

SEP 02 2011

OCD Hobbs

Form 3160-3  
(April 2004)

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UNITED STATES

DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Split Estate

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

## APPLICATION FOR PERMIT TO DRILL OR REENTER

|  |   |   |
|--|---|---|
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER <i>NOT RECD 1-11-11</i>   |   | 5. Lease Serial No.<br>NMNM - 125057  |
| 1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone |   | 6. If Indian, Allottee or Tribe Name  |
| 2. Name of Operator<br>APACHE CORPORATION  |   | 7. If Unit or CA Agreement, Name and No.<br>EBDU  |
| 3a. Address 303 VETERNAS AIRPARK LN #3000<br>MIDLAND, TX 79705   | 3b. Phone No. (include area code)<br>432-818-1167   | 8. Lease Name and Well No. <i>&lt;35023&gt;</i><br>EAST BLINEBRY DRINKARD UNIT # <i>116</i> |
| 4. Location of Well (Report location clearly and in accordance with any State requirements *)<br>At surface 3630' FSL & 1760' FEL <i>Lot 15</i><br>At proposed prod. zone SAME   |   | 9. API Well No.<br>30-025- <i>40268</i>   |
| 14. Distance in miles and direction from nearest town or post office*<br>APPROX 5 MILES NORTHEAST OF EUNICE, NM  |   | 10. Field and Pool, or Exploratory<br>EUNICE; BLI-TU-DRI, NORTH <i>&lt;22900&gt;</i>        |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)<br>1760'   | 16. No. of acres in lease<br>1920                   | 11. Sec., T. R. M. or Blk. and Survey or Area<br>LOT: 15 SEC 1 T21S R37E                    |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <i>520' +/-</i>   | 19. Proposed Depth<br>7300'                         | 12. County or Parish<br>LEA   |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.)<br>3549'   | 22. Approximate date work will start*<br>03/31/2011 | 13. State<br>NM   |
| 17. Spacing Unit dedicated to this well<br>40 ACRES  |   |   |
| 20. BLM/BIA Bond No. on file<br>BLM - CO - 1463 NATIONWIDE + <i>nm 3000736</i>   |   |   |
| 23. Estimated duration<br>10 - 12 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.  | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).    |
| 2. A Drilling Plan.   | 5. Operator certification  |
| 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). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

|                                      |   |                    |
|--------------------------------------|---|--------------------|
| 25. Signature <i>Sorina L Flores</i> | Name (Printed/Typed)<br>SORINA L FLORES | Date<br>03/22/2011 |
| Title<br>DRILLING TECH               |   |                    |

|  |   |                      |
|--|---|----------------------|
| Approved by (Signature)<br><i>/s/ Don Peterson</i> | Name (Printed/Typed)<br><i>/s/ Don Peterson</i> | Date<br>SEP - 2 2011 |
| Title<br>FIELD MANAGER                             | Office<br>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

SEE ATTACHED FOR  
CONDITIONS OF APPROVALAPPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

SEP 08 2011

SEP 02 2011

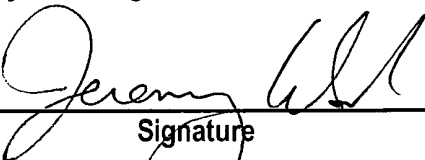
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**PRIVATE SURFACE OWNER AGREEMENT**OPERATOR: APACHE CORPORATIONWELL NAME: EAST BLINEBRY DRINKARD UNIT #116UL: 15 SECTION: 1 TOWNSHIP: 21S RANGE: 37ELOCATION: 3630' FSL & 1760' FEL COUNTY: LEA STATE: NMLEASE NUMBER: NMNM - 125057**STATEMENT OF SURFACE USE**

The surface to the subject land is owned by \_\_\_\_\_  
WILLIAM O. STEPHENS, PO BOX 115, EUNICE, NM 88231

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.

  
\_\_\_\_\_  
Signature

NAME: JEREMY WARDDATE: 1/21/2011TITLE: 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)**

East Blinebry Drinkard Unit #116      Lease #: NMNM-125057      Projected TD: 7300'      GL: 3549'  
3630' FSL & 1760' FEL, UL: 15      SEC: 1 T21S R37E      LEA COUNTY, NM

1. **GEOLOGIC NAME OF SURFACE FORMATION:** Quaternary Aeolian Deposits
2. **ESTIMATED TOPS OF GEOLOGICAL MARKERS & DEPTHS OF ANTICIPATED FRESH WATER, OIL OR GAS:**

| FORMATION                 | WELL DEPTH | WATER/OIL/GAS |
|---------------------------|------------|---------------|
| Quaternary Aeolian        | Surf       |               |
| Rustler                   | 1600'      |               |
| Salt Top                  | 1650'      |               |
| Salt Bottom               | 2785'      |               |
| Yates                     | 2885'      |               |
| Seven Rivers              | 3130'      |               |
| Queen                     | 3700'      |               |
| Grayburg                  | 4050'      |               |
| San Andres                | 4320'      |               |
| Glorietta                 | 5485'      |               |
| Blinebry                  | 5890'      | Oil           |
| Tubb                      | 6475'      | Oil           |
| Drinkard                  | 6780'      | Oil           |
| ABO                       | 7050'      |               |
| TD                        | 7300'      |               |
|                           |            |               |
| Avg Depth to Ground Water | ~74'       |               |

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' – 1650'    | 8-5/8" | 24#    | STC    | J-55  | 1.901    | 4.093 | 6.162   |
| 7-7/8"    | 0' – 1000'    | 5-1/2" | 17#    | LTC    | L-80  | 12.096   | 3.076 | 2.724   |
| 7-7/8"    | 1000' – 7300' | 5-1/2" | 17#    | LTC    | J-55  | 1.293    | 1.401 | 2.306   |

4. **CEMENT PROGRAM:**

**A. 8-5/8" Surface:** Run & set 8-5/8" 24# J-55 STC csg to 1650'. Cement with:

Lead: 470 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 yld)  
Comp Strengths: **12 hr** – 402 psi    **24 hr** – 608 psi    **72 hr** – 1340 psi

Tail: 200 sx Class C w/1% CaCl, 0.13 #/sx CF, 0.005 gps FP-6L (14.8 ppg, 1.34 yld)  
Compressive Strengths: **12 hr** – 859 psi    **24 hr** – 1427 psi    \*\*\*100% excess cmt; Cmt to surf\*\*\*

**B. 5-1/2" Production:** Run & set 5-1/2" 17# L-80/J-55 LTC csg to 7300'. Cement with:

Lead: 530 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 yld)  
Compressive Strengths: **12 hr** – 259 psi    **24 hr** – 798 psi    **72 hr** – 1405 psi

Tail: 400 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 yld)  
Compressive Strengths: **12 hr** – 450 psi    **24 psi** – 1875 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 nipped 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 3212 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 or 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' – 1650'     | 8.4 – 8.6 | 28 – 30       | NC              | Water     |
| 1650' 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 – H<sub>2</sub>S 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:

- 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:

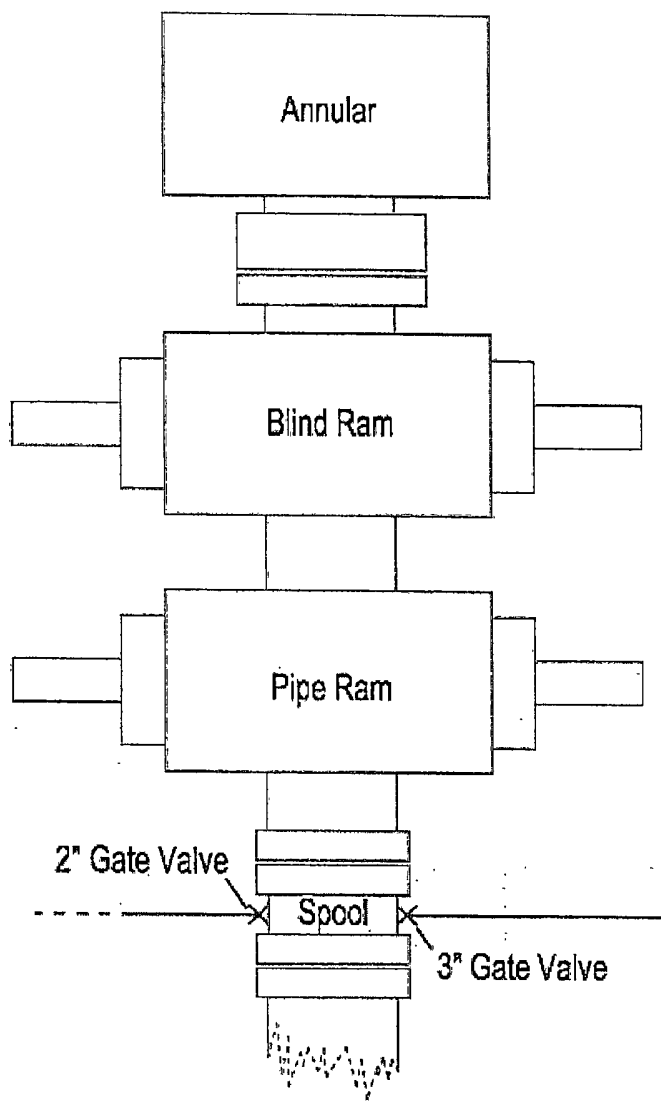
No abnormal pressures or temperatures are anticipated. In the event abnormal pressures are encountered, however, the proposed mud program will be modified to increase the mud-weight. There is known presence of H<sub>2</sub>S in this area. If H<sub>2</sub>S is encountered the operator will comply with 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: 3212 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 10-12 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 & potentialized as an oil well.

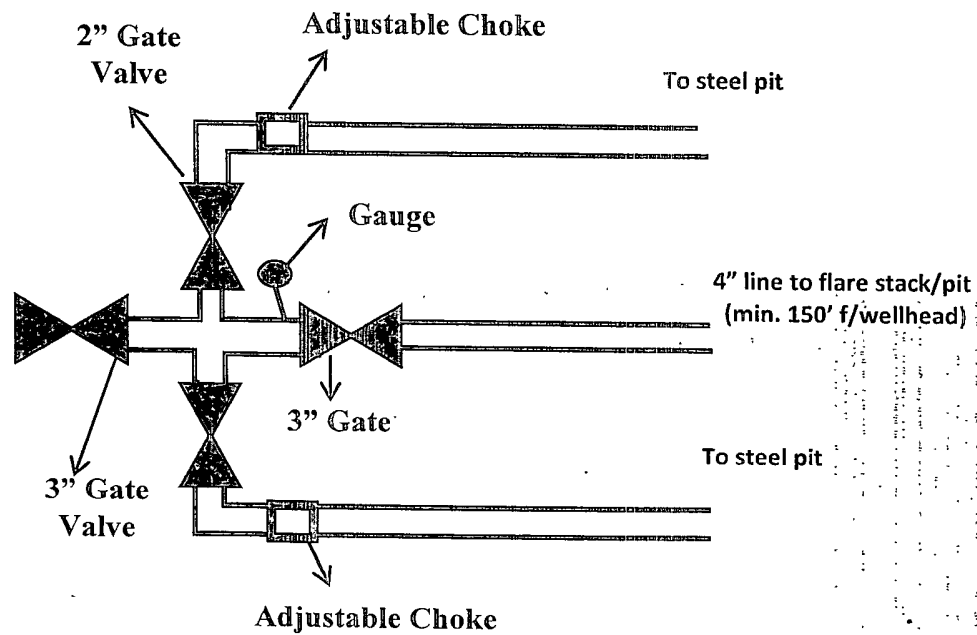


### 3M psi BOPE & Choke Manifold

EBDU #116

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

Exhibit #7



WELLSITE / RIG LAYOUT

EBDU #116

Exhibit #3

