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MODRALL SPERLING

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April 17, 2018

Florene Davidson  
NM Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

*Case 16142*

**Re: APPLICATION OF APACHE CORPORATION FOR A  
NON-STANDARD SPACING AND PRORATION UNIT,  
NON-STANDARD LOCATIONS,  
AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO**

Dear Ms. Davidson:

Enclosed please find three copies of the following:

1. Apache's Application – Palmillo 314H

Thank you for your assistance. Please contact me if you have any questions.

Sincerely,

  
Zina Crum, Legal Assistant to  
Jennifer L. Bradfute

JLB/zc  
Enclosure

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

**APPLICATION OF APACHE CORPORATION  
FOR A NON-STANDARD SPACING AND  
PRORATION UNIT, NON-STANDARD  
LOCATIONS, AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

CASE NO. 16142

**APPLICATION**

Apache Corporation ("Apache"), OGRID Number 873, through its undersigned attorneys, hereby makes an application to the Oil Conservation Division pursuant to the provisions of NMSA (1978), Section 70-2-17, for an order: (1) creating a non-standard 160-acre, more or less, spacing and proration unit in the Bone Spring formation, comprised of the S2/ N/2 of Section 26, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico; and, (2) approving non-standard locations; and (3) pooling all mineral interests in the Bone Spring formation underlying this proposed non-standard spacing and proration unit. In support of this application, Apache states as follows:

1. Apache is an interest owner in the subject lands and has a right to drill a well thereon.
2. Apache seeks to dedicate the S2/ N/2 of Section 26, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico to the below proposed well to form a non-standard 160-acre, more or less, oil spacing and proration unit (the "project area").

3. Apache plans to horizontally drill the **Palmillo 26 State Com #314H** well to a depth sufficient to test the Bone Spring formation.

4. The well will be drilled from a surface location, located in the SE/4 NE/4 of Section 26.

5. The well is within the Palmillo, Bone Spring Southwest Pool (Pool Code 96413), which is subject to 330' setback requirements. The producing interval that Apache seeks to drill will not comply with the 330 foot setback requirements established under the Division's rules.

6. The first take point for the Palmillo 26 State Com #314H well will be located 1620 feet from the North line and 230 feet from the East line of Section 26; and the last take point will be located 2188 feet from the North line and 100 feet from the West line of Section 26.

7. Apache sought, but has been unable to obtain a voluntary agreement from all interest owners in the Bone Spring formation underlying the proposed project area to participate in the drilling of the well or to otherwise commit their interests to the well.

8. The creation of a non-standard proration unit, approval of non-standard locations, and the pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

WHEREFORE, Apache requests this application be set for hearing before an Examiner of the Oil Conservation Division on May 17, 2018, and after notice and hearing as required by law, the Division enter its order:


A. Creating a non-standard oil spacing and proration unit ("project area") in the Bone Spring formation comprised of the S2/ N/2 of Section 26, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico;

B. Approving non-standard locations;

- C. Pooling all mineral interests in the Bone Spring formation underlying this non-standard spacing and proration unit/project area;
- D. Designating Apache as operator of this unit and the wells to be drilled thereon;
- E. Authorizing Apache to recover its costs of drilling, equipping and completing the well;
- F. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- G. 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 well.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS  
& SISK, P.A.

By:  for  
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*Attorneys for Applicant*

CASE NO. 16142: Application of Apache Corporation for a non-standard spacing and proration unit, non-standard locations, and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order from the Division: (1) creating a non-standard 160-acre, more or less, spacing and proration unit in the Bone Spring formation, comprised of the S2/ N/2 of Section 26, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico; and, (2) approving non-standard locations; and (3) pooling all mineral interests in the Bone Spring formation underlying this proposed non-standard spacing and proration unit. This proposed non-standard spacing and proration unit will be the project area for the **Palmillo 26 State Com #314H** well, to be horizontally drilled. The producing area for the well will be unorthodox. Also to be considered will be the cost of drilling and completing said well, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Apache as operator of the well, and a 200% charge for risk involved in drilling said well. Said area is located approximately 13.6 miles northeast of Carlsbad, New Mexico.