

Submit 3 Copies To Appropriate District Office
District I
1625 N. Fremont Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
June 19, 2008

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.	30-025-39090 ✓
5. Indicate Type of Lease	STATE ☐ FEE ☒ ✓
6. State Oil & Gas Lease No.	NA
7. Lease Name or Unit Agreement Name	Magnolia ✓
8. Well Number	002 ✓
9. OGRID Number	00873 ✓
10. Pool name or Wildcat	House: Bli, House: Tu, House; Dri ✓
11. Elevation (Show whether DR, RKB, RT, GR, etc.)	3584' GR

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well ☒ Gas Well ☐ Other ☐ ✓

2. Name of Operator Apache Corporation (873) ✓

3. Address of Operator 6120 S Yale Ave, Suite 1500
Tulsa, OK 74136-4224

4. Well Location
Unit Letter D : 330 feet from the North line and 880 feet from the West line
Section 11 Township 20S Range 38E NMPM County Lea ✓

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3584' GR

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK ☐	PLUG AND ABANDON ☐	REMEDIAL WORK ☐	ALTERING CASING ☐
TEMPORARILY ABANDON ☐	CHANGE PLANS ☐	COMMENCE DRILLING OPNS. ☐	P AND A ☐
PULL OR ALTER CASING ☐	MULTIPLE COMPL ☐	CASING/CEMENT JOB ☐	
DOWNHOLE COMMINGLE ☐			
OTHER: Request DHC: Blinebry/Tubb/Drinkard ☒		OTHER: ☐	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Pursuant to Division Order R-11363:

Pool Names:	House; Blinebry	33230	Proposed Perforations:	Blinebry	6048' - 6460'
	House; Tubb	78760		Tubb	6616' - 6840'
	House; Drinkard	33250		Drinkard	7011' - 7091'

The allocation method will be as follows based on offset production (See application for exception to Rule 303-C).

	OIL	GAS	WATER
Blinebry	25%	33%	36%
Tubb	8%	18%	15%
Drinkard	67%	49%	49%

Downhole commingling will not reduce the value of these pools.
Ownership is the same for each of these pools.

DHC Order No: HOB-0281

Spud Date: 10/22/2008

Rig Release Date: 11/01/2008

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Sophie Mackay TITLE Engineering Tech DATE 11/05/2008
Type or print name Sophie Mackay E-mail address: sophie.mackay@apachecorp.com PHONE: (918)491-4864
For State Use Only

APPROVED BY: [Signature] TITLE PETROLEUM ENGINEER DATE NOV 17 2008
Conditions of Approval (if any):

6120 S. YALE / SUITE 1500 / TULSA, OKLAHOMA 74136-4224



WWW.APACHECORP.COM
Telephone: (918) 491-4900

November 5, 2008

Mr. Paul Kautz
New Mexico Oil Conservation Division
1625 N. French Dr.
Hobbs, New Mexico 88240

RECEIVED

NOV 10 2008

HOBBS NM

RE: Application for Exception to Rule 303-C-Downhole Commingling
Magnolia #2 - House Field
Unit D, Section 11, T-20-S, R-38-E
Blinebry, Tubb, and Drinkard Pools
Lea County, New Mexico

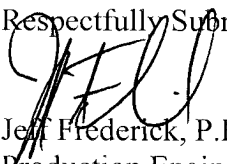
Mr. Kautz:

I am proposing a new method to determine the allocation percentages used when downhole commingling the Blinebry, Tubb, and Drinkard Oil & Gas pools. I have enclosed the administrative application form (C-103) and attachments used to determine the new allocation method proposed for the Magnolia #2 completion. The ownership (WI, NRI, and ORRI) of these pools are identical in this well. The fluids from each of these three zones are compatible as seen in other surrounding commingled wells in this area. Commingling these fluids together will not damage the wellbore nor have any impact on the value of the total remaining production. The wells in this area are operated by a production lift system which maximizes production by keeping the well pumped off. This system can easily handle crossflow without encountering any problems. Overall, commingling will improve the efficiency of our present and future recovery operations.

This allocation method was found by calculating the cumulative and average production data for each individual zone in a nine section area surrounding the Magnolia #2. By analyzing the average oil, gas, and water production for the Blinebry and Tubb pools, I was able to calculate the percentage production allocation for each zone. Please refer to the attached spreadsheets for my calculations. It is also noted that you approved the same allocation method for the Eugene Wood #11 in Lea County, New Mexico.

Thank you. If you have any questions or comments please contact me at (918) 491-4982 or e-mail at jeff.frederick@apachecorp.com.

Respectfully Submitted,


Jeff Frederick, P.E.
Production Engineer

Enclosures

Lease Name	Well Number	10DIGITAP	Location	Cum Oil (BBL)			Cum Gas (MCF)			Cum Water (BBL)		
				Blinbry	Tubb	Drnkard	Blinbry	Tubb	Drnkard	Blinbry	Tubb	Drnkard
ARNOLD A	1	3002507761	11F 20S 38E		25,629	670		1,323,867			4,442	
BEECHNUT	1	3002535241	14E 20S 38E SE SW NW	540			2,239					
BIG KICK	1	3002536745	13C 20S 38E W2 NE NW	10,340		8,895	150,677		60,426	2,410		
BIG KICK	2	3002538664	13C 20S 38E SE NE NW	135			98			680		
BLANKENSHIP	1	3002507766	12E 20S 38E		54,657			16,638			7,010	
BLANKENSHIP	2	3002507767	12L 20S 38E	3,323		134,312	6,814		1,177,187	31		37,126
BLANKENSHIP	3	3002507768	12M 20S 38E NE SW SW	2,896	8,369	39,616	19,318	42,833	2,435,461	67	13,595	22,235
BLANKENSHIP	4	3002538397	12L 20S 38E NE NW SW	985	1,063	2,993	4,275	7,178	10,649	631	261	196
BLANKENSHIP	5	3002538399	12M 20S 38E SW SW SW	6,126	2,040	2,344	24,983	27,265	80,335	1,997	444	333
BLANKENSHIP	6	3002538400	12L 20S 38E SW NW SW	3,094	944	211	12,097	338	12,124	123	9	168
BUGLER	1	3002534506	13L 20S 38E NW NW SW	67,650			408,477			29,852		
BULL DURHAM	1	3002534187	14P 20S 38E SE SE	44,944			1,037,381			40,904		
BULL DURHAM	2	3002534363	14O 20S 38E SW SE	34,487			303,611			53,724		
BULL DURHAM	3	3002538379	14P 20S 38E NE SE SE	4,347	2,299		25,589	15,557		613		
CAPPS FEDERAL	2	3002534289	13O 20S 38E SW SE	30,734	5,415		136,498	37,134		19,895	5,348	
CHESTERFIELD	1	3002534420	14H 20S 38E SE NE	24,997			725,934	10,808	1,066	36,636		
CONE A	1	3002507770	12F 20S 38E		16,116	206,383		63,863	233,753		56,289	83,804
CONE B	1	3002507771	12J 20S 38E			239,833			591,551			69,199
CONE B	2	3002525921	12G 20S 38E			398			86,772			1,460
CROWN	1	3002520195	13B 20S 38E NW NW NE		5,160	57,149		30,146	687,081			11,360
DIAMONDBACK	1	3002534274	14J 20S 38E NW SE	27,613			186,216			29,475		
DIXIE QUEEN	1	3002536421	11P 20S 38E S2 SE SE		6,069			441,167				
DREESSEN	1	3002534857	1G 20S 38E C SW NE	2,199			7,175			23,039		
DUKES	1	3002535614	11K 20S 38E E2 NE SW		7,818	24,852		38,544	103,967		8,390	26,341
HESTER 12	1	3002512549	12K 20S 38E			97,448			457,760			16,669
HESTER 12	11	3002538663	12P 20S 38E SW SE SE				4,399					
HESTER 12	2	3002507773	12N 20S 38E			82,932			540,453			17,896
HESTER 12	3	3002507772	12O 20S 38E			150,171			853,402			32,702
HESTER 12	4	3002536800	12O 20S 38E SW SW SE	12,574	1,685	1,498	231,192	49,864	45,224	17,435		824
HESTER 12	5	3002538211	12P 20S 38E NW SE SE	13,164	3,026	4,839	125,910	44,187	34,882	19,892	4,884	
HESTER 12	6	3002536795	12N 20S 38E SW SE SW	21,138	6,758	6,218	254,950	130,014	40,952	11,770	2,889	4,087
HESTER 12	7	3002538369	12N 20S 38E NE SE SW	2,629	3,233	403	15,576	15,434	4,032	8,135	3,523	1,960
HESTER 12	8	3002538076	12K 20S 38E SW NE SW	7,893	1,642	1,572	88,993	44,136	27,990	5,357	6,043	2,336
HOUSE	1	3002531006	13D 20S 38E NW NW	32,607	7	34,766	702,611	387	515,800	15,436		13,278
HOUSE	2	3002538665	13D 20S 38E SE NW NW	1,186	386		2,452	652				
HOUSE B	1	3002507764	11P 20S 38E		9,855			118,752				
HOWSE C	1	3002522165	11H 20S 38E SE NE			26,370			143,078			6,340
HOWSER	1	3002534970	1J 20S 38E C NW SE	1,371			28,097			35,934		
JOE CAMEL	1	3002534160	13K 20S 38E NE SW	35,852			61,863			56,601		
JOE CAMEL	2	3002534211	13F 20S 38E	17,197			50,757			30,976		
JOE CAMEL	3	3002538033	13F 20S 38E NW SE NW	2,134	958	589	107,055	89,579	21,848	1,701	463	268
KOOL	1	3002534642	14B 20S 38E NW NE	35,304	180	1,077	311,955	998	1,594	34,773		
KOOL	2	3002538439	14B 20S 38E SW NW NE	3,324	439	104	4,240	5,398				
L & M	1	3002528287	2L 20S 38E C S2 SW		7,038			109,033				
L D JONES	1	3002507722	1H 20S 38E SE NE	3,476			186,180			5,043		
LUCKY STRIKE	1	3002534285	14I 20S 38E NE SE	71,169			1,016,343			68,515		
MAGNOLIA	1	3002538660	11E 20S 38E NE SW NW	435			2,735			2,697		
MELOT	1	3002538370	11C 20S 38E SW NE NW	1,208	1,555	690	14,960	11,635	6,650	6,572	6,386	5,823
MERIT	1	3002535240	11O 20S 38E E2 SW SE		8,360			525,928		7,350		
MERIT II	1	3002535448	11G 20S 38E C SW NE		15,037	21,065		21,852	145,834		11,887	19,464
MOONEY	1	3002534569	13I 20S 38E NE SE			20,781			30,645			83,589
PAIGE	1	3002534570	13P 20S 38E SE SE	6,791		18,327	13,791		28,254	12,751		26,466
PALL MALL	1	3002534634	14A 20S 38E NE NE			28,198			312,121			73,482
PEARL	1	3002534275	13J 20S 38E NW SE	10,531			31,287			24,286		
PHILLIPS HOUSE STATE	1	3002507725	2O 20S 38E			99,985			458,720			24,856
PICAYUNE	1	3002534734	11J 20S 38E C NW SE		8,964	23,844		42,708	366,957			17,895
REDTAG	1	3002535333	2J 20S 38E NW NW SE	20,147	3,936		50,298	9,314		3,480		
REDTAG	2	3002535630	2K 20S 38E NE NE SW	11,523			787,877			2,484		
RHINO	2	3002538484	11N 20S 38E SE NE SW	3,334	740	1,481	7,993	4,629				
ROITAN	1	3002534735	14G 20S 38E SW NE	23,698	1,988		559,822	32,488		53,256		
SALEM	1	3002537316	3A 20S 38E SE NE NE	953		6,896	3,674		20,927			
SHARPS	1	3002534060	13M 20S 38E	36,103			191,105			28,631		
SHARPS	2	3002534061	13N 20S 38E	30,828			128,394			25,676		
STATE U	1	3002507727	2P 20S 38E			157,611			97,687			184,324
VICEROY	1	3002534625	13E 20S 38E SW NW	28,330			464,506			75,010		
WHITE OWL	1	3002536689	2 20S 38E NW NW NW	26,018			94,158			9,450		
TOTALS				725,327	156,709	1,559,178	8,594,555	3,295,688	9,651,820	795,938	132,203	791,491
AVERAGES				16,485	5,224	43,311	190,990	106,313	283,877	20,409	8,263	27,293

Proposed Allocations	Oil	Gas	Water
Blinebry	25%	33%	36%
Tubb	8%	18%	15%
Dnnkard	67%	49%	49%
TOTAL	100%	100%	100%