HOBBS OCD

AT3-12-367

JUL 20 2012

OCD-HOBBS

Form 3160-3
(April 2004)

RECEIVED

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. NM.C-031741A

6. If Indian, Allotee or Tribe Name

1a. Type of work: ☑ DRILL ☐ REENTER

7. If Unit or CA Agreement, Name and No. WBDU NM120042X

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

8. Lease Name and Well No. <37346> WEST BLINEBRY DRINKARD UNIT

2. Name of Operator APACHE CORPORATION <8737

9. API Well No. 30-025- 40695 40

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

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

10. Field and Pool, or Exploratory EUNICE; BLI-TU-DR, N. <22900>

4. Location of Well (Report location clearly and in accordance with any State requirements.*)
At surface 1330 FNL & 2310' FEL
At proposed prod. zone SAME

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

14. Distance in miles and direction from nearest town or post office* APPROX 3.5 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) 1330'

16. No. of acres in lease 320 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. ~ 490'

19. Proposed Depth ~~7250~~ 7150

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

21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3519'

22. Approximate date work will start* As soon as Approved

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 Sorina L Flores — Name (Printed/Typed) SORINA L. FLORES — Date 1/31/12

Title SUPV OF DRILLING SERVICES

Approved by (Signature) James A. Amos — Name (Printed/Typed) — Date JUL 18 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)

KZ 07/23/12

Capitan Controlled Water Basin

Approval Subject to General Requirements & Special Stipulations Attached

Conditions of Approval for Non-Standard Location Intents ot drill ONLY- **CANNOT produce** until the Non Standard Location has been approved by OCD Santa Fe Office

SEE ATTACHED FOR CONDITIONS OF APPROVAL

JUL 23 2012

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

APACHE CORPORATION (OGRID: 873)

West Blinebry Drinkard Unit #140 Lease #: NMLC-031741A Projected TD: 7250' GL: 3519'
1330' FNL & 2310' FEL UL: G 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:

Quaternary Alluvium	Surf	San Andres	4052'
Rustler	1313'	Glorieta	5231'
Salt Top	1398'	Paddock	2300'
Salt Bottom	2556'	Blinebry	5666' (Oil)
Yates	2680'	Tubb	6133' (Oil)
Seven Rivers	2940'	Drinkard	6553' (Oil)
Queen	3481'	ABO	6827'
Grayburg	3769'	TD	7150'

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. ** Apache request approval for drilling into the ABO for logging purposes only. After logging is complete, final plug back depth will be in accordance with Onshore Order, Unit & Field regulations**

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

HOLE SIZE	DEPTH	OD CSG	WEIGHT	COLLAR	GRADE	COLLAPSE	BURST	TENSION
12-1/4"	0' – 1375'	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' – 7150'	5-1/2"	17#	LTC	J-55	1.3	1.4	2.4

4. CEMENT PROGRAM:

A. 8-5/8" Surface (100 % excess cmt to surface):

Lead: 500 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*** *– 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) Comp Strengths: ***12 hr*** *– 500 psi* ***24hr*** *– 782 psi*

B. 5-1/2" Production (50% excess cmt):

Lead: 650 sx (50:50) Poz Poz Cl C w/ 5% Sodium Chloride, 0.13# CF, 3# LCM1, 0.5% FL52, 0.005 gps FP-6L, 6% Bentonite, 0.5% BA10A
(12.8ppg, 1.90 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# LCM-1, 0.45% FL-52, 0.005 gps FP-6L, 2% Bentonite, 0.1% Sodium Metasilicate
(14.2 ppg, 1.30 yld) Compressive Strengths: ***12 hr*** *– 869 psi* ***24 psi*** *– 1768 psi*

*** **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 3" 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' – 1375'	8.4 – 8.6	28 – 30	NC	Water
1375' 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 (3M BOP/BOPE to be used as 2M system)
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
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:

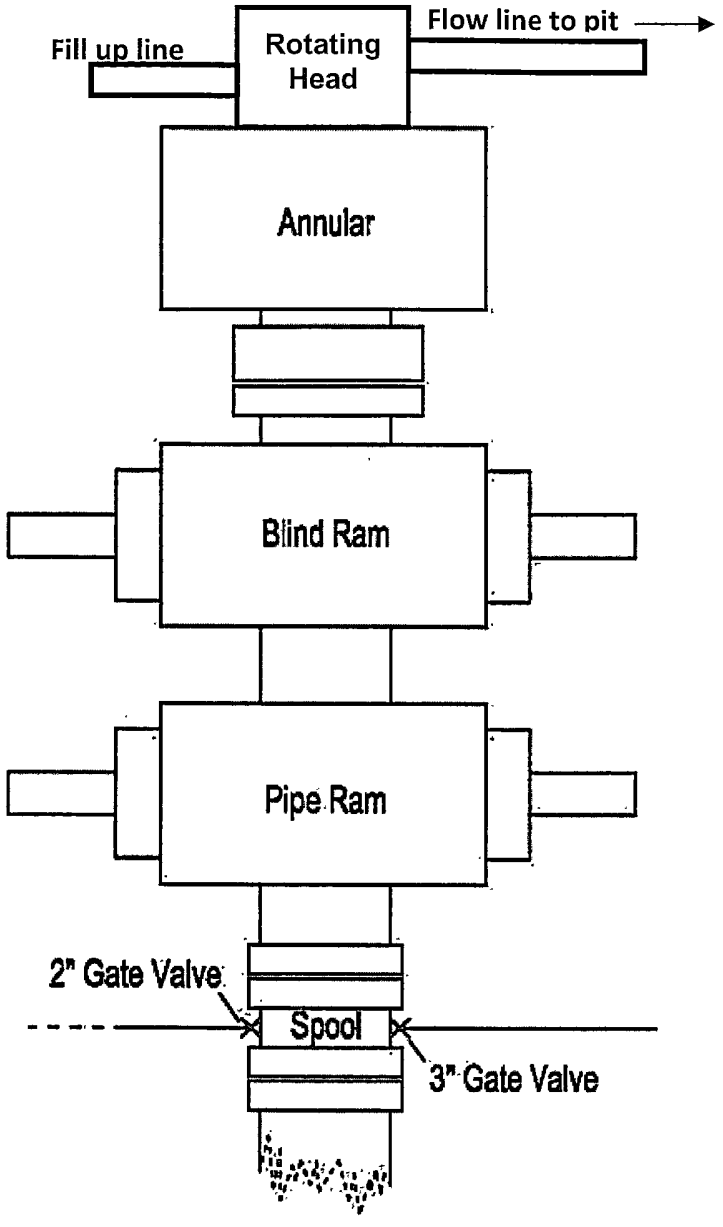
No abnormal pressures or temperatures are anticipated. In the event abnormal pressures are encountered, however, the proposed mud program will be modified to increase the mud-weight. There is known presence of H_2S in this area. If H_2S is encountered the operator will comply with the provisions of *Onshore Oil & Gas Order No. 6.* 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: 3190 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:

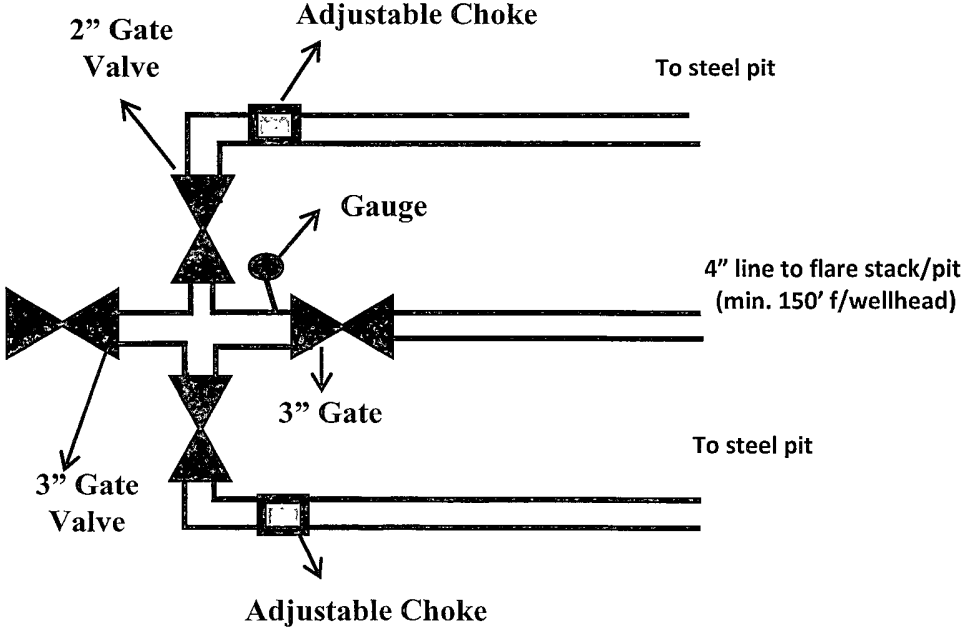
After running csg, cased hole Gamma Ray, Neutron Collar logs will be run from TD back to all possible productive zones. The Eunice; Blin-Tu-Dri, North formation will be perforated and stimulated in order to establish production. The well will be swab tested & potentialed as an oil well.



3M psi BOPE & Choke Manifold

Exhibit 3

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



Apache

Closed Loop Equipment Diagram
Exhibit 4