

**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:**

**CASE NO. 15401
ORDER NO. R-14093**

**APPLICATION OF APACHE CORPORATION FOR APPROVAL OF THE FIRE
EAGLE STATE SAN ANDRES EXPLORATORY UNIT, LEA COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing November 12, 2015 at Santa Fe, New Mexico, before Examiner William V. Jones, and December 3, 2015 before Examiner Michael McMillan.

NOW, on this 8th day of December, 2015, the Division Director, having considered the testimony, the record, and the recommendations of Examiner McMillan,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The Applicant, Apache Corporation ("Apache") seeks approval of its Fire Eagle State San Andres Exploratory Unit Agreement for all oil and gas in the San Andres formation underlying the following described 3,360 acres, more or less, of State Trust lands located in Lea County, New Mexico:

Township 10 South, Range 36 East, NMPM

| | |
|-------------------|--------------|
| Sections 2, 3, 4: | All |
| Section 9: | N/2 |
| Section 10: | N/2 and SW/4 |
| Section 11: | All |

(3) As detailed in Paragraph 2, Unitized Substances of the Unit Agreement, the Unitized Interval is "the San Andres formation, the correlative interval of which is

identified between the logged depths of 4243 feet and 5643 feet in the Compensated Neutron/Gamma Ray log formulated by Schlumberger on the Gainer 22 Well No. 1 (API 30-025-38792) located in (Unit K) of Section 22, Township 10 South, Range 36 East, NMPM, Lea County, New Mexico.”

(4) COG Operating LLC made an appearance through counsel, but did not oppose the granting of this application.

(5) The Applicant appeared at the hearing through legal counsel and presented testimony as follows.

(a) The proposed Unit comprises 20 separately owned tracts. All lands in the Unit are within the State Trust and administered by the Commissioner of Public Lands of the State of New Mexico (“State Land Office” or “SLO”).

(b) Apache is the lessee of record of all tracts and owns all of the working interests in all tracts and has obtained preliminary approval of the Unit from the SLO.

(c) Notice of the Division hearing was provided to all overriding royalty owners.

(d) The Unit Agreement will be effective upon final approval by the Commissioner of Public Lands.

(e) The target interval within the San Andres formation in this area is not prospective by vertical completions. This Unit is being formed in order to drill and complete the San Andres formation using horizontal wells.

(f) The initial well within the Unit will be the Fire Eagle 10 State Well No. 1H (API No. 30-025-42809) which will be drilled first as a vertical San Andres formation pilot hole in Unit H of Section 10, then horizontally within the San Andres formation in a northern direction to a terminus in Lot 1 of Section 3.

(6) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formation under the concept proposed by the Applicant.

(7) The proposed Unit will prevent waste and protect correlative rights.

(8) The application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The Fire Eagle State San Andres Exploratory Unit Agreement executed by Apache Corporation is hereby approved for all oil and gas in the San Andres formation

underlying the following described 3,360 acres, more or less, of State Trust lands located in Lea County, New Mexico:

Township 10 South, Range 36 East, NMPM

| | |
|-------------------|--------------|
| Sections 2, 3, 4: | All |
| Section 9: | N/2 |
| Section 10: | N/2 and SW/4 |
| Section 11: | All |

(2) As detailed in Paragraph 2, Unitized Substances of the Unit Agreement, the Unitized Interval is "the San Andres formation, the correlative interval of which is identified between the logged depths of 4243 feet and 5643 feet in the Compensated Neutron/Gamma Ray log formulated by Schlumberger on the Gainer 22 Well No. 1 (API 30-025-38792) located in (Unit K) of Section 22, Township 10 South, Range 36 East, NMPM, Lea County, New Mexico."

(3) The plan contained in the Fire Eagle State San Andres Exploratory Unit Agreement for the development and operation of the above-described unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

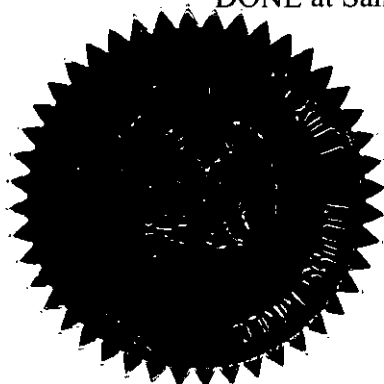
(4) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(5) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(6) This order shall become effective upon the final approval of the unit agreement by the Commissioner of Public Lands. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.

(7) 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 hereinabove designated.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, reading "David R. Catanach".

DAVID R. CATANACH
Director