RECEIVED STATE OF NEW MEXICO 2008 APR 11 FM 1 SENERGY, 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 COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

Case No. 14,098

VERIFIED STATEMENT OF MICHELLE HANSON

Michelle Hanson, being duly sworn upon her 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 1210.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 interests from the surface to the base of the Drinkard formation underlying the SW¹/4NW¹/4 of Section 11, Township 20 South, Range 38 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 House-Blinebry Pool and House-Tubb Pool. The unit will be dedicated to the Magnolia Well No. 1, to be drilled at an orthodox oil well location in the SW¹/4NW¹/4 of Section 11.

(c) The parties being pooled, their interests in the $SW^{1/4}NW^{1/4}$ of Section 11, and their last known addresses, are listed on Exhibit B.

(d) Copies of the proposal letters sent to the uncommitted mineral interest owners are attached hereto as Exhibit C.

(e) Interest owners who are not locatable are highlighted in yellow on Exhibit B. To try to locate these interest owners, Apache Corporation examined the Lea County records, telephone directories, records in the counties of the last known residences of the

Oil Conservation Division Case No. _____ Exhibit No. _____ out-of-state owners, and internet directories. Correspondence to the last known addresses of these interest owners was returned to sender.

(f) Apache Corporation has made a good faith effort to obtain the voluntary joinder of interest owners in the well, or to locate the interest owners.

(g) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against non-consenting interest owners.

(h) 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 Lea County.

(i) Overhead charges of (0,000) month for a drilling well, and (0,00) 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.

(j) Applicant requests that it be designated operator of the well.

VERIFICATION

STATE OF OKLAHOMA)
) ss.
COUNTY OF TULSA)

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

SUBSCRIBED AND SWORN TO before me this 1844 day of March, 2008 by Michelle Hanson.

No.ary Public Oklahoma OFFICIAL SEAL My Commission Exp HEILA REXROAD **TULSA COUNTY** Comm. Exp. 08-24-2008

Notary Public

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<u>District I</u>

1625 N. French Dr., Hobbs, NM 8824(Phone:(505) 393-6161 Fax:(505) 393-0) <u>District II</u>

1301 W. Grund Ave., Artesia, NM 88210 Phone:(505) 748-1283 Fax:(505) 748-9720 <u>District III</u>

1000 Rio Bruzos Rd., Aztec, NM 87410 Phone:(505) 334-6178 Fax:(505) 334-6170 District IV

1220 S. St Francis Dr., Santa Fe, NM 87505 Phone: (505) 476-3470 Fax: (505) 476-3462

State of New Mexico Energy, Minerals and Natural Resources Oil Conservation Division 1220 S. St Francis Dr.

Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-025-38660	2. Pool Code 33230	3. Pool Neme HOUSE;BLINEBRY
4. Property Code 36908	5. Property 1 MAGNO	
7. OGRID No. 873	8. Operator 1 APACHE C	

10. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
E	11	20S	38E		1650	N	990	W	LEA

11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot	Idn	Feet From	N/S L	ine	Feet From	E/W Line	County
12. Dedicated Acres		13.	Joint or Infill		14	Consolidation	Code			15. Order No.	
40	.00										

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

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OPERATOR CERTIFICATION

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

E-Signed By: Lana Williams

Title: Sr. Department Clerk Date: 12/27/2007

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Surveyed By: RONALD EIDSON Date of Survey: 12/19/2007 Certificate Number: 3239

Form C-102 Pennit 66601

District I

1625 N. French Dr., Hobbs, NM 8824(Phone:(505) 393-6161 Fax:(505) 393-0 District II

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1. API Number	2. Pool Code		3. Pool Name		
30-025-38660	78760		HOUSE,TUBB		
4. Property Code 36908	5. Property MAGN(1			
7. OGRID №.	8. Operator		9. Elevation		
873	APACHE		3584		

10. Surface Location

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E	11	20S	38E		1650	ท	9 90	W	LEA

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UL - Lot	Section	Township	Range	Lot	ldn	Feet From	N/S L	ine	Feet From	E/W Line	County	l
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Surveyed By: RONALD EIDSON
Date of Survey: 12/19/2007
Certificate Number: 3239

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State of New Mexico Energy, Minerals and Natural Restances Oil Conservation Division

1220 S. St Francis Dr.

Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-025-38660	2. Pool Code 33250	3. Pool Name HOUSE;DRINKARD			
4. Property Code	5. Prop	6. Well No.			
36908	MAG	NOLIA	001		
7. OGRID No.	8. Oper	stor Name	9. Elevation		
873	APACI	HE CORP	3584		

10. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
E	11	20S	38E		1650	N	990	W	LEA

11. Bottom Hole Location If Different From Surface

UL - Lot	Section.	Township	Range	Lot la	1n	Feet From	N/S L	ine	Feet From	E/W Line	County
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Surveyed By: RONALD EIDSON
Date of Survey: 12/19/2007
Certificate Number: 3239

		#1
Name & Address	Interest	Net Acres
Robert Groves Howard, Jr. and Pamela Kaye Howard	3/256	0.46875
3813 Trevino	1	
Hobbs, NM 88240		
Thelma Marie Carlin	3/256	0.46875
312 Walnut		
Ruidoso, NM 88345		
Timothy James Carlin	3/256	0.46875
2727 Cross Tide Lane	Į	
Friendswood, TX 77546		
Sarah Elizabeth Carlin	3/256	0.46875
3956 Buffalo Avenue		ł
Broomfield, CO 80020		
Suzanne Imes	5/3200	0.0625
1630 Belle Isle Circle NE	1	1
Atlanta, GA 30329		
Bill Warrick and Carla	5/3200	0.0625
Sharon Imes Lodovic	5/3200	0.0625
451 Oak Brook]	}
New Braunfels, TX 78132		
Overloade Ltd (1/3)	1/384	0.104166667
P.O. Box 148		
Las Cruces, NM 88001		
Jack Reid	1/384	0.104166667
2400 Summer Place Drive		1
Swing, TX 75062		
Betty Hawkins McRae	1/64	0.625
8101 North 47 th Street	Į	
Paradise Valley, AZ 85253		
Ethel Cooper	1/224	0.178571429
Clarence A. Crook	1/224	0.178571429
Lloyd A. Crook	1/224	0.178571429
Ollie Mae Robinson	1/224	0.178571429
Willis R. Crook	1/224	0.178571429
Bruce Olin Crook	1/224	0.178571429
Fred D. Crook	1/224	0.178571429
Total Unleased	10.3646%	4.145833333

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



Central Region Land Department (918) 491-4900 (918) 491-4854 (FAX)

January 10, 2008

MINERAL INTEREST OWNERS

RE: Proposal to Drill Magnolia #1 Well 1650' FNL & 990' FWL NW/4 Section 11, T20S, R38E, Lea County, New Mexico

Dear Interest Owner,

Apache Corporation ("Apache") hereby proposes the drilling of the Magnolia #1 Well to a total depth of 7,300' to test the Blinebry, Tubb and Drinkard formations. This well is to be located 1650' FNL & 990' FWL in the NW/4 Section 11, T20S, R38E, Lea County, New Mexico. The estimated dry hole cost for this well is \$467,100 and the total completed well cost is approximately \$1,443,565. Enclosed for your review and further handling is two (2) copies of Apache's drilling and completion AFE. Said AFE contains an itemized breakdown of the estimated cost for the drilling and completion work for the Magnolia #1 well.

Should you elect to participate in the referenced well as proposed above, a mutually acceptable Joint Operating Agreement will be forwarded for your review and execution.

However, should you elect not to participate, please consider leasing your mineral interest to Apache by contacting either Doug Ferguson or Sharon Cornal at 432-684-4542 or P.O. Box 432, Midland, TX 79702. Should you consider leasing, Apache is offering a bonus of \$150 per net acre or \$50 minimum, whichever is greater, for a 3 year lease, with option to extend 2 years at \$100 per net acre, delivering 1/5 oil and gas royalty.

Please evidence your election of Apache's well proposal on Page 2 of this letter and should you elect to participate please execute one (1) copy of the enclosed AFE and return same, along with your election on Page 2, to the undersigned at your earliest convenience in the enclosed postage paid envelope provided for your convenience. Your immediate attention to this proposal will be greatly appreciated and should you have any questions concerning this matter, please do not hesitate contacting Kevin Mayes our Reservoir Engineer at (918) 491-4972 or the undersigned at (918) 491-4838.

Yours truly,

APACHE CORPORATION

Michelle Hanson Landman (918) 491-4854 fax <u>Michelle.hanson@apachecorp.com</u>



Page 2 – Proposal to Drill Magnolia #1 January 10, 2008

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- The undersigned elects to **PARTICIPATE** in the drilling of the Magnolia No. 1 well as proposed above. Attached is an executed copy of Apache's AFE #TW-08-0138. Please forward a mutually acceptable Joint Operating Agreement for my review and execution.
- The undersigned elects **NOT** to participate in the drilling and completing of the Magnolia #1 well as proposed above.
- _____ The undersigned agrees to LEASE its mineral interest to Apache pursuant to the terms previously stated on Page 1 of this letter.

Ву:	
Name:	
Title:	
Date:	

MINERAL INTEREST OWNERS

ConocoPhillips Company ATTN: Tom Scarbrough 600 N. Dairy Ashford, 3WL-14066 Houston, TX 77079

James A. Davidson PO Box 1932 Midland, TX 79702-1932

.

The Allar Company PO Box 1567 Graham, TX 76450-1567

Magnolia, LLC PO Box 51555 Midland, TX 79710

Todd E. & Ceci Westmoreland PO Box 10107 Midland, TX 79702

Blackstone Acquisition Partners ATTN: George Miller 1001 Fannin St., Suite 2020 Houston, TX 77002

Pamela Kaye Howard & Robert Groves Howard, Jr. 3813 W. Trevino Rd. Hobbs, NM 88240

Thelma Marie Carlin 312 Walnut Ruidoso, NM 88345

Timothy James Carlin HCR 79, Box 4 West Paint Rock, TX 76866 Suzanne Imes 581 Harold Ave. NE Atlanta, GA 30307

Sharon Imes Lodovic 451 Oakbrook New Braunfels, TX 78132

Betty Disher Bates Rev. Trust c/o The Trust Co. of Oklahoma PO Box 3627 Tulsa, OK 74101

Overloade LTD PO Box 148 La Cruces, NM 88001

Karl Reid 604 Mary Stewart St. El Paso, TX 79912

Harold James Reid, Jr. PO Box 504 Burns, OR 97720

Ann Remmington PO Box 43 Ruidoso, NM 88345

Sandra Hale 3761 W. Maplewood Springfield, MO 65804

Teresa Lopez 4945 Champlain San Antonio, TX 78217 Jack Reid 2400 Summer Place Drive Swing, TX 75062

Sarah Elizabeth Carlin 3956 Buffalo Ave. Broomfield, CO 80020

Betty & Hamilton E. McRae, III 8101 N. 47th St. Paradise Valley, AZ 85253



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DRILLING AND COMPLETION AF

PROPERTY NO.	0] EMS [-] ITS	AFE NO.	TW-08-0138
COUNTY/STATE	LEA, NM	DISTRICT	PERMIAN WEST	DATE	11/28/07
LEASE NAME	MAGNOLIA	WELL NO.	1	FIELD	HOUSE
PROSPECTALEASE #			LEGAL / SEC 11,		
OPERATOR	APACHE CORPORATION		APACHE WI 43.	000000%	- SUPPLEMENT
OBJECTIVE	E DRINKARD - 7,300		PROSPECT # NM4022		- EXPLORATION X DEVELOPMENT
FOCUS AREA	NEW MEXICO		^{AP)∦} 0		- PUD
ESTIMATED PROJECT	F START DATE		ESTIMATED PROJECT CON	PLETION DATE	
DESCRIPTION	Drill, Complete, and Equip a 7,1	00' B-T-D	well.	· · · · · · · · · · · · · · · · · · ·	
	<u></u>				
1				(C	losed Loop System) REVISED

ACCT	DESCRIPTION	DRY HOLE	COMPLETION	SUPPLEMENT	TOTAL WELL COST
70002	AIR TRANSPORTATION	0	0	0	0
70003	BITS, COREHEADS AND REAMERS	25,000	1,000	0	26,000
70004	CASING CREWS	3,500	4,000	0	7,500
70005	CATERING AND GROCERIES	0	0	0	0
70005	CEMENT AND CEMENTING SERVICES	20,000	35,000	0	55,000
70009	COMPANY LABOR	0	0	0	0
70011	COMPANY SUPERVISION	1,000	7,000	0	6,000
70012	COMPANY VEHICLE EXPENSE	500	0	0	500
70019	CONTRACT DRILLING - DAYWORK @ \$13,200 /day	118,800	35,000	0	153,800
70020	CONTRACT DRILLING • FOOTAGE	0	0	0	0
70017	CONTRACT LABOR	3,000	10,000	0	13,000
70021	CONTRACT SUPERVISION	10,800	0	0	10,800
70022	DIRECTIONAL TOOLS	0	0	0	0
70025	DRILLING FLUIDS	10,000	0	0	10,000
65506	DRILLING OVERHEAD	7,750	0	0	7,750
70059	DRY HOLE PLUGGING	0	0	0	0
70031	EQUIPMENT RENTAL	40,000	23,000	0	63,000
70033	FILTRATION	0	0	o	0
70034	FORMATION STIMULATION	0	300,000	0	300,000
70035	FORMATION TESTING	0	0	0	0
70037	FUEL AND POWER	20,000	0	0	20,000
70039	GEOLOGICAL AND ENGINEERING	12,500	0	0	12,600
70040	GRAVEL PACK SERVICES	0	0	0	0
70045	INSURANCE	o	0	0	. 0
70046	LAND AND SITE RECLAMATION	40,000	0	0	40,000
70047	LEGAL AND CURATIVE	3,000	0	0	3,000
70049	LOGGING	22,600	15,000	0	37,600
70050	MARINE TRANSPORTATION	0	0	0	0
70054	OTHER INTANGIBLE	22,000	88,800	0	110,800
70084	RIG MOBILIZATION	15,000	0	0	15,000
70065	ROADS AND SITE PREPARATION	30,000	0	0	30,000
70069 ·	SNUBBING/COIL TUBING UNIT	0	0	0	0
70073	TAX ON EQUIPMENT	0	0	0	0
70074	TRUCKING AND HAULING	4,000	7,500	0	11,500
70076	TUBING CONVEY PERFORATING	0	0	o	0
70076	TUBULAR INSPECTIONS	2,500	2,500	0	6,000
70077	WATER	15,000	5,000	0	20,000
70078	WELLSITE LOSS AND DAMAGES	7,500	0	0	7,500
	SUB-TOTAL INTANG. DEVELOPMENT COSTS	434,350	533,800	0	968,150

INTANGIBLE DEVELOPMENT COSTS

EXHIBIT

MAGNOLIA

PROPERTY:

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TANGIBLE	MATERIA	L COSTS

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ACCT	CRIPTION	DRY HOLE	COMPLETION	SUPPLEMENT	TOTAL WELL COST
71001	ARTIFICIAL LIFT EQUIPMENT	0	88,000	0	88,000
71005	COMPRESSOR STATIONS	0	0	0	0
71006	CONDUCTOR CSG	6,000	0	0	6,000
71008	DEHYDRATION / AMINE UNITS	00	0	0	C
71012	FLOW LINES TO BATTERY	0	5,000	0	5,000
71017	HIGH PRESSURE KNOCK-OUT	0	0	0	C
71019	INTERMEDIATE CSG	0	0	0	0
71024	LINER HANGERS	0	0	0	0
71025	LINERS - DRILLING OR PRODUCTION	0	0	0	0
71007	ONSHORE PLATFORM	0	0	0	0
71032	OTHER SUBSURFACE EQUIPMENT	0	3,500	0	3,500
71033	OTHER SURFACE EQUIPMENT	0	12,500	0	12,500
71039	PRIME MOVER	0	3,000	0	3,000
71040	PRODUCTION CASING - 5-1/2* 17# J55 & 1000' LBOLTC	0	68,910	0	68,910
71043	PUMPS	0	4,000	D	4,000
71046	SALES LINE	0	0	D	0
71046	SEPARATORS	0	20,000	· 0	20,000
71048	SUCKER RODS	0	21,000	0	21,000
71050	SURFACE CSG 1,600' - 8-5/8" 24# J55 STC @ \$13.83 + Tm	24,500	. 0	0	24,600
71051	TANK BATTERY Z OIL FAIR	0	160,000	0	160,000
71052	THEATERS I WILL I MALL SEP	0	20,000	0	20,000
71053	TUBING 2-7/8" 6.5# J-56 @ \$4.09/11	, 0	31,755	0	31,755
71058	WELLHEAD ASSEMBLY	2,250	5,000	0	7,260
	SUB-TOTAL TANGIBLE MATERIAL COSTS	32,750	442,665	0	475,415
	SUB-TOTAL INTANGIBLE COSTS (PAGE 1)	434,350	533,800	0	968,150
- <u></u>	GRAND TOTAL	467,100	976,465	0	1,443,565
	LESS OUTSIDE INTERESTS	266,247	556,585	0	822,832
	TOTAL NET COSTS	200,853	419,880	0	620,733

12-3-07 PREPARED BY FERRY ON BERTY DATE /1/9 PREPARED BY ELEK CRIST AOSS MURPHY DATE 3 APPROVED BY 17/13/ DATE APPROVED BY IM SULLIVA APPROVED BY <u>ooua</u> o'Nell APPROVED BY TOM VOYTOVICH

A.	GROSS ORIGINAL AFE AMOUNT	1,443,565
8.	APACHE ORIGINAL NET AFE AMOUNT	620,733
c,	NET ASSET TRANSFERS	
D.	TOTAL ORIGINAL NET AFE (LINE B PLUS LINE C)	620,733
E.	GROSS SUPPLEMENTS	0
F.	APACHE TOTAL NET AFE AMOUNT	620,733
	IN BUDGET	NOT IN BUDGET

Notice to Nonoperators: Costs shown on this form astimates only. Nonoperators should not consider these estimates as establishing any limit on monies which will be required to perform the proposed operation.

 WORKING INTEREST
 APPROVED BY
 DATE

 Interest
 Interest
 Interest

 Interest
 Interest
 Interest

COMMENTS:

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