



O# R-14085
C# 15400

Aubrey Dunn
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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COMMISSIONER'S OFFICE

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April 25, 2017

Apache Corporation
ATTN: Ms. Laci Lawrence
303 Veterans Airpark Lane, Suite 3000
Midland, TX 79705-9909

Re: Unit Termination
Pacífico State San Andres Unit Agreement
Lea County, New Mexico

Dear Ms. Lawrence:

Our records indicate that Apache Corporation is the Operator of Record for the Pacífico State San Andres Unit area, Lea County, New Mexico.

Our records reflect the following:

- The Pacífico State San Andres Unit Agreement was approved effective December 15, 2015.
- Section 8 of the Unit Agreement titled "Drilling to Discovery" states:
"Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder."
- The initial test well for Pacífico State San Andres Unit was completed on August 5, 2016 (New Mexico Oil Conservation Division's well report of First Oil Production).
- Based on the unit agreement, six months from completion of the initial test well was February 1, 2017.
- As of today's date (April 25, 2017), Apache has neither received a commercial determination for the initial test well nor spud a second test well in the Pacífico State San Andres Unit. The commitment for these events is overdue by more than 80 days.

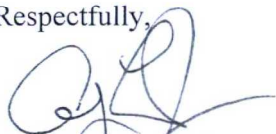
The New Mexico State Land Office sent an advance notification of termination dated March 20, 2017, indicating that unless Apache Corporation provided adequate reasons for continuing the unit agreement, the unit would be terminated after 30 days had elapsed.

Pursuant to Section 8 of the Unit Agreement, the Commissioner of Public Lands has this date (April 25, 2017) terminated the Pacífico State San Andres Unit.

Please notify all interested parties of this action.

If you have any questions or if we may be of assistance, please contact Units Manager Marilyn Gruebel at 505.827.5791.

Respectfully,

A handwritten signature in blue ink, appearing to read 'A. Dunn', with a stylized flourish extending to the right.

AUBREY DUNN
COMMISSIONER OF PUBLIC LANDS

AD/mg

cc: NMOCD – Attn: Mr. Daniel Sanchez
TRD – Attn: Ms. Billie Luther
RMD – Attn: Mr. Danny Martinez
OGMD & Units Reader Files

TERMINATED DUE TO NON-PERFORMANCE WITH UNIT AGREEMENT										
UNIT NAME: PACIFICO STATE SAN ANDRES UNIT						UNIT #:		300373		
OPERATOR: APACHE CORPORATION						UNIT TYPE:		STATE EXPLORATORY		
OGRID #: 873										
COUNTY: LEA										
SLO APPROVAL DATE	EFFECTIVE DATE	OCD CASE NO.	OCD ORDER NO.	OCD APPROVAL DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN	FEE	SEGREGATION CLAUSE TYPE
4/25/2017	4/25/2017				4312.30	4312.30				Strict
TOWNSHIP:		10S	RANGE:		36E	SECTION:		DESCRIPTION		
						5	S2			
						6	E2SW4			
						6	SE4			
						6	6			
						6	7			
						7	E2NW4			
						7	E2SW4			
						7	NE4			
						7	SE4			
						7	1			
						7	2			
						7	3			
						7	4			
						8	ALL			
						16	ALL			
						17	N2			
						18	E2NW4			
						18	E2SW4			
						18	NE4			
						18	N2SE4			
						18	1			
						18	2			
						18	3			
						18	4			
						19	E2NW4			
						19	NE4			
						19	1			
						19	2			
						20	E2			
						21	NW4			
						21	W2NE4			