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JUN 18 2012

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Form 3160-3
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. ~~NMNM-121960~~ LC 056011 B

6. If Indian, Allotee or Tribe Name

1a. Type of work: ☑ DRILL ☐ REENTER

7. If Unit or CA Agreement, Name and No.

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

8. Lease Name and Well No.
ELLIOTT FEDERAL 7 #4 <38884>

2. Name of Operator
APACHE CORPORATION <8737

9. API Well No.
30-025 - 40629

3a. Address 303 VETERANS AIRPARK LN #3000

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

10. Field and Pool, or Exploratory Blinebry O&G(O)#6660
Tubb O&G(O)#60240 Drinkard#19190
Wantz;ABO #62700

4. Location of Well *(Report location clearly and in accordance with any State requirements *)*
At surface 1980' FSL & 660' FWL
At proposed prod. zone SAME

11. Sec., T. R. M. or Blk. and Survey or Area
SEC: 7 T21S R38E

14. Distance in miles and direction from nearest town or post office*
APPROX 4.5 MILES NORTHEAST 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) 660'

16. No. of acres in lease
160
~~280~~ ACRES

17. Spacing Unit dedicated to this well
40 ACRES

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. APPROX 1000'

19. Proposed Depth
7500'

20. BLM/BIA Bond No. on file
BLM - CO - 1463

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3516'

22. Approximate date work will start*
AS Soon as approved

23. Estimated duration
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.
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 Sorina L Flores — Name *(Printed/Typed)* SORINA L. FLORES — Date 1/16/12

Title SUPV OF DRILLING SERVICES

Approved by *(Signature)* /s/ Don Peterson — Name *(Printed/Typed)* — Date JUN 14 2012

Title FIELD MANAGER — Office 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 06/14/12

Approval Subject to General Requirements & Special Stipulations Attached

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

JUN 20 2012

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

APACHE CORPORATION (OGRID: 873)

Elliott Federal 7 #4 Lease #: NMNM-121960 Projected TD: 7500' GL: 3516'
1980' FSL & 660' FWL, UL: L SEC: 7 T21S R38E LEA COUNTY, NM

1. GEOLOGIC NAME OF SURFACE FORMATION: Quaternary Alluvials

2. ESTIMATED TOPS OF GEOLOGICAL MARKERS & DEPTHS OF ANTICIPATED FRESH WATER, OIL OR GAS:

FORMATION	WELL DEPTH	WATER/OIL/GAS
Quaternary Aeolian	Surf	
Rustler	1575'	
Salt Top	2025'	
Salt Bottom	2715'	
Yates	2875'	
Seven Rivers	3085'	
Queen	3645'	
Grayburg	3895'	
San Andres	4275'	
Glorieta	5570'	
Paddock	5523'	
Blinebry	5885'	Oil
Tubb	6365'	Oil
Drinkard	6800'	Oil
ABO	6975'	
TD	7500'	
Depth to Ground Water:	50'	

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

See COA

HOLE SIZE	DEPTH	OD CSG	WEIGHT	COLLAR	GRADE	COLLAPSE	BURST	TENSION
12-1/4"	0' – ~~1625'~~ 1645'	8-5/8"	24#	STC	J-55	1.9	4.2	6.3
7-7/8"	0' – 1000'	5-1/2"	17#	LTC	L-80	12.1	3.1	2.7
7-7/8"	1000' – 7500'	5-1/2"	17#	LTC	J-55	1.3	1.4	2.2

4. CEMENT PROGRAM:

A. 8-5/8" Surface: Run & set 8-5/8" 24# J-55 STC csg to ~~1625~~'. Cement with:

Lead: 610 sx Class C w/2% CaCl, 0.25% CF, 3# LCM1, 0.005 gps FP-6L, 4% Bentonite
(13.5 ppg, 1.75 yld) *Comp Strengths:* ***12 hr*** *– 755 psi* ***24 hr*** *–1347 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*** *– 500 psi* ***24 hr*** *– 782 psi* ***100% excess cmt to surf ***

B. 5-1/2" Production: Run & set 5-1/2" 17# L-80/J-55 LTC csg to 7500'. Cement with:

Lead: 600 sx (50:50) Poz Cl C w/5% Sodium Chloride, 0.13# LCM1, 0.5% FL52, 0.005 gps FP6L, 6% Bentonite, 0.5% BA10A
(11.8 ppg, 2.46 yld) *Compressive Strengths:* ***12 hr*** *– 344 psi* ***24 hr*** *– 835 psi*

Tail: 300 sx (50:50) Poz Cl C w/5% Sodium Chloride, 0.13# CF, 0.2% CD32, 3# LCM1, 0.45% FL52, 0.005 gps FP6L, 2% Bentonite, 0.1% Sodium Metasilicate
(14.2 ppg, 1.3 yld) *Compressive Strengths:* ***12 hr*** *– 869 psi* ***24 psi*** *– 1768 psi* ***50% excess cmt; Cmt to surf***

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE
620 E. GREENE STREET
CARLSBAD, NM 88220

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Operator Name: **APACHE CORPORATION**

Street or Box: **303 VETERANS AIRPARK LANE, STE. 3000**

City, State: **Midland, TX**

Zip Code: **79705**

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Lease No: **NMNM-121960** **ELLIOTT FEDERAL 7 #4**

Legal Description of Land: **1980' FSL & 660' FWL**

UL: **L** Section: **7** Township: **21S** Range: **38E**

County: **LEA** State: **NM**

Bond Coverage: **$150,000**

Nationwide Oil and Gas Surety Bond, APACHE CORPORATION.

BLM Bond File No.: **BLM-CO-1463 NATIONWIDE**

Signature: Bobby L Smith Printed Name: **BOBBY L. SMITH**

Title: **DRILLING MANAGER, PERMIAN REGION**

Date: 1/16/12

PRIVATE SURFACE OWNER AGREEMENT

OPERATOR: APACHE CORPORATION

WELL NAME: ELLIOTT FEDERAL 7 #4

UL: L SECTION: 7 TOWNSHIP: 21S RANGE: 38E

LOCATION: 1980' FSL & 660' FWL COUNTY: LEA STATE: NM

LEASE NUMBER: NMNM-121960

STATEMENT OF SURFACE USE

The surface to the subject land is owned by
Mc Neill Ranches, PO Box 1058, Hobbs, NM, 88241

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: 1-12-12

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.

*** The above cmt volumes could be revised pending caliper measurement from open hole logs. TOC is designed to reach surface on Surface and Production. The above slurry design may change, but will meet BLM specifications.** *All slurries will be tested prior to loading to confirm thickening times & a lab report furnished to Apache. Fluid loss will be tested & reported on slurries with fluid loss additives. Lab test report will be furnished prior to pumping cement.*

5. PROPOSED CONTROL EQUIPMENT

"EXHIBIT 5" shows an 11" 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 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 5"* 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' – ~~1625'~~ 1645	8.4 – 8.6	28 – 30	NC	Fresh Water
~~1625'~~ 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:

11" x 3000 psi Double BOP/Blind & pipe ram (3M BOP/BOPE to be used as 2M system)
4-1/2" x 3000 psi Kelly valve
11" 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
Fill up line as per Onshore Order 2

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:

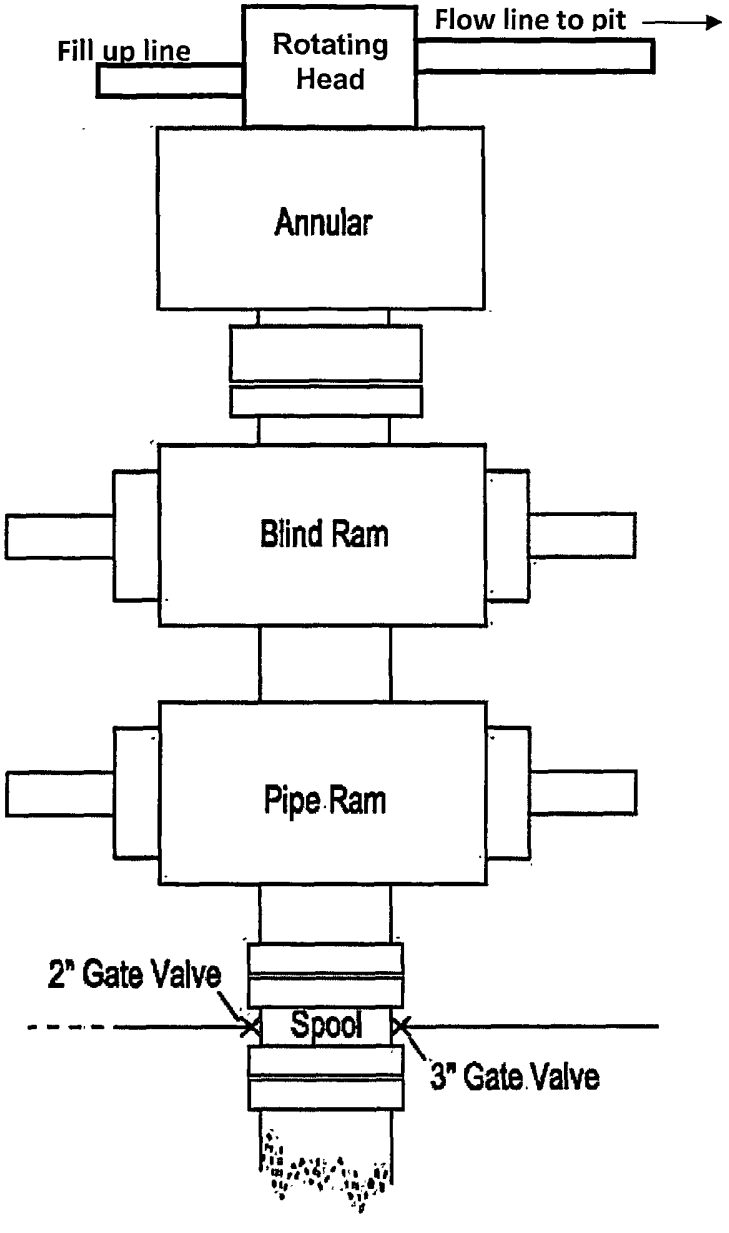
No abnormal pressures or temperatures are anticipated. In the event abnormal pressures are encountered, however, the proposed mud program will be modified to increase the mud-weight. There is known presence of H_2S in this area. If H_2S is encountered the operator will comply with the provisions of *Onshore Oil & Gas Order No. 6 "SEE EXHIBIT 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:

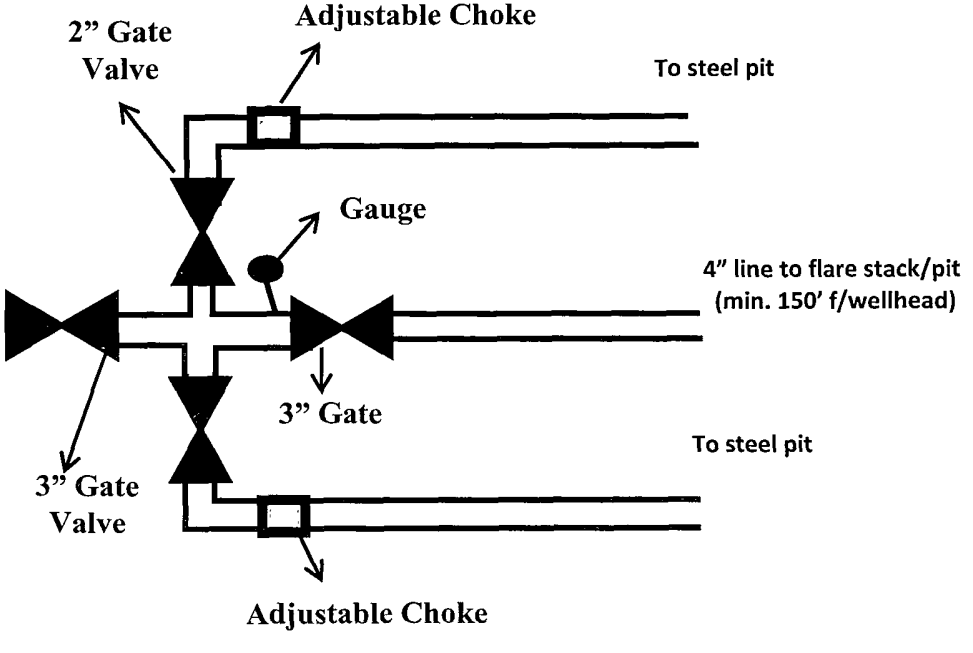
After running csg, cased hole Gamma Ray, Neutron Collar logs will be run from TD back to all possible productive zones. The Blinebry, Tubb, Drinkard, WantzABO formations will be perforated and stimulated in order to establish production. The well will be swab tested & potentialed as an oil well.



11" 3M psi
BOPE & Choke Manifold

Exhibit#3

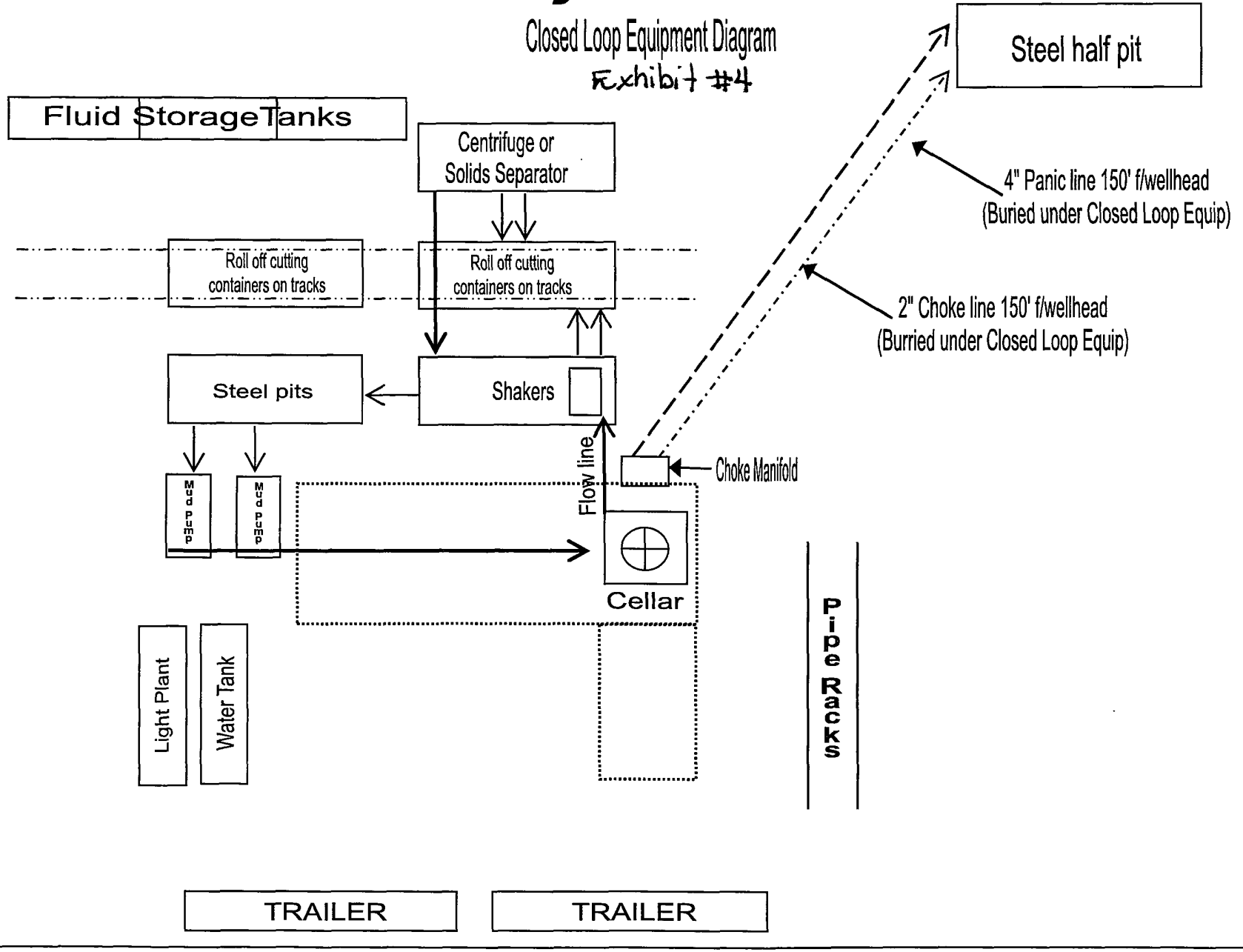
All valve & lines on choke manifold are 2" unless noted.
Exact manifold configuration may vary

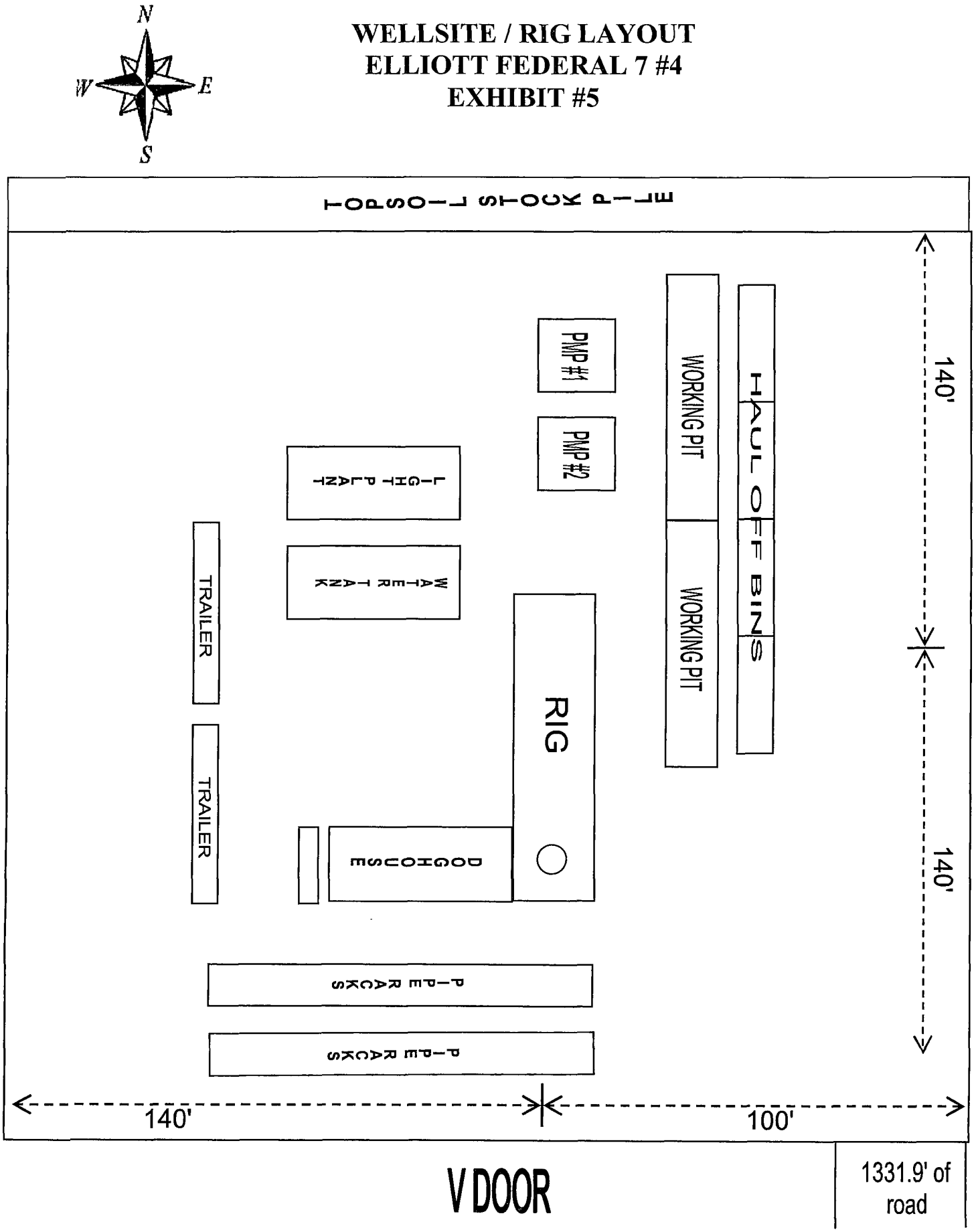


Apache

Closed Loop Equipment Diagram

Exhibit #4




N
W
E
S
WELLSITE / RIG LAYOUT
ELLIOTT FEDERAL 7 #4
EXHIBIT #5
ELLIOTT FEDERAL STOCK PILE
140'
PMP #1
PMP #2
WORKING PIT
WORKING PIT
HAUL OFF BINS
J-SIH LADAH
WATER TANK
TRAILER
TRAILER
RIG
DOGHOUSE
A-A1 RACKS
A-A1 RACKS
140'
140'
100'
V DOOR
1331.9' of road

Elliott Federal 7#4

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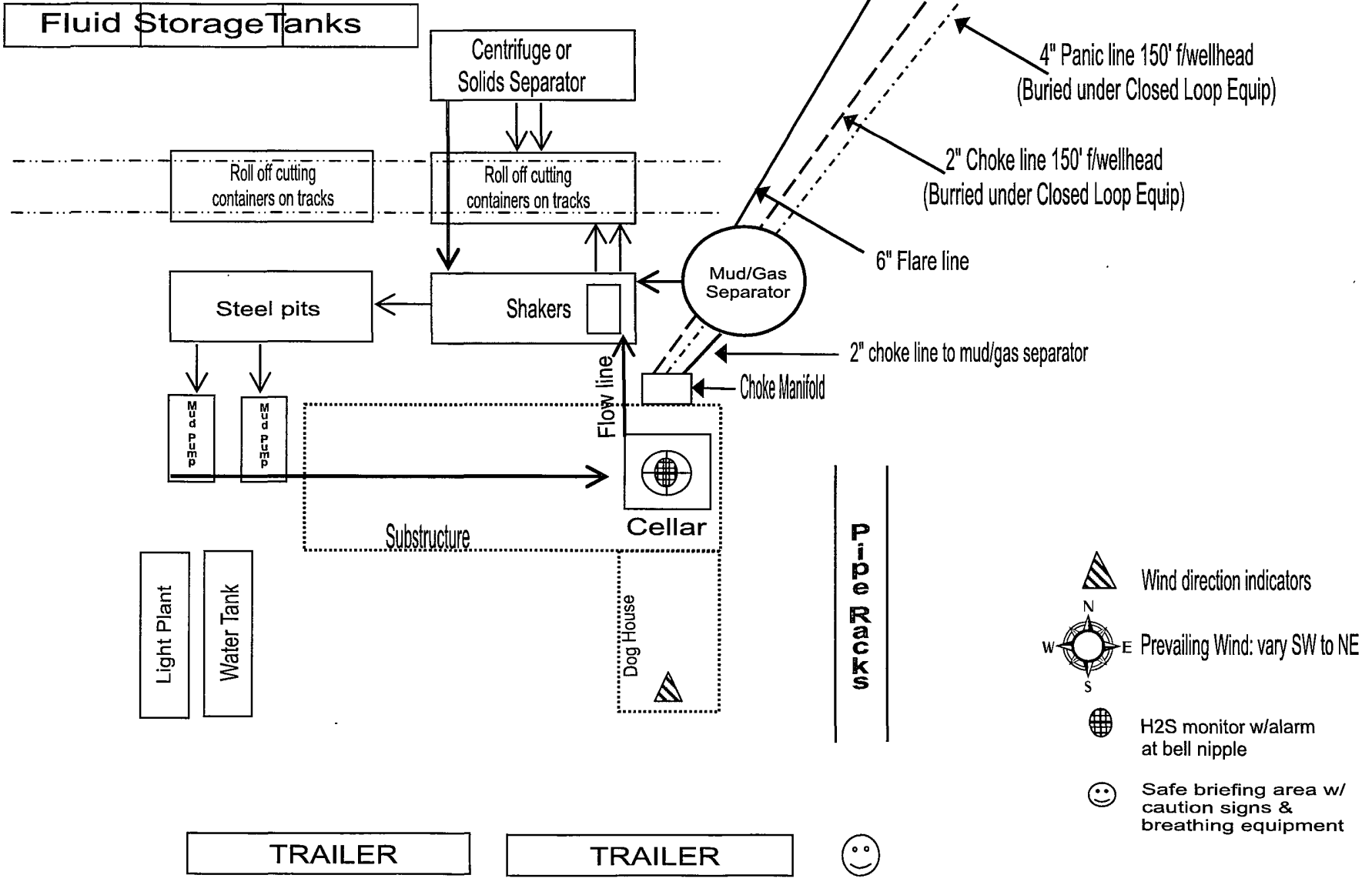
Drilling Location
H2S Safety Equipment Diagram
Exhibit 3A



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.