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1625 N. French Dr., Hobbs, NM 88240
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1220 S. St. Francis, Santa Fe, NM
87505

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State of New Mexico
Energy, Minerals and Natural Resources

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

Form C-103
June 19, 2008

WELL API NO. 30-025-38662 ✓	
5. Indicate Type of Lease STATE ☐ FEE ☒ ✓	
6. State Oil & Gas Lease No. NA	
7. Lease Name or Unit Agreement Name Hester 12	
8. Well Number 010 ✓	
9. OGRID Number 00873 ✓	
10. Pool name or Wildcat House: Blinebry S, Tubb, Drinkard	
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 O : 990 feet from the South line and 1650 feet from the East line Section 12 Township 20S Range 38E NMPM County Lea	
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3569'	

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

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐
DOWNHOLE COMMINGLE ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

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, South	33225	Proposed Perforations:	Blinebry	6066' - 6412'
	House; Tubb	78760		Tubb	6560' - 6824'
	House; Drinkard	33250		Drinkard	7028' - 7083'

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

	OIL	GAS	WATER
Blinebry	29%	34%	46%
Tubb	8%	18%	15%
Drinkard	63%	48%	39%

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

DHC Order No:

HOB-0288

Spud Date: 08/02/2008

Rig Release Date: 08/15/2008

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 12/04/2008

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

Conditions of Approval (if any):

DATE

DEC 23 2008



December 4, 2008

RECEIVED

DEC 08 2008

HOBBSOCD

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

RE: Application for Exception to Rule 303-C-Downhole Commingling
Hester 12 #10 - House Field – API 30-025-38662
Unit O, Section 12, 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 Hester 12 #10 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 Hester 12 #10. By analyzing the average oil, gas, and water production for the Blinebry, Tubb, and Drinkard 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 two nearby offsets, the Magnolia #2 and McCasland #1.

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,

Sophie Mackay for Jeff Frederick

Jeff Frederick, P.E.
Production Engineer

Enclosures

Lease Name	Well Number	10DIGITAPI	Location	Cum Oil (BBL)			Cum Gas (MCF)			Cum Water (BBB)		
				Blinebry	Tubb	Drnkard	Blinebry	Tubb	Drnkard	Blinebry	Tubb	Drnkard
ARNOLD A	1	3002507761	11F 20S 38E		26,003	670		1,329,167			4,442	
BEECHNUT	1	3002535241	14E 20S 38E SE SW NW	540			2,239					
BIG KICK	1	3002536745	13C 20S 38E W2 NE NW	10,788	257	9,023	158,501	4,137	61,461	2,410		2,526
BIG KICK	2	3002538664	13C 20S 38E SE NE NW	845	67	166	1,745		1,772	8,176	1,390	463
BLANKENSHIP	1	3002507766	12E 20S 38E			54,657			16,638			7,010
BLANKENSHIP	2	3002507767	12L 20S 38E	3,378		134,312	7,410		1,177,187	90		37,126
BLANKENSHIP	3	3002507768	12M 20S 38E NE SW SW	3,111	8,398	39,616	20,831	43,364	2,435,461	204	13,646	22,235
BLANKENSHIP	4	3002538397	12L 20S 38E NE NW SW	1,172	1,264	3,324	5,145	8,640	11,797	1,851	765	575
BLANKENSHIP	5	3002538399	12M 20S 38E SW SW SW	6,773	2,307	2,700	26,928	33,657	99,789	4,866	1,082	811
BLANKENSHIP	6	3002538400	12L 20S 38E SW NW SW	3,486	1,425	317	13,839	471	16,947	971	71	1,326
BOURDON 18	1	3002536233	18O 20S 39E C SW SE		12,848	11,102		62,779	74,291		14,138	12,424
BOURDON 18	2	3002536385	18P 20S 39E C SE SE			24,085			78,864			5,999
BOURDON 18	4	3002536793	18J 20S 39E C NW SE	471	2,012		5,325	18,840			2,929	
BOURDON 18	5	3002537015	18H 20S 39E C SE NE	2,394	1,312		7,584	4,634		6,161	574	
BUGLER	1	3002534506	13L 20S 38E NW NW SW	68,562			422,877			31,530		
BULL DURHAM	1	3002534187	14P 20S 38E SE SE	45,669	606		1,039,135			40,904		
BULL DURHAM	2	3002534363	14O 20S 38E SW SE	34,782			305,637			53,724		
BULL DURHAM	3	3002538379	14P 20S 38E NE SE SE	4,481	2,867		30,293	19,406		613		
CAPPS FEDERAL	2	3002534289	13O 20S 38E SW SE	30,952	5,632		137,247	37,883		20,535	5,986	
CHESTERFIELD	1	3002534420	14H 20S 38E SE NE	25,169			727,341	15,350	1,513	36,636		
CONE A	1	3002507770	12F 20S 38E		16,260	206,383		64,053	234,096		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		5,604	57,149		31,477	687,081			11,360
DIAMONDBACK	1	3002534274	14J 20S 38E NW SE	27,821			187,259			29,808		
DIXIE QUEEN	1	3002536421	11P 20S 38E S2 SE SE		6,209			448,266				
DUKES	1	3002535614	11K 20S 38E E2 NE SW		7,818	25,473		38,544	106,795		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	483	224	193	14,132	9,890	559	2,095	1,964	508
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	12,869	2,017	1,793	235,149	59,316	53,796	19,694		994
HESTER 12	5	3002538211	12P 20S 38E NW SE SE	13,812	3,325	5,554	133,192	49,102	40,890	23,092	4,884	
HESTER 12	6	3002536795	12N 20S 38E SW SE SW	21,617	6,868	6,627	262,091	135,844	42,555	13,500	3,278	4,131
HESTER 12	7	3002538369	12N 20S 38E NE SE SW	2,984	3,617	822	19,978	19,497	8,380	9,235	4,200	3,869
HESTER 12	8	3002538076	12K 20S 38E SW NE SW	8,380	1,863	1,783	93,583	49,839	31,607	5,794	6,537	2,527
HESTER 12	9	3002538791	12K 20S 38E NE NE SW	257	176		1,198	653		2,358	1,415	
HOUSE	1	3002531006	13D 20S 38E NW NW	32,450	51	35,170	712,979	2,344	515,800	15,436		13,278
HOUSE	2	3002538665	13D 20S 38E SE NW NW	1,628	603		6,000	867				
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
JOE CAMEL	1	3002534160	13K 20S 38E NE SW	35,960			62,156			56,941		
JOE CAMEL	2	3002534211	13F 20S 38E	17,306			51,124			31,058		
JOE CAMEL	3	3002538033	13F 20S 38E NW SE NW	2,373	1,065	655	117,675	98,465	24,015	1,922	523	302
KOOL	1	3002534642	14B 20S 38E NW NE	35,403	213	1,273	314,704	1,156	1,847	34,773		
KOOL	2	3002538439	14B 20S 38E SW NW NE	3,783	525	203	5,359	7,570				
LUCKY STRIKE	1	3002534285	14I 20S 38E NE SE	72,100			1,020,675			68,515		
MAGNOLIA	1	3002538660	11E 20S 38E NE SW NW	1,443	361		11,104	1,594		6,986	248	
MCCASLAND 18 FEE	1	3002534391	18K 20S 39E NE SW	14,840	1,719	1,974	416,183	119,048	6,116	70,174	5,300	915
MCCASLAND 18 FEE	2	3002534523	18F 20S 39E SW SE NW	19,691	7,940	3,531	11,891	106,240	14,865	13,212	6,998	2,643
MELOT	1	3002538370	11C 20S 38E SW NE NW	1,606	2,067	917	20,226	15,730	8,990	8,516	8,274	7,544
MELOT	2	3002538700	11C 20S 38E NW NE NW	1,373			3,258			3,862		
MERIT	1	3002535240	11O 20S 38E E2 SW SE		8,476			533,245			7,350	
MERIT II	1	3002535448	11G 20S 38E C SW NE		15,037	21,568		21,852	148,447		11,887	19,464
MOONEY	1	3002534569	13I 20S 38E NE SE			20,833			30,696			84,559
PAIGE	1	3002534570	13P 20S 38E SE SE	6,842		18,378	13,893		28,355	13,334		26,466
PALL MALL	1	3002534634	14A 20S 38E NE NE			28,462			317,673			73,482
PEARL	1	3002534275	13J 20S 38E NW SE	10,590			31,649			24,603		
PICAYUNE	1	3002534734	11J 20S 38E C NW SE		9,615	23,844		46,840	366,957			17,895
RHINO	2	3002538484	11N 20S 38E SE NE SW	4,022	952	1,903	10,182	6,214				
ROITAN	1	3002534735	14G 20S 38E SW NE	23,698	2,318		561,190	41,642		53,256		
SHARPS	1	3002534060	13M 20S 38E	36,211			192,024			28,986		
SHARPS	2	3002534061	13N 20S 38E	30,971			129,127			26,029		
VICEROY	1	3002534625	13E 20S 38E SW NW	28,577			470,777			75,010		
TOTALS				711,663	179,776	1,341,612	8,020,835	3,606,368	9,318,256	846,860	172,560	614,843
AVERAGES				16,174	4,610	34,400	182,292	94,904	251,845	21,714	6,902	18,084

Proposed Allocations	Oil	Gas	Water
Blinebry	29%	34%	46%
Tubb	8%	18%	15%
Drnkard	62%	48%	39%
TOTAL	100%	100%	100%