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OCD-HOBBS

Form 3160-3
(April 2004)

SEP 02 2011

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Split Estate

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5 Lease Serial No.
NMNM-090161

6. If Indian, Allotee or Tribe Name

1a. Type of work: ☑ DRILL ☐ REENTER

7 If Unit or CA Agreement, Name and No.
WBDU NM 120042X (37346)

1b. Type of Well: ☑ Oil Well ☐ Gas Well ☐ Other ☑ Single Zone ☐ Multiple Zone

8. Lease Name and Well No.
WEST BLINEBRY DRINKARD UNIT #135

2. Name of Operator
APACHE CORPORATION (873)

9. API Well No.
30-025- 40276

3a. Address **303 VETERNAS AIRPARK LN #3000 MIDLAND, TX 79705**

3b. Phone No. *(include area code)*
432-818-1167

10. Field and Pool, or Exploratory
EUNICE; BLI-TU-DRI, NORTH (22900)

4. Location of Well *(Report location clearly and in accordance with any State requirements *)*
At surface **400' FSL & 1650' FWL** Unit N
At proposed prod. zone **SAME**

11. Sec., T. R. M. or Blk. and Survey or Area
UL: N SEC 8 T21S R37E

14. Distance in miles and direction from nearest town or post office*
APPROX 4.5 MILES NORTH OF EUNICE, NM

12. County or Parish
LEA

13. State
NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No of acres in lease	17. Spacing Unit dedicated to this well
400'	**958**	**40 ACRES**
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. **1130' +/-**	19. Proposed Depth **71525'**	20. BLM/BIA Bond No. on file **BLM - CO - 1463 NATIONWIDE**
21. Elevations (Show whether DF, KDB, RT, GL, etc.) **3498'**	22. Approximate date work will start* **03/31/2011**	23. Estimated duration **8-10 DAYS**

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature	Name *(Printed/Typed)*	Date
Sorina L Flores	**SORINA L FLORES**	**03/22/2011**

Title
DRILLING TECH

Approved by *(Signature)*	Name *(Printed/Typed)*	Date
/s/ Don Peterson	/s/ Don Peterson	SEP - 2 2011

Title	Office
FIELD MANAGER	CARLSBAD FIELD OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

Capitan Controlled Water Basin

KZ 09/06/11

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

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PRIVATE SURFACE OWNER AGREEMENT

OPERATOR: APACHE CORPORATION

WELL NAME: WEST BLINEBRY DRINKARD UNIT #135

UL: N SECTION: 8 TOWNSHIP: 21S RANGE: 37E

LOCATION: 400' FSL & 1650' FWL COUNTY: LEA STATE: NM

LEASE NUMBER: NMNM-090161

STATEMENT OF SURFACE USE

The surface to the subject land is owned by THE MILLARD DECK ESTATE, c/o BANK OF AMERICA, N.A., TRUSTEE of the MILLARD DECK TESTAMENTARY TRUST under the LAST WILL and TESTAMENT of MILLARD DECK.

The surface owner has been contacted regarding the drilling of the subject well, and an agreement for surface use has been negotiated.

CERTIFICATION: I hereby certify that the statements made in this statement are to the best of my knowledge, true and correct.

Jeremy Ward

Signature

NAME: JEREMY WARD

DATE: 1/17/2011

TITLE: DRILLING ENGINEER

To expedite your Application to Drill please fax the completed form to the
Bureau of Land Management (575) 234-5927 or (575) 885-9264
Attention: Legal Instruments Examiner
620 E. Green Street
Carlsbad, NM 88220

The original document with signature should be mailed as soon as possible.

DRILLING PLAN: BLM COMPLIANCE
(Supplement to BLM 3160-3)

APACHE CORPORATION (OGRID: 873)

West Blinebry Drinkard Unit #135 Lease #: NMNM-090161 Projected TD: 7125' GL: 3498'
400' FSL & 1650' FWL, UL: N SEC: 8 T21S R37E LEA COUNTY, NM

1. **GEOLOGIC NAME OF SURFACE FORMATION:** Permian w/quaternary alluvium & other superficial deposits.
2. **ESTIMATED TOPS OF GEOLOGICAL MARKERS & DEPTHS OF ANTICIPATED FRESH WATER, OIL OR GAS:**

FORMATION	WELL DEPTH	WATER/OIL/GAS
Quaternary Alluvium	Surf	
Rustler	1275'	
Salt Top	1325'	
Salt Bottom	2511'	
Yates	2678'	
Queen	3430'	
Grayburg	3700'	
San Andres	3985'	
Glorietta	5210'	
Blinebry	5695'	Oil
Tubb	6205'	Oil
Drinkard	6540'	Oil
ABO	6825'	
TD	7125'	
Avg Depth to Ground Water:	~75'	

All fresh water & prospectively valuable minerals, as described by BLM, encountered during drilling, will be recorded by depth and adequately protected. All oil & gas shows within zones of correlative rights will be tested to determine commercial potential.

3. **CASING PROGRAM:** All casing is new & API approved

HOLE SIZE	DEPTH	OD CSG	WEIGHT	COLLAR	GRADE	COLLAPSE	BURST	TENSION
12-1/4"	0' – 1325'	8-5/8"	24#	STC	J-55	2.4	5.09	7.7
7-7/8"	0' – 1000'	5-1/2"	17#	LTC	L-80	12.09	3.1	2.8
7-7/8"	1000' – 7125'	5-1/2"	17#	LTC	J-55	1.3	1.4	2.4

4. **CEMENT PROGRAM:**

A. **8-5/8" Surface:** Run & set 8-5/8" 24# J-55 STC csg to 1325'. Cement with:
Lead: 430 sx Class C w/2% CaCl, 0.25% CF, 3#/sx LCM-1, 0.005 gps FP-6L, 4% Bentonite
(13.5 ppg, 1.75 cuft/sx, 8.86 gps) *Comp Strengths :* ***12 hr*** *– 417 psi* ***24 hr*** *– 700 psi* ***72 hr*** *– 1278 psi*

Tail: 370 sx Class C w/1% CaCl, 0.13 #/sx CF, 0.005 gps FP-6L
(14.8 ppg, 1.34 cuft/sx, 6.33 gps) *Compressive Strengths:* ***12 hr*** *– 875psi* ***72hr*** *– 1466 psi*
***100% excess cmt; Cmt to surf ***

B. **5-1/2" Production:** Run & set 5-1/2" 17# L-80/J-55 LTC cst to 7125'. Cement with:
Lead: 650 sx (50:50) Poz (Fly ash): Class C w/5% NaCl, 0.13 #/sx CF, 3 #/sx LCM-1, 0.5% FL-52, 0.005 gps FP-6L, 10% Bentonite, 0.2% Sodium Metasilicate
(11.8 ppg, 2.46 cuft/sx, 13.78 gps) *Compressive Strengths:* ***12 hr*** *– 100 psi* ***24 hr*** *– 200 psi* ***72 hr*** *– 550 psi*

Tail: 370 sx (50:50) Poz (Fly ash): Class C w/5% NaCl, 0.13#/sx CF, 0.2% CD-32, 3 #/sx LCM-1, 0.45% FL-52, 0.005 gps FP-6L, 2% Bentonite, 0.1% Sodium Metasilicate
(14.2 ppg, 1.3 cuft/sx, 5.57 gps) *Compressive Strengths:* ***12 hr*** *– 500 psi* ***24 hr*** *–1600 psi* ***72hr*** *—2250 psi*
***55% excess cmt; Cmt to surf ***

*** The above cmt volumes could be revised pending caliper measurement from open hole logs. TOC is designed to reach surface.***

5. PROPOSED CONTROL EQUIPMENT

"EXHIBIT 7" shows a 900 series 3M psi WP BOP consisting of an annular bag type preventer, middle blind rams, bottom pipe rams. The BOP will be nippled up on the 8-5/8" csg and utilized continuously until total depth is reached. The BOP will be tested at 2000 psi, maximum surface pressure is not expected to exceed 2M psi, BHP is calculated to be approximately 3135 psi. *All BOP's and associated equipment will be tested as per BLM *Drilling Operations Order #2*. The BOP will be operated and checked each 24 hr period & the blind rams will be operated & checked when the drill pipe is out of the hole. Functional tests will be documented on the daily driller's log. *"EXHIBIT 6"* also shows a 3M psi choke manifold with a 4" panic line. Full opening stabbing valve & Kelly cock will be on derrick floor in case of need. No abnormal pressures of temperatures are expected in this well. No nearby wells have encountered any problems.

6. PROPOSED MUD CIRCULATION SYSTEM: (Closed Loop System)

INTERVAL	MW (ppg)	VISC (sec/qt)	FLUID LOSS (cc)	MUD TYPE
0' – 1325'	8.4 – 8.6	28 – 30	NC	Water
1325' to 5600'	10	29 – 32	NC	Brine
5600' – TD	10	29 – 32	NC	Cut Brine

***** The necessary mud products for weight addition and fluid loss control will be on location at all times. In order to run open hole logs & casing, the above mud properties may have to be altered to meet these needs.***

7. AUXILIARY WELL CONTROL EQUIPMENT / MONITORING EQUIPMENT:

9" x 3000 psi Double BOP/Blind & pipe ram (2M BOP if available)
4-1/2" x 3000 psi Kelly valve
9" x 3000 psi mud cross – H2S detector on production hole
Gate-type safety valve 3" choke line from BOP to manifold
2" adjustable chokes – 4" panic line

8. LOGGING, CORING & TESTING PROGRAM: See COA

A. Open hole logs: Dual Laterolog, MSFL, CNL, Litho-Density, Gamma Ray, Caliper & Sonic from TD back to 8-5/8" csg shoe.
B. Run CNL, Gamma Ray from 8-5/8" csg shoe back to surface.
C. No cores, DST's or mud logger are planned at this time.

9. POTENTIAL HAZARDS:

No abnormal pressures or temperatures are anticipated. In the event abnormal pressures are encountered, however, the proposed mud program will be modified to increase the mud-weight. There is known presence of H_2S in this area. If H_2S is encountered the operator will comply with the provisions of *Onshore Oil & Gas Order No. 6.* No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP: 3135 psi and estimated BHT : 115°.

10. ANTICIPATED STARTING DATE AND DURATION OF OPERATIONS:

Road and location construction will begin after Santa Fe & BLM has approved APD. Anticipated spud date will be as soon after Santa Fe and BLM approval and as soon as rig will be available. Move in operations and drilling is expected to take 8 - 10 days. If production casing is run then an additional 90 days will be needed to complete well and construct surface facilities and/or lay flow lines in order to place well on production.

11. OTHER FACETS OF OPERATION:

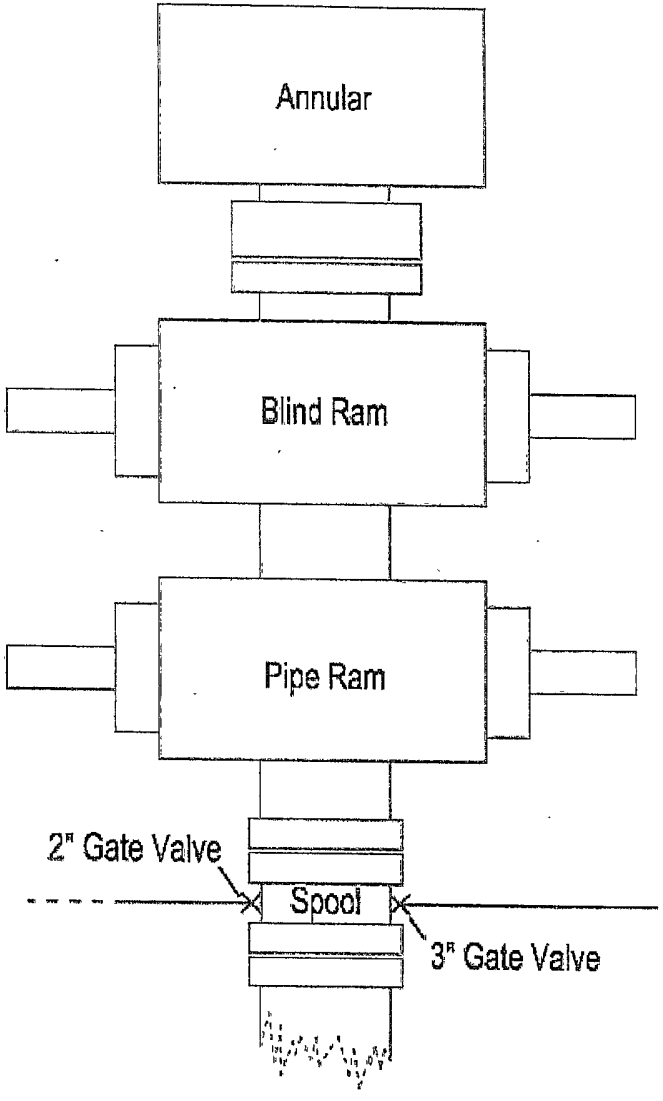
After running csg, cased hole Gamma Ray, Neutron Collar logs will be run from TD back to all possible productive zones. The Eunice; Blin-Tu-Dri, North formation will be perforated and stimulated in order to establish production. The well will be swab tested & potentialed as an oil well.

3M psi BOPE & Choke Manifold

WBDU #135

All valve & lines on choke manifold are 2" unless noted.
Exact manifold configuration may vary

Exhibit #7



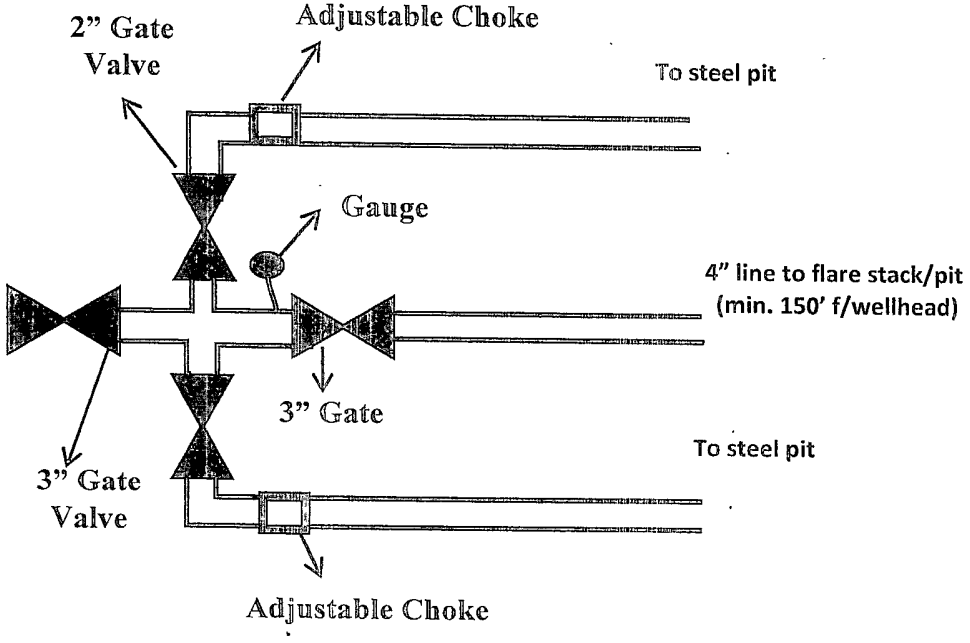


Exhibit #5

Apache

Closed Loop Equipment Diagram
WBDU #135

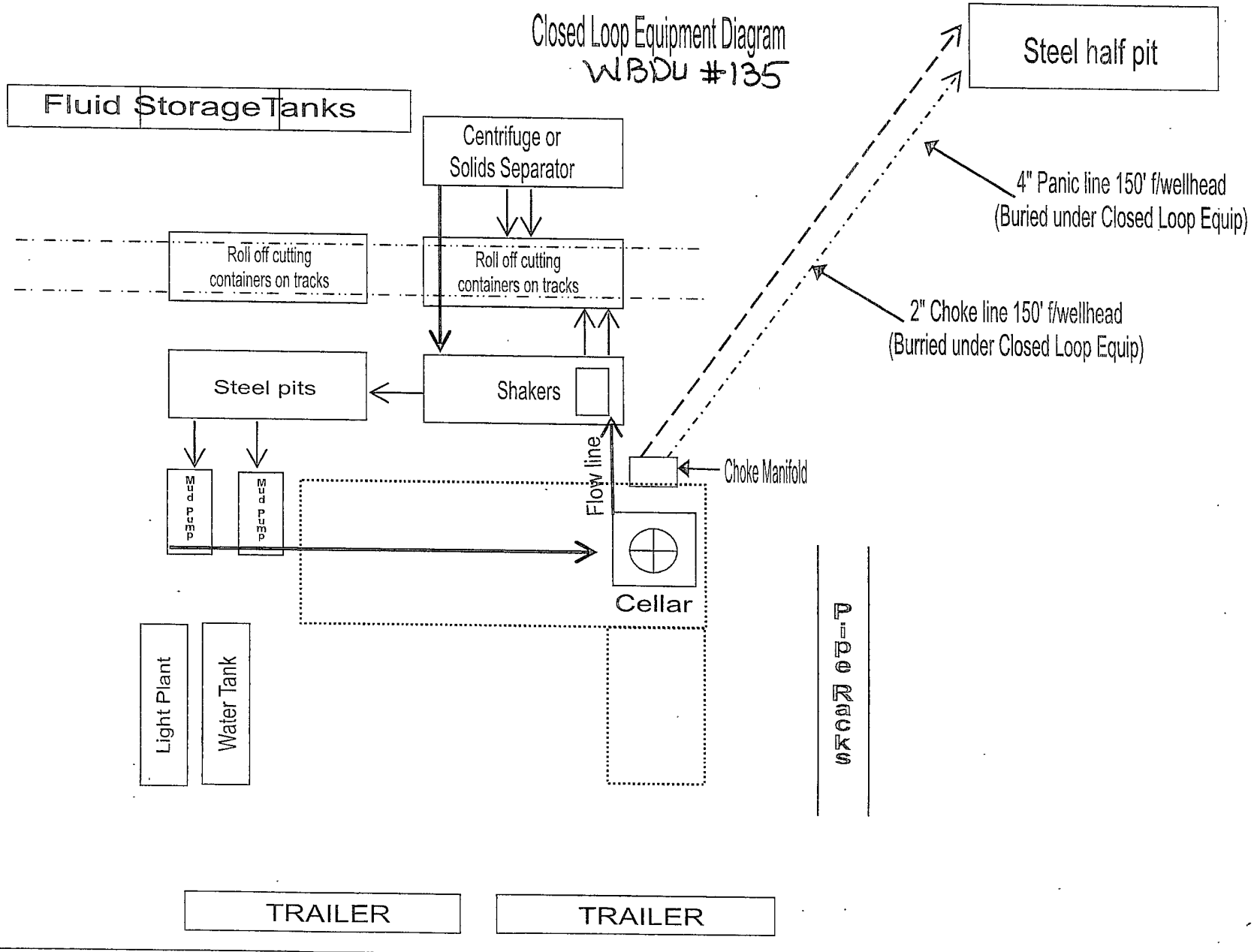
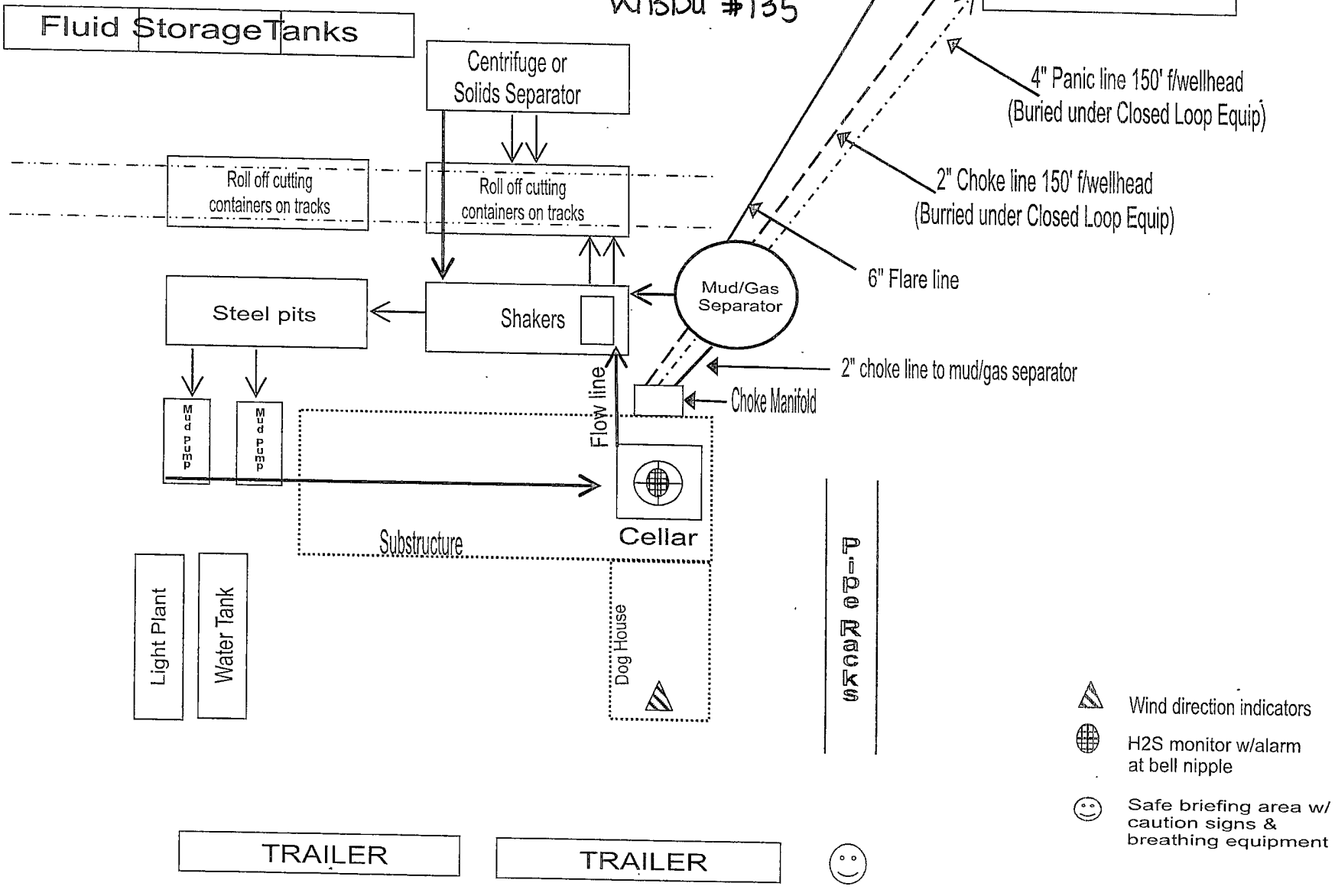


Exhibit #6

Apache

Drilling Location
H2S Safety Equipment Diagram
WBDU #135



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Apache

1/17/2011

Sorina Flores
Apache Corporation
303 Veterans Airpark Ln., Ste. 3000
Midland, TX 79705

Bureau of Land Management
620 E. Greene
Carlsbad, NM 88220
575-887-6544

Dear Sirs:

Apache Corporation does not anticipate encountering H2S while drilling the West Blinebry Drinkard Unit #135 located in UL: N Sec: 8, T21S, R37E, in Lea County, New Mexico. As a precaution, I have attached an *H_2S Drilling Operations Plan*, *H_2S Contingency Plan* and *Well Control Emergency Response Plan*. If you need anything further, please contact me at the telephone number or email listed above.

Thank you,

Sorina L Flores

Sorina Flores
Drilling Tech

SEP 08 2011

HYDROGEN SULFIDE (H_2S) DRILLING OPERATIONS PLAN

Hydrogen Sulfide Training:

All regularly assigned personnel, contracted or employed by Apache Corporation will receive training from qualified instructor(s) in the following areas prior to commencing drilling possible hydrogen sulfide bearing formations in this well:

- The hazards and characteristics of hydrogen sulfide (H_2S)
- The proper use and maintenance of personal protective equipment and life support systems.
- The proper use of H_2S detectors, alarms, warning systems, briefing area, evacuation procedures & prevailing winds.
- The proper techniques for first aid and rescue procedures.

Supervisory personnel will be trained in the following areas:

- The effects of H_2S on metal components. If high tensile tubulars are to be utilized, personnel will be trained in their special maintenance requirements.
- Corrective action & shut-in procedures when drilling or reworking a well & blowout prevention / well control procedures.
- The contents and requirements of the H_2S Drilling Operations Plan

There will be an initial training session just prior to encountering a known or probable H_2S zone (within 3 days or 500') and weekly H_2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H_2S Drilling Operations Plan and the Public Protection Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received proper training.

H_2S SAFETY EQUIPMENT AND SYSTEMS:

Well Control Equipment that will be available & installed if H_2S is encountered:

- Flare Line with electronic igniter or continuous pilot.
- Choke manifold with a minimum of one remote choke.
- Blind rams & pipe rams to accommodate all pipe sizes with properly sized closing unit.
- Auxiliary equipment to include. annular preventer, mud-gas separator, rotating head & flare gun with flares

Protective Equipment for Essential Personnel:

- Mark II Survive-air 30 minute units located in dog house & at briefing areas, as indicated on wellsite diagram.

H2S Dection and Monitoring Equipment:

- Two portable H_2S monitors positioned on location for best coverage & response. These units have warning lights & audible sirens when H_2S levels of 20 ppm are reached.
- One portable H_2S monitor positioned near flare line.

H2S Visual Warning Systems:

- Wind direction indicators are shown on wellsite diagram.
- Caution / Danger signs shall be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used when appropriate.

Mud Program:

- The Mud Program has been designed to minimize the volume of H_2S circulated to the surface. Proper mud weights, safe drilling practices & the use of H_2S scavengers will minimize hazards when penetrating H_2S bearing zones.
- A mud-gas separator and H_2S gas buster will be utilized as needed.

Metallurgy:

- All drill strings, casing, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold & lines, & valves will be suitable for H_2S service.
- All elastomers used for packing & seals shall be H_2S trim.

Communication:

- Cellular telephone and 2-way radio communications in company vehicles, rig floor and mud logging trailer.

HYDROGEN SULFIDE (H_2S) CONTINGENCY PLAN

Assumed 100 ppm ROE = 3000'

100 ppm H_2S concentration shall trigger activation of this plan.

Emergency Procedures

In the event of a release of gas containing H_2S, the first responder(s) must

- Isolate the area and prevent entry by other persons into the 100 ppm ROE.
- Evacuate any public places encompassed by the 100 ppm ROE.
- Be equipped with H_2S monitors and air packs in order to control the release.
- Use the "buddy system" to ensure no injuries occur during the response
- Take precautions to avoid personal injury during this operation.
- Contact operators and/or local officials to aid in operation. See list of phone numbers attached.
- Have received training in the :
  - Detection of H_2S, and
  - Measures for protection against the gas,
  - Equipment used for protection and emergency response.

Ignition of Gas source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO_2). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever this is an ignition of the gas.

Characteristics of H_2S and SO_2

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H_2S	1.189 Air = I	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO_2	2.21 Air = I	2 ppm	N/A	1000 ppm

Contacting Authorities

Apache Corporation personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available including directions to site. The following call list of essential and potential responders has been prepared for use during a release. Apache's response must be in coordination with the State of New Mexico's *"Hazardous Materials Emergency Response Plan" (HMER).*

WELL CONTROL EMERGENCY RESPONSE PLAN

I. GENERAL PHILOSOPHY

Our objective is to ensure that during an emergency, a predetermined procedure is followed so that prompt decisions can be made based on accurate information.

The best way to handle and emergency is with an experienced organization set up for the sole purpose of solving the problem. The *Well Control Emergency Response Team* was organized to handle dangerous & expensive well control problems. The *Team* is structured such that each individual can contribute the most from his area of expertise. Key decision-makers are determined prior to an emergency to avoid confusion about who is in charge.

If the well is flowing uncontrolled at the surface or subsurface, *The Emergency Response Team* will be mobilized. The *Team* is customized for the people currently on the Apache staff. Staff changes may require a change in the plan.

II. EMERGENCY PROCEDURE ON DRILLING OR COMPLETION OPERATIONS

A. In the event of an emergency the *Drilling Foreman or Tool-Pusher* will immediately contact only one of the following starting with the first name listed:

Name	Office	Mobile	Home
Danny Laman – Drlg Superintendent	432-818-1022	432-634-0288	432-520-3528
Jeremy Ward – Drilling Engineer	432-818-1024	432-853-7159	
Bobby Smith – Drilling Manager	432-818-1020	432-556-7701	
Brad Horton – Supervisor EH&S	432-818-1105	432-631-4077	432-638-9250

***This one phone call will free the Drilling Foreman to devote his full time to securing the safety of personnel & equipment. This call will initiate the process to mobilize the Well Control Emergency Response Team. Apache maintains an Emergency Telephone Conference Room in the Houston office. This room is available for us by the Permian Region The room has 50 separate telephone lines.*

B. The Apache employee contacted by the Drilling Foreman will begin contacting the rest of the *Team*. If **Danny Laman** is out of contact, **Jeremy Ward** will be notified.

C. If a member of the *Emergency Response Team* is away from the job, he must be available for call back. Telephone numbers should be left with secretaries or a key decision-maker.

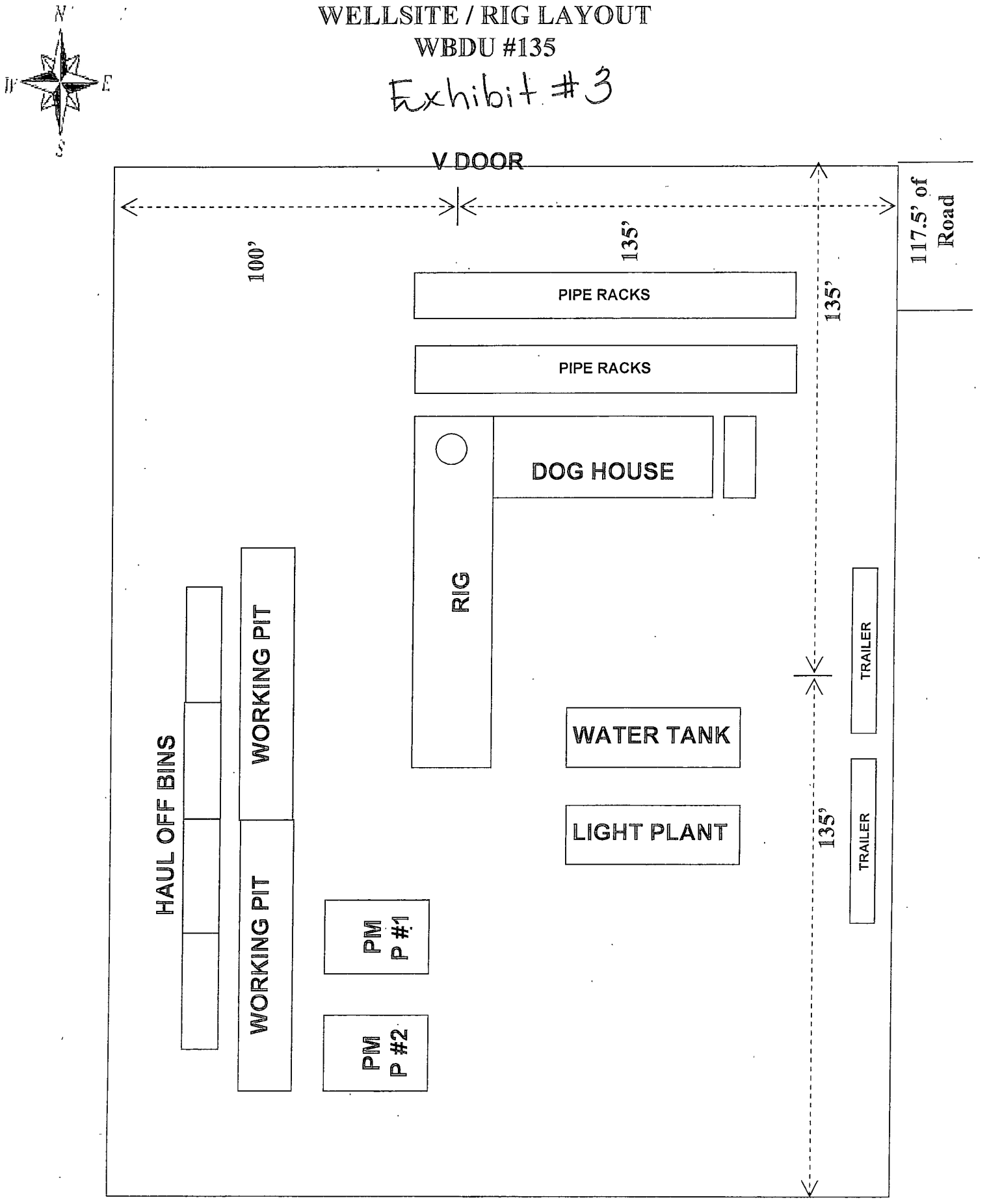
D. Apache's reporting procedure for spills or releases of oil or hazardous materials will be implemented when spills or releases have occurred or are probable.

EMERGENCY RESPONSE NUMBERS:

SHERIFF DEPARTMENT	
Eddy County	575-887-7551
Lea County	575-396-3611
FIRE DEPARTMENT	911
Artesia	575-746-5050
Carlsbad	575-885-2111
Eunice	575-394-2111
Hobbs	575-397-9308
Jal	575-395-2221
Lovington	575-396-2359
HOSPITALS	911
Artesia Medical Emergency	575-746-5050
Carlsbad Medical Emergency	575-885-2111
Eunice Medical Emergency	575-394-2112
Hobbs Medical Emergency	575-397-9308
Jal Medical Emergency	575-395-2221
Lovington Medical Emergency	575-396-2359
AGENT NOTIFICATIONS	
Bureau of Land Management	575-393-3612
New Mexico Oil Conservation Division	575-393-6161

WELLSITE / RIG LAYOUT
WBDU #135

Exhibit #3



INTERIM RECLAMATION LAYOUT
WBDU #135
EXHIBIT #4