

RECEIVED

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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 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 SW $\frac{1}{4}$ NW $\frac{1}{4}$ 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-Blinbry 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 SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 11.
 - (c) The parties being pooled, their interests in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ 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. 1
Exhibit No. 1

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 \$6,000/month for a drilling well, and \$600/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

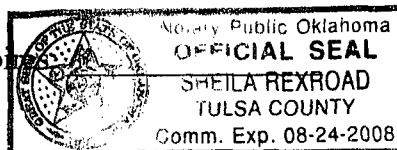
STATE OF OKLAHOMA)
) ss.
COUNTY OF TULSA)

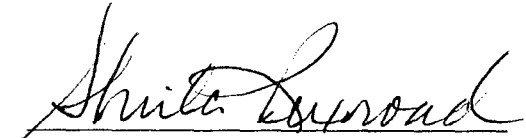
Michelle Hanson, being duly sworn upon her oath, deposes and states that: She is a landman for Apache Corporation; she is authorized to make this verification on its behalf; she has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of her knowledge,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

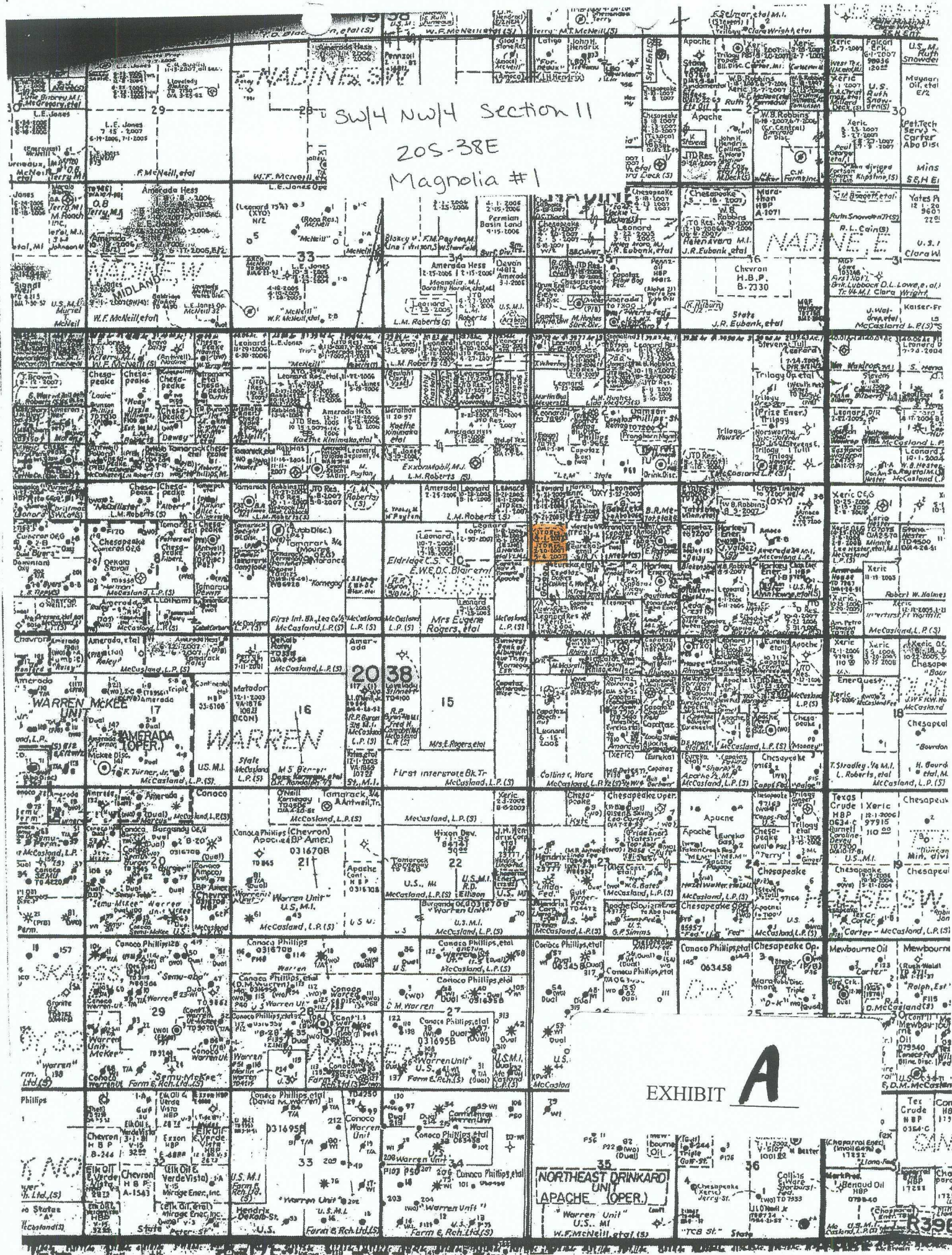

Michelle Hanson

SUBSCRIBED AND SWORN TO before me this 18th day of March, 2008 by Michelle Hanson.

My Commission Expires




Notary Public



District I

1625 N. French Dr., Hobbs, NM 88240
 Phone:(505) 393-6161 Fax:(505) 393-0700

District II

1301 W. Grand Ave., Artesia, NM 88210
 Phone:(505) 748-1283 Fax:(505) 748-9720

District III

1000 Rio Brazos 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

Form C-102
 Permit 66601

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 Name HOUSE, BLINEBRY
4. Property Code 36908	5. Property Name MAGNOLIA	6. Well No. 001
7. GRID No. 873	8. Operator Name APACHE CORP	9. Elevation 3584

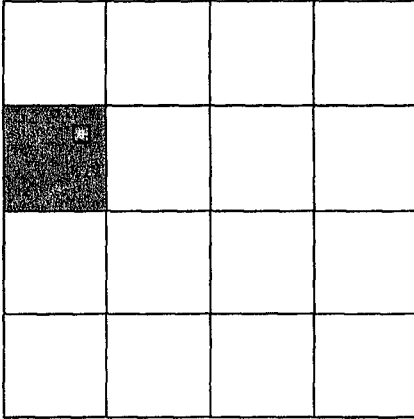
10. Surface Location

UL - Lot E	Section 11	Township 20S	Range 38E	Lot Idn	Feet From 1650	N/S Line N	Feet From 990	E/W Line W	County LEA
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11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 40.00	13. Joint or Infill	14. Consolidation Code	15. Order No.						

**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**

	OPERATOR CERTIFICATION	
	<i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i> E-Signed By: Lana Williams Title: Sr. Department Clerk Date: 12/27/2007	
	SURVEYOR CERTIFICATION	
	<i>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.</i> Surveyed By: RONALD EIDSON Date of Survey: 12/19/2007 Certificate Number: 3239	

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 Phone:(505) 334-6178 Fax:(505) 334-6170

District IV

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 Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico

Form C-102
 Permit 66601

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 78760	3. Pool Name HOUSE,TUBB
4. Property Code 36908	5. Property Name MAGNOLIA	6. Well No. 001
7. GRID No. 873	8. Operator Name APACHE CORP	9. Elevation 3584

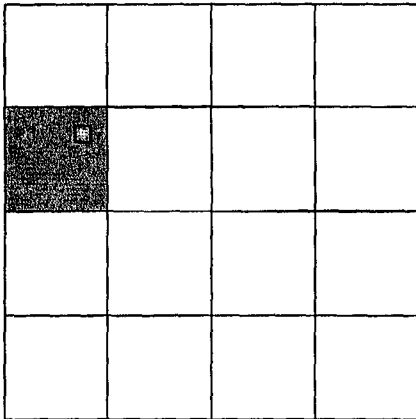
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	<i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i> Surveyed By: RONALD EIDSON Date of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

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State of New Mexico
Energy, Minerals and Natural Resources

Form C-102
 Permit 66601

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 36908	5. Property Name MAGNOLIA	6. Well No. 001
7. OGRID No. 873	8. Operator Name APACHE CORP	9. Elevation 3584

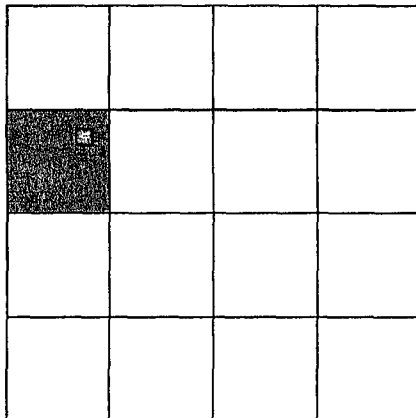
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**OPERATOR CERTIFICATION**

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

Unleased Mineral Interest Ownership in the Magnolia #1

Name & Address	Interest	Net Acres
Robert Groves Howard, Jr. and Pamela Kaye Howard 3813 Trevino Hobbs, NM 88240	3/256	0.46875
Thelma Marie Carlin 312 Walnut Ruidoso, NM 88345	3/256	0.46875
Timothy James Carlin 2727 Cross Tide Lane Friendswood, TX 77546	3/256	0.46875
Sarah Elizabeth Carlin 3956 Buffalo Avenue Broomfield, CO 80020	3/256	0.46875
Suzanne Imes 1630 Belle Isle Circle NE Atlanta, GA 30329	5/3200	0.0625
Bill Warrick and Carla	5/3200	0.0625
Sharon Imes Lodovic 451 Oak Brook New Braunfels, TX 78132	5/3200	0.0625
Overload Ltd (1/3) P.O. Box 148 Las Cruces, NM 88001	1/384	0.104166667
Jack Reid 2400 Summer Place Drive Swing, TX 75062	1/384	0.104166667
Betty Hawkins McRae 8101 North 47 th Street Paradise Valley, AZ 85253	1/64	0.625
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

B
EXHIBIT

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

APACHE CORPORATION

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 Blinbry, 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

Michelle.hanson@apachecorp.com

EXHIBIT 

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

_____ 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.

By: _____

Name: _____

Title: _____

Date: _____

MINERAL INTEREST OWNERS

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

Suzanne Imes
581 Harold Ave. NE
Atlanta, GA 30307

Jack Reid
2400 Summer Place Drive
Swing, TX 75062

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

Sharon Imes Lodovic
451 Oakbrook
New Braunfels, TX 78132

Sarah Elizabeth Carlin
3956 Buffalo Ave.
Broomfield, CO 80020

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

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

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

Magnolia, LLC
PO Box 51555
Midland, TX 79710

Overload LTD
PO Box 148
La Cruces, NM 88001

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

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

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

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

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

Ann Remington
PO Box 43
Ruidoso, NM 88345

Thelma Marie Carlin
312 Walnut
Ruidoso, NM 88345

Sandra Hale
3761 W. Maplewood
Springfield, MO 65804

Timothy James Carlin
HCR 79, Box 4 West
Paint Rock, TX 76866

Teresa Lopez
4945 Champlain
San Antonio, TX 78217

**DRILLING AND COMPLETION AP-
ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE**

PROPERTY NO. 0		<input checked="" type="checkbox"/> 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			
PROSPECT/LEASE # HOUSE	LEGAL / ZIP CODE SEC 11, T20S-R38E	<input checked="" type="checkbox"/> ORIGINAL <input type="checkbox"/> SUPPLEMENT <input type="checkbox"/> EXPLORATION <input checked="" type="checkbox"/> DEVELOPMENT <input type="checkbox"/> PUD			
OPERATOR APACHE CORPORATION	APACHE WI 43.000000%				
OBJECTIVE DRINKARD - 7,300'	PROSPECT # NM4022				
FOCUS AREA NEW MEXICO	API # 0				
ESTIMATED PROJECT START DATE		ESTIMATED PROJECT COMPLETION DATE			
DESCRIPTION Drill, Complete, and Equip a 7,100' B-T-D well.					

INTANGIBLE DEVELOPMENT COSTS

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
70006	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	8,000
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	0	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	12,500
70040	GRAVEL PACK SERVICES	0	0	0	0
70045	INSURANCE	0	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	22,500	15,000	0	37,500
70050	MARINE TRANSPORTATION	0	0	0	0
70054	OTHER INTANGIBLE	22,000	88,800	0	110,800
70064	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
70075	TUBING CONVEY PERFORATING	0	0	0	0
70076	TUBULAR INSPECTIONS	2,500	2,500	0	5,000
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

PROPERTY: MAGNOLIA 1 AFE #: TW-08-0138

TANGIBLE MATERIAL COSTS

ACCT	DESCRIPTION	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	0	0	0	0
71012	FLOW LINES TO BATTERY	0	5,000	0	5,000
71017	HIGH PRESSURE KNOCK-OUT	0	0	0	0
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' L80LTC	0	68,910	0	68,910
71043	PUMPS	0	4,000	0	4,000
71046	SALES LINE	0	0	0	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 + Tax	24,500	0	0	24,500
71051	TANK BATTERY 2 CYL APACHE	0	160,000	0	160,000
71052	TREATERS 1 WFL APACHE SEP	0	20,000	0	20,000
71053	TUBING 2-7/8" 6.5# J-55 @ \$4.99/ft	0	31,755	0	31,755
71056	WELLHEAD ASSEMBLY LABOR	2,250	5,000	0	7,250
	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
	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

PREPARED BY

TERRY ORBERT 12-3-07
DATE

PREPARED BY

ELICK CRIST 12/7/07
DATE

APPROVED BY

ROSS MURPHY 12-8-07
DATE

APPROVED BY

TIM SULLIVAN 12/13/07
DATE

APPROVED BY

DOUG O'NEIL 12/13/07
DATE

APPROVED BY

TOM VOYTOVICH 12/13/07
DATE

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

A.	GROSS ORIGINAL AFE AMOUNT	1,443,565
B.	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

COMPANY	WORKING INTEREST	APPROVED BY	DATE

COMMENTS:

0
0