

HOBBS OCD
SEP 26 2013

Form 3160-3
(April 2004)

OCD Hobbs

Split Estate

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

RECEIVED
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Lease Serial No.
NMNM-0557256

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		6. If Indian, Allottee or Tribe Name
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone		7. If Unit or CA Agreement, Name and No.
2. Name of Operator APACHE CORPORATION		8. Lease Name and Well No. <40164> ELLIOTT EM 20 FEDERAL #003
3a. Address 303 VETERANS AIRPARK LN #3000 MIDLAND, TX 79703		9. API Well No. 30-025- 41443
3b. Phone No. (include area code) <873> 432-818-1167		10. Field and Pool, or Exploratory Paddock - 4910 Blinbery 049 (0) - 6660; Drinkard - 19190 Tubb 046 (0) - 60940; wantz - 880 - 62700
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 1650' FNL & 1650' FWL At proposed prod. zone SAME		11. Sec., T. R. M. or Blk. and Survey or Area UL: F SEC 20 T22S R37E
14. Distance in miles and direction from nearest town or post office* APPROX 5.5 MILES SOUTH OF EUNICE, NM		12. County or Parish LEA
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1650'		13. State NM
16. No. of acres in lease 200 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. 669'	19. Proposed Depth 7600'	20. BLM/BIA Bond No. on file BLM-CO-1463 NATIONWIDE/NMB-000736
21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL - 3390'	22. Approximate date work will start* As Soon As Approved	23. Estimated duration ~ 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. | 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) SORINA L. FLORES	Date 6/6/13
Title SUPV OF DRILLING SERVICES		
Approved by (Signature) /s/ STEPHEN J. CAFFEY	Name (Printed/Typed) CARLSBAD FIELD OFFICE	Date SEP 23 2013
Title FIELD MANAGER		

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.

Capitan Controlled Water Basin

Title 18 U.S.C. Section 1001 as States any false, fictitious or

OIL CONSERVATION DIVISION
CONDITION OF APPROVAL: Approval for drilling/workover ONLY -- CANNOT produce Downhole Commingled until DHC is approved in the OCD Santa Fe office.

make to any department or agency of the United

*(Instructions on page 2)

APPROVAL FOR TWO YEARS

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

Approval Subject to General Requirements & Special Stipulations Attached

OCT 15 2013

DRILLING PLAN: BLM COMPLIANCE

(Supplement to BLM 3160-3)

APACHE CORPORATION (OGRID: 873) ELLIOTT EM 20 FEERAL #3

Lease #: NMNM-0557256 Projected TD: 7600' GL: 3390'
1650' FNL & 1650' FWL UL: F SEC: 20 T22S 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:**

Quaternary Aeolian	Surf	San Andres	4005'
Rustler	1139'	Glorieta	5090'
Salt Top	1254'	Paddock	5136' (Oil)
Salt Bottom	2473'	Blinebry	5551' (Oil)
Yates	2649'	Tubb	6023' (Oil)
Seven Rivers	2883'	Drinkard	6430' (Oil)
Queen	3348'	ABO	6671'
Grayburg	3652	TD	7600'

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. Surface fresh water sands will be protected by setting 8-5/8" csg @ 1164' & circ cmt back to surface. Hydrocarbon zones will be protected by setting 5-1/2" csg @ 7600'. 1195'

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

See COA

HOLE SIZE	DEPTH	OD CSG	WEIGHT	COLLAR	GRADE	COLLAPSE	BURST	TENSION
11"	0' - 1164'	8-5/8"	24#	STC	J-55	1.125	1.0	1.8
7-7/8"	0' - 7600'	5-1/2"	17#	LTC	L-80	1.125	1.0	1.8

4. **CEMENT PROGRAM:**

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

Lead: 210 sx Class C w/ 4% Gel + 2% CaCl₂ + 0.125#/sx CF + 0.25#/sx Defoamer
(13.5 ppg, 1.75 yld) Comp Strengths: 12 hr - 786 psi 24 hr - 1213 psi

Tail: 200 sx Class C w/ 1% CaCl₂
(14.8 ppg, 1.34 yld) Comp Strengths: 12 hr - 1565 psi 24 hr - 2442 psi

B. 5-1/2" Production cmt with (30% excess cmt; cmt to surf):

Lead: 540 sx Cl C (50:50) Poz w/ 5% Salt + 10% Gel + 3#/sx Kil-seal + 0.25% Defoamer + 0.125#/sx CF
(12.6 ppg, 2.0 yld) Comp Strengths: 12 hr - 156 psi 24 hr - 1081 psi

Tail: 520 sx PVL + 1.3% Salt + 5% Expanding cmt + 0.5% Gel suppressing agen + 0.1% Antisetting agent + 0.25% defoamer + 0.2% Retarder
(14.2 ppg, 1.31 yld) Comp Strengths: 12 hr - 642 psi 24 psi - 1016 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.**

If severe lost circ is encountered, Apache may 2-stage 5-1/2" csg w/DVT. An ECP may also be placed below DVT. TD of 11" hole is @ +/- 1166'. Assuming DVT is set @ +/- 3400', the following cmt will be used:

for COA Cmt 1st stage w/ +/- 150sx Cl C 50/50 Pox lead (12.6#, 2.0yld) and +/- 520 sx PVL tail (14.2#, 1.31yld)
Cmt 2nd stage w/ +/- 390sx Cl C 50/50 Pox lead (12.6#, 2.0yld) and +/- 100 sx Cl C tail (14.8#, 1.33yld)

If DVT is set at different depth, cmt volumes will be adjusted accordingly.

5. PROPOSED CONTROL EQUIPMENT

See COA
"EXHIBIT 3A" shows a 900 series 11" 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 TD is reached. The BOP will be tested at 2000 psi, maximum surface pressure is not expected to exceed 3M psi, BHP is calculated to be approximately 3344 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 3A" 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. 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" blow down line
Fill up line as per Onshore Order #2

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

See COA

INTERVAL	MW (ppg)	VISC (sec/qt)	FLUID LOSS (cc)	MUD TYPE
0' - 1164'	8.4 - 8.6	32 - 35	NC	FW
1164' - 7600'	8.8 - 9.0	30 - 32	NC	FW-Brine <i>See COA</i>

**** Visual mud monitoring equipment shall be in place to detect volume changes. A mud test shall be performed every 24 hrs after mudding up to determine, as applicable: density, visc, gel strength, filtration, and pH. The necessary mud products for weight addition & 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.**

8. LOGGING, CORING & TESTING PROGRAM:

- OH logs: Dual Laterolog, MSFL, CNL, Litho-Density, Spectral Gamma Ray, Caliper & Sonic from TD back to last csg shoe.
- Run CNL, Gamma Ray from last csg shoe back to surface.
- No cores or DST's are planned at this time. Mud log will be included on this well.
- Additional testing will be initiated subsequent to setting the 5-1/2" production casing. Specific intervals will be targeted based on log evaluation, geological sample shows & drill stem tests.

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 H₂S in this area. If H₂S 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: 3344 psi and estimated BHT: 115°.

10. ANTICIPATED STARTING DATE AND DURATION OF OPERATIONS:

Road and location construction will begin after BLM has approved APD. Anticipated spud date will be as soon after BLM approval and as soon as rig is available. Move in operations and drilling is expected to take ~ 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 Paddock, Blinebry, Tubb, Drinkard & Wantz; ABO formations will be perforated and stimulated in order to establish production. The well will be swab tested & potentialized as an oil well.

APACHE BOP AND CHOKE MANIFOLD SCHEMATIC

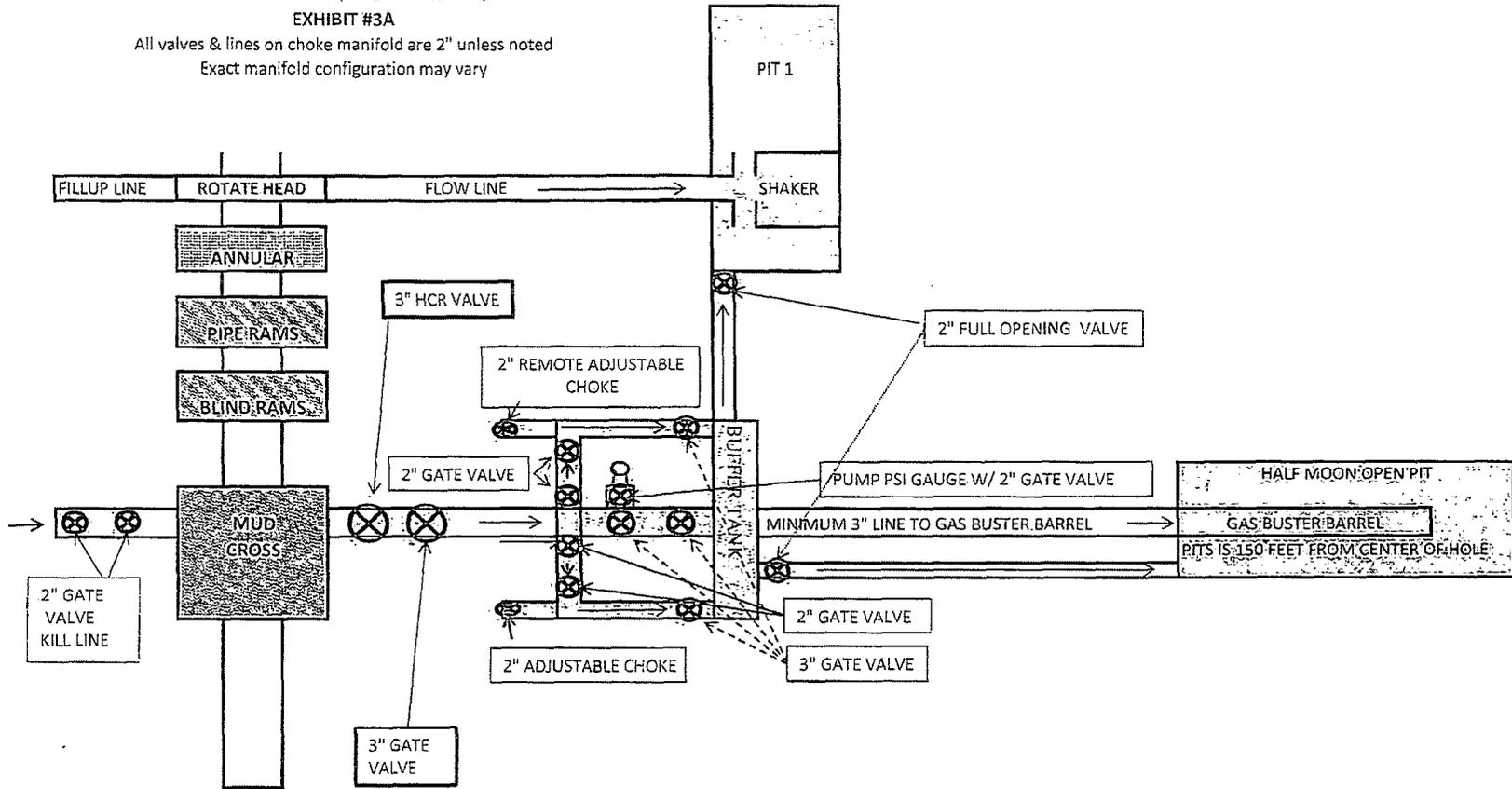
ELLIOTT EM 20 FEDERAL #3

11" 3M PSI BOP (to be tested as a 2M)

EXHIBIT #3A

All valves & lines on choke manifold are 2" unless noted

Exact manifold configuration may vary



Apache

Closed Loop Equipment Diagram

Exhibit 4

Elliott EM 20 Federal #3

