material Costs	\$536,000	\$457,500	\$107,500	\$0	\$1,101,000
Sub-Total Tangible Material Costs	\$31,000	\$141,000	\$185,000	\$0	\$357,000
Grand Total	\$567,000	\$598,500	\$292,500	\$0	\$1,458,000
Less Outside Interests	\$318,938	\$336,656	\$164,531	\$0	\$820,125
Total Net Costs	\$248,063	\$261,844	\$127,969	\$0	\$637,875

External Partner Response:

Clayton Williams Energy
Attn: Land Department
6 Desta Drive, Suite 1100
Midland, TX 79705

Working Interest	Approved By	Date
		11/3/14

Approved By		
Completion	sheldon.plahn	05/07/2014
Drilling	bobby.smith	05/06/2014
Equipping	sheldon.plahn	05/07/2014
Region Land	tim.custer	05/08/2014
Region Reservoir	breezl.province	05/06/2014
Region Reservoir	ken.neupert	05/07/2014

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

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


CASE NO. _____

AFFIDAVIT OF NOTICE

COUNTY OF SANTA FE)
) ss.
STATE OF NEW MEXICO)

Candace H. Callahan, being duly sworn upon her oath, deposes and states:

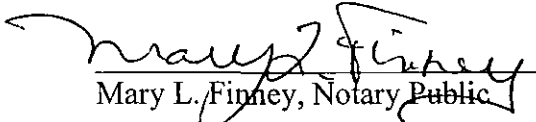
1. I am over the age of 18, and have personal knowledge of the matters stated herein.
2. I am an attorney for Apache Corporation.
3. Applicant has conducted a good faith, diligent effort to find the names and correct addresses of the interest owners entitled to receive notice of the application filed herein.
4. Notice of the application was provided to the interest owners, at their correct addresses, by certified mail. Copies of the notice letter and certified return receipts will be submitted at hearing of this matter.
5. Applicant has complied with the notice provisions of Division Rules NMAC 19.15.4.9 and 19.15.4.12.C.



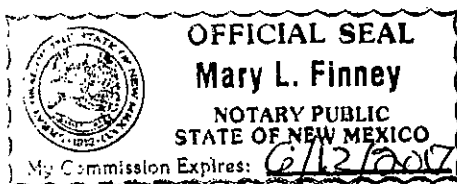
Candace H. Callahan

SUBSCRIBED AND SWORN TO before me this 18th day of November, 2014,
by Candace H. Callahan.

My Commission Expires: June 12, 2017



Mary L. Finney, Notary Public



BEATTY & WOZNIAK, P.C.

ATTORNEYS AT LAW

500 DON GASPAR AVENUE
SANTA FE, NEW MEXICO 87505-2626
TELEPHONE (505) 983-8545
FACSIMILE (505) 983-8547
www.bwenergylaw.com

CASPER

CHEYENNE

DENVER

SALT LAKE CITY

SANTA FE

CANDACE CALLAHAN

DIRECT: (505) 983-8764

E-MAIL: CCALLAHAN@BWENERGYLAW.COM

November 18, 2014

VIA CERTIFIED MAIL-RETURN RECEIPT

To: Persons on Exhibit A

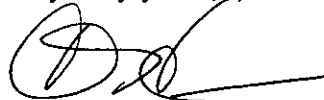
Re: New Mexico Oil Conservation Division Compulsory Pooling Application for Case No. 15242

Dear Ladies and Gentlemen:

Enclosed is a copy of an application for compulsory pooling filed with the New Mexico Oil Conservation Division by Apache Corporation regarding the NW/4NE/4 of Section 31, Township 17 South, Range 28 East, N.M.P.M., Eddy County, New Mexico. This matter is scheduled for hearing at 8:15 a.m. on Thursday, December 18, 2014, at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. As an interest owner in the well unit, you have the right to enter an appearance and participate in the case. Failure to appear will preclude you from contesting this matter at a later date.

A party appearing in a Division case is required by Division Rules to file a Pre-Hearing Statement no later than Thursday, December 11, 2014. This statement must be filed with the Divisions' Santa Fe office at the above address and should include: the names of the party and its attorney; a concise statement of the case; the names of the witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that need to be resolved prior to the hearing. The Pre-Hearing Statement must also be provided to the undersigned and to the persons listed on Exhibit A.

Very truly yours,



Candace H. Callahan
Attorney for Apache Corporation

EXHIBIT A

Mark B. Heinen, and spouse if married
1221 S. Main Street, Suite 206
Boerne, TX 78006

Mark Tisdale & Betty Nugent
6 Desta Drive, Suite 6500
Midland, TX 79705

John Kennedy, and spouse if married
6 Desta Drive, Suite 3000
Midland, TX 79705

- (a) T-Rex State No. 1 Well (API 30-015-41770) to be drilled at a standard location 330' FNL and 2270' FEL (Unit B) of Section 31;
- (b) T-Rex State No. 2 Well (API 30-015-41771) to be drilled at a standard surface location 575' FNL and 1650' FNL, and a standard bottom hole location 330' FNL and 1650' FEL; and

- (c) T-Rex State No. 4 Well (API 30-015-41774) to be located at a standard location 890' FNL and 1750' FEL.

(4) The Proposed Wells are within the House-Blinebry Pool (33230), House Tubb Pool (78760), House-Drinkard Pool (33250), and the House-Abo Pool (33210) in the Yeso formation, collectively called the Glorieta-Yeso Pool (96830), which are governed by statewide Rule 19.15.15.9A. NMAC, which provides for standard 40-acre units, each comprising a governmental quarter-quarter section.

(5) Applicant appeared at the hearing through counsel with affidavits that presented evidence to the effect that:

- (a) Applicant provided proposal letters sent to the locatable but nonresponsive uncommitted mineral interest owners;
- (b) Applicant identified the T-Rex State No. 1 Well to be the first well to be drilled; and
- (c) Granting of the application for compulsory pooling will not impair correlative rights, will conserve resources and will prevent waste.

(6) No party appeared at the hearing or otherwise opposed the granting of this application.

The Division concludes that:

(7) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interest and/or undivided interest in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(8) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the Unit at the proposed locations.

(9) There are interest owners in the Unit who have not agreed to pool their interests.

(10) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of the hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(11) Apache Corporation should be designated the operator of the proposed well and of the Unit.

(12) Any pooled working interest owner who does not pay its share of the estimated well costs should have withheld from production its share of reasonable well costs plus an additional 200% of the actual reasonable well costs as a reasonable charge for the risk involved in drilling the proposed well.

(13) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7,500 per month, per well, while drilling and \$750 per month per well while producing provided that these rates should be adjusted annually pursuant to Section III.I.A.3 of the COPAS form titled "*Accounting Procedure-Joint Operations*".

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Apache Corporation, all uncommitted interests, whatever they may be, in the oil and gas from the surface to the base of the Yeso formation underlying the NW/4NE/4 of Section 31, Township 17 South, Range 28 East, NMPM, in Eddy County, New Mexico, are pooled to form a standard 40 acre oil spacing and proration unit (the "Unit") for all formations or pools spaced on 40 acre spacing within this vertical extent, which presently include, but are not necessarily limited to, the House-Blinbry Pool (33230), House Tubb Pool (78760), House-Drinkard Pool (33250), and the House-Abo Pool (33210) in the Yeso formation, collectively called the Glorieta-Yeso Pool (96830) (the "Unit").

(2) The Unit shall be dedicated to the following wells:

- (a) T-Rex State No. 1 Well (API 30-015-41770) to be drilled at a standard location 330' FNL and 2270' FEL (Unit B) of Section 31;
- (b) T-Rex State No. 2 Well (API 30-015-41771) to be drilled at a standard surface location 575' FNL and 1650' FNL, and a standard bottom hole location 330' FNL and 1650 FEL; and
- (c) T-Rex State No. 4 Well (API 30-015-41774) to be located at a standard location 890' FNL and 1750' FEL.

(3) The operator of the Unit shall commence drilling the proposed well on or before _____, and shall thereafter continue drilling the proposed well with due diligence to test the Yeso formation.

(4) In the event the operator does not commence drilling the proposed well on or before _____, Ordering Paragraph (1) shall be of no further effect unless the operator obtains an extension of the time from the Division Director for good cause shown by satisfactory evidence.

(5) If none of the remaining of the Proposed Wells is drilled and completed within 120 days after commencement of the first well, or if all three of the Proposed Wells are abandoned, then Ordering Paragraph (1) shall be of no further effect, and the Unit created by this order shall terminate as to such of the Proposed Wells not drilled and completed within 120 days after commencement of the first well unless operator appears before the Division Director and obtains an extension of the time for completion of the Proposed Wells for good cause shown by satisfactory evidence.

(6) Upon final plugging and abandonment of all Proposed Wells and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the Unit created by this Order shall terminate unless this Order has been amended to authorize further operations.

(7) Apache Corporation, (OGRID 873) is hereby designated the operator of the well and the Unit.

(8) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this Order, the operator shall furnish the Division and each known pooled working interest owner in the Unit an itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").

(9) Within 30 days from the date the schedule of estimated well costs is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners".

(10) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs within 90 days following completion of a Proposed Well. If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(11) Within 60 days following determination of reasonable well costs, any pooled working interest owner who has paid its share of estimated costs in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(12) The operator is hereby authorized to withhold the following costs and charges from production for each well:

- (a) The proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and
- (b) As a charge for the risk involved in drilling the well, 200% of the above costs.

(13) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(14) Reasonable charges for supervision (combined fixed rates) for each of the wells are hereby fixed at \$7,500 per month while drilling and \$750 per month while producing, provided that these rates shall be adjusted annually pursuant to Section III.1.A.3 of the COPAS from titled "*Accounting Procedure-Joint Operations*". The operator is authorized to withhold from the production the proportionate share of both the supervision charges and the actual

expenditures required for operating the well, not in excess of what are reasonable, attributable to pooled working interest owners.

(15) Except as provided in Paragraphs (12) and (14) above, all proceeds from production from the proposed wells that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A7-8A-28, as amended).

(16) Any unleased mineral interests shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any well costs or charges that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(17) Should all the parties to this compulsory pooling order reach voluntary agreement subsequent to entry of this Order, this order shall thereafter be of no further effect.

(18) The operator of the well and Unit shall notify the Division in writing of the subsequent voluntary agreement of all parties subject to the compulsory pooling provisions of this Order.

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

DONE at Santa Fe, New Mexico, on the day and year hereinafter designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Director

SEAL