

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

APPLICATION OF APACHE CORPORATION
FOR A HORIZONTAL SPACING UNIT
AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 20378

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 160-acre, more or less, spacing and proration unit in the Bone Spring formation, comprised of the N/2 S/2 of Section 3, Township 19 South, Range 28 East, Eddy County, New Mexico; and, (2) pooling all mineral interests in the Bone Spring formation underlying this proposed 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 N/2 S/2 of Section 3, Township 19 South, Range 28 East, Eddy County, New Mexico to the below proposed wells to form a 160-acre, more or less, oil spacing and proration unit.
3. Apache plans to horizontally drill the **Palmillo 3 State Com #242H** well to a depth sufficient to test the Bone Spring formation.

4. The well is within the Palmillo; Bone Spring; Southwest, Pool (Pool Code #96413). The well will comply with the Division's setback requirements applicable to this pool.

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

6. The creation of a horizontal unit 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 April 4, 2019, and after notice and hearing as required by law, the Division enter its order:

A. Creating a spacing and proration unit in the Bone Spring formation comprised of the N/2 S/2 of Section 3, Township 19 South, Range 28 East, Eddy County, New Mexico;

B. Pooling all mineral interests in the Bone Spring formation underlying this spacing and proration unit;

C. Designating Apache as operator of this unit and the wells to be drilled thereon;

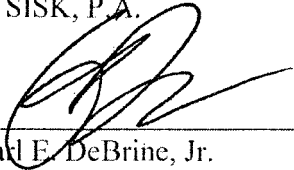
D. Authorizing Apache to recover its costs of drilling, equipping and completing these wells;

E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and

F. 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.

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CASE NO. 20378 : Application of Apache Corporation for a horizontal unit and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order from the Division: (1) creating a 160-acre, more or less, spacing and proration unit in the Bone Spring formation, comprised of the N/2 S/2 of Section 3, Township 19 South, Range 28 East, Eddy County, New Mexico; and, (2) pooling all mineral interests in the Bone Spring formation underlying this proposed spacing and proration unit. This proposed spacing and proration unit will be the unit for the **Palmillo 3 State Com #242H well**, to be horizontally drilled. The producing area for this well will be orthodox. 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 17 miles southeast of Artesia, New Mexico.