ATS-09-324

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MAY 21 2009

HOBBSOCD

Form 3160-3
(April 2004)

Split Estate

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. LC-032096-B

6. If Indian, Allotee or Tribe Name N/A

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

1a. Type of work: [X] DRILL [ ] REENTER

1b. Type of Well: [X] Oil Well [ ] Gas Well [ ] Other [ ] Single Zone [X] Multiple Zone

8. Lease Name and Well No. (35023) East Blinebry Drinkard Unit #87

2. Name of Operator Apache Corporation (873)

9. API Well No. 30-025-39406

3a. Address 6120 S. Yale, Suite 1500 Tulsa, OK. 74136

3b. Phone No. (include area code) (918) 491-4900

10. Field and Pool, or Exploratory N-Eunice Blinebry Tubb Drinkard Pool

4. Location of Well (Report location clearly and in accordance with any State requirements.*)
At surface 1,185' FSL + 1,060' FEL Unit P
At proposed prod. zone same

11. Sec., T. R. M. or Blk. and Survey or Area Sec. 11, T21S, R37E

14. Distance in miles and direction from nearest town or post office* 2.5 miles North 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) 1,060' FEL

16. No. of acres in lease 1,920 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. 920' from EBDU #22

19. Proposed Depth 6,950'

20. BLM/BIA Bond No. on file CO1463 nation wide

21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3,430' GL

22. Approximate date work will start* 4/1/2009

23. Estimated duration 7-10 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 [signature] Name (Printed/Typed) SAM HAMPTON Date 3/18/09

Title Drilling Engineer

Approved by (Signature) /s/ Don Peterson Name (Printed/Typed) Date MAY 19 2009

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

SEE ATTACHED FOR CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

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State of New Mexico
Energy, Minerals and Natural Resources Department

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

Form C-102
Revised October 12, 2005

Submit to Appropriate District Office
State Lease – 4 Copies
Fee Lease – 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-025-39406	22900	Eunice, Bli-Tu-Dr, North

Property Code	Property Name	Well Number
35023	EAST BLINEBRY DRINKARD UNIT	87

OGRID No.	Operator Name	Elevation
873	APACHE CORPORATION	3430'

Surface Location

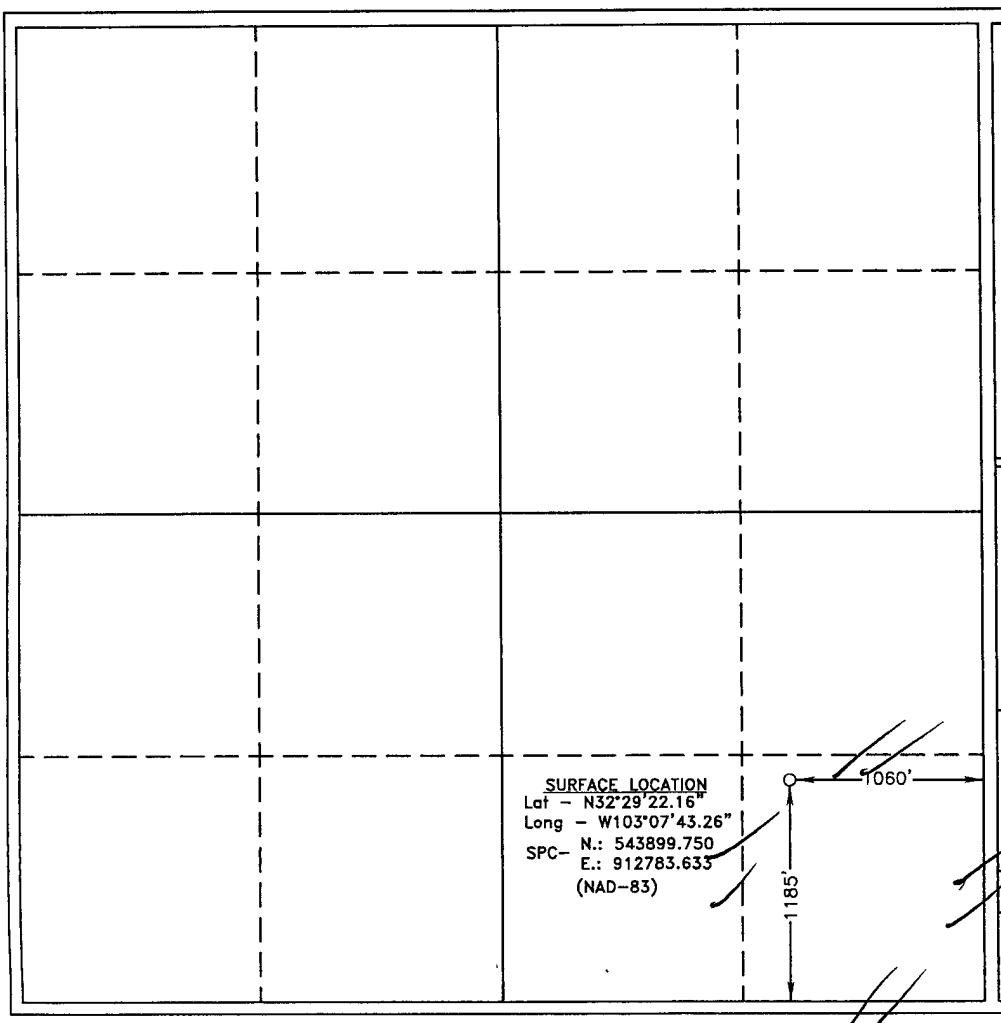
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	11	21 S	37 E		1185	SOUTH	1060	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature 2/27/09 Date

SAM HAMPTON
Printed Name

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervison, and that the same is true and correct to the best of my belief.

FEBRUARY 17, 2009
Date Surveyed

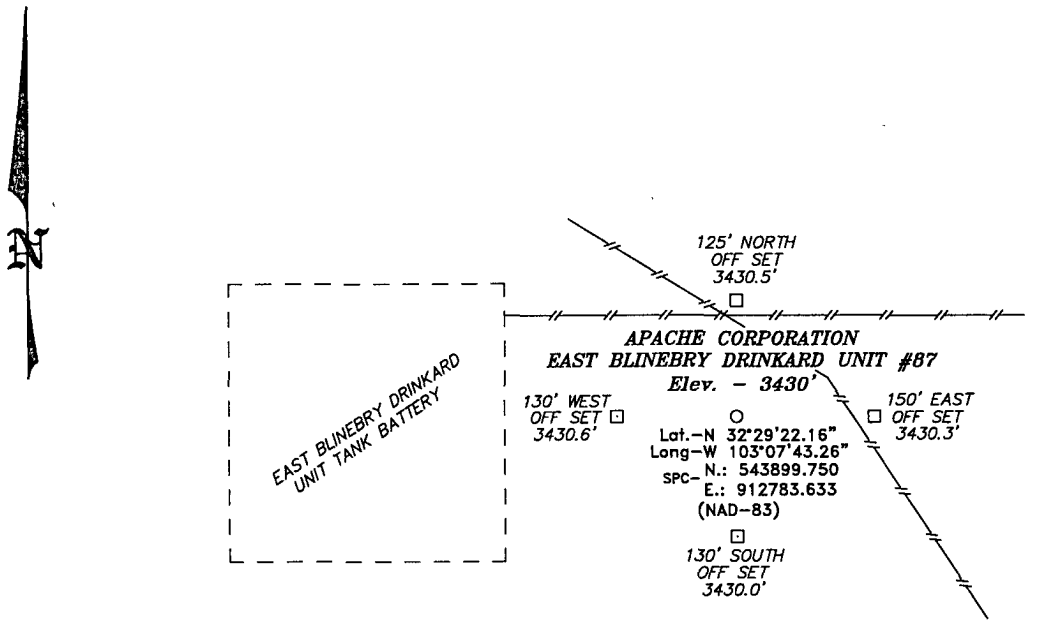
Signature & Seal of Professional Surveyor
GARY L. JONES — NEW MEXICO — 7977

W.O. No. 21

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

SECTION 11, TOWNSHIP 21 SOUTH, RANGE 37 EAST, N.M.P.M.,
LEA COUNTY, **NEW MEXICO.**



200 0 200 400 FEET

SCALE: 1" = 200'

Directions to Location:

FROM GATE 28 ON STATE HWY 18; GO WEST 0.2 MILES TO LEASE ROAD, ON LEASE ROAD GO NORTH 0.1 MILES TO TANK BATTERY, GO EAST ACROSS TANK BATTERY TO PROPOSED WELL PAD.

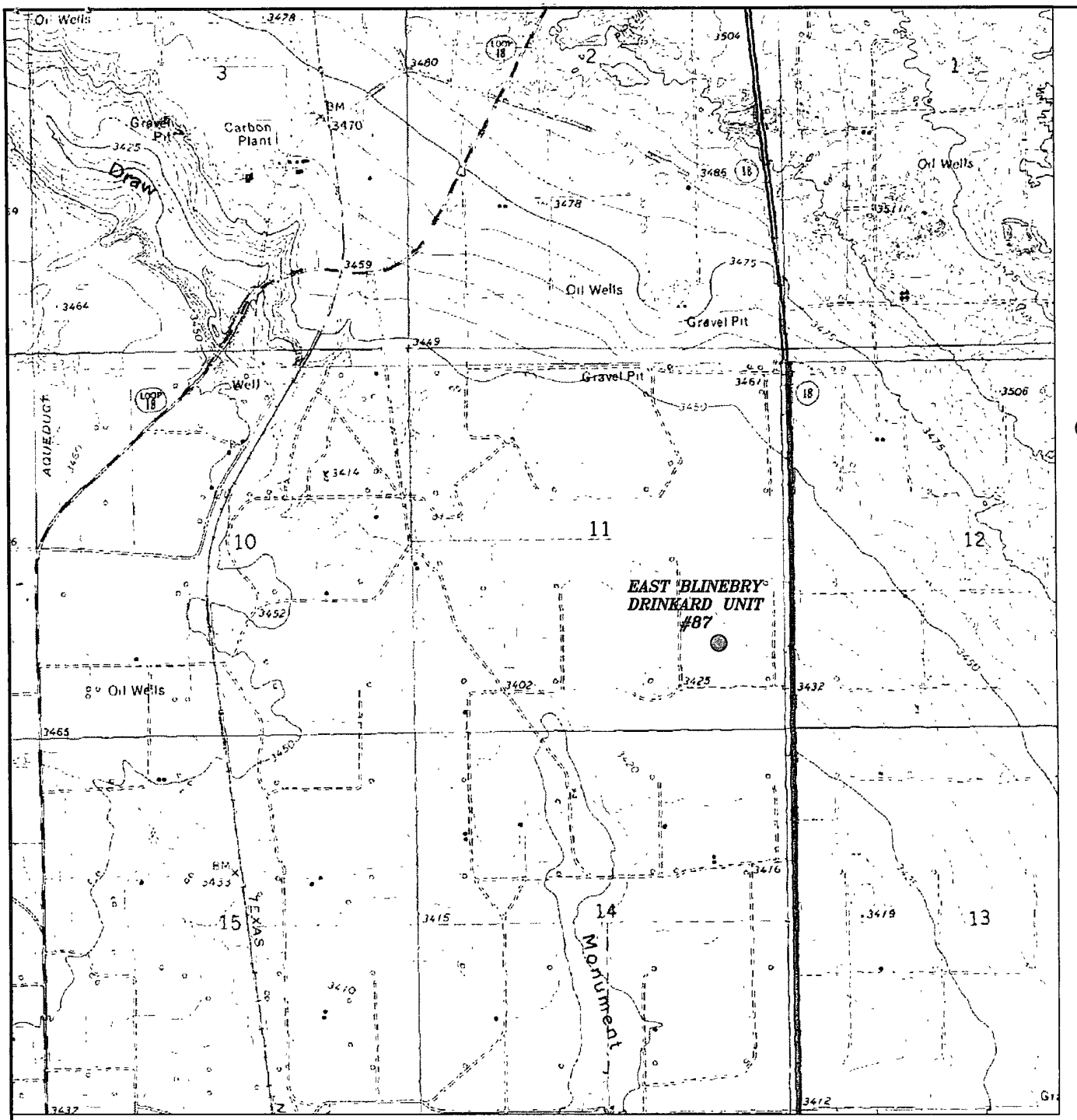
APACHE CORPORATION

REF: EAST BLINEBRY DRINKARD UNIT #87 / WELL PAD TOPO

THE EAST BLINEBRY DRINKARD UNIT #87 LOCATED 1185' FROM THE SOUTH LINE AND 1060' FROM THE EAST LINE OF SECTION 11, TOWNSHIP 21 SOUTH, RANGE 37 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO.

BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 21115	Drawn By: J. M. SMALL		
Date: 02-19-2009	Disk: 21115 JMS	Survey Date: 02-17-2009	Sheet 1 of 1 Sheets



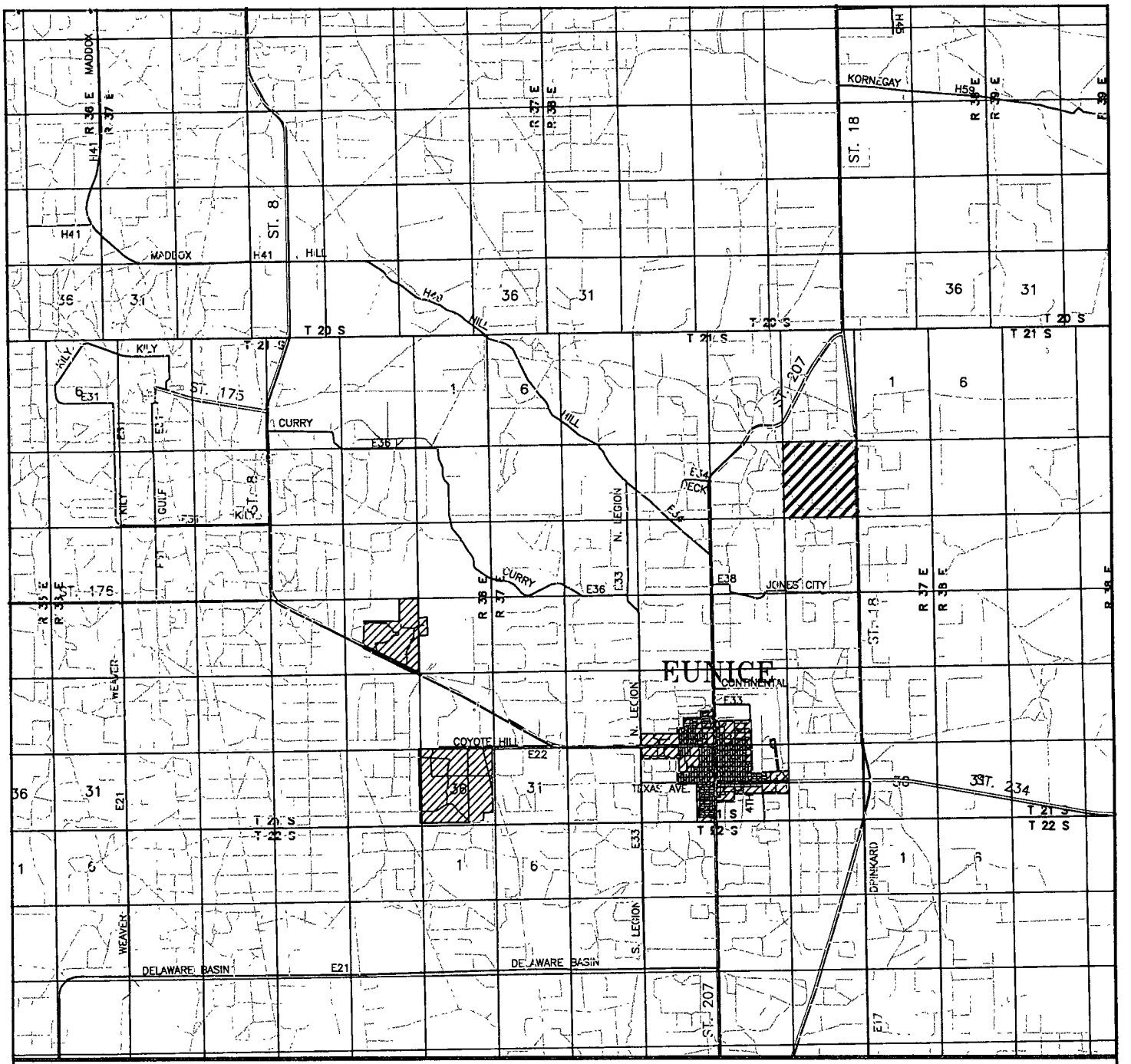
EAST BLINEBRY DRINKARD UNIT #87
Located at 1185' FSL AND 1060' FEL
Section 11, Township 21 South, Range 37 East,
N.M.P.M., Lea County, New Mexico.

basin surveys
focused on excellence in the oilfield

P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(505) 393-7316 - Office
(505) 392-3074 - Fax
basinsurveys.com

W.O. Number: 21115
Survey Date: 02-17-2009
Scale: 1" = 2000'
Date: 02-19-2009

APACHE CORP.



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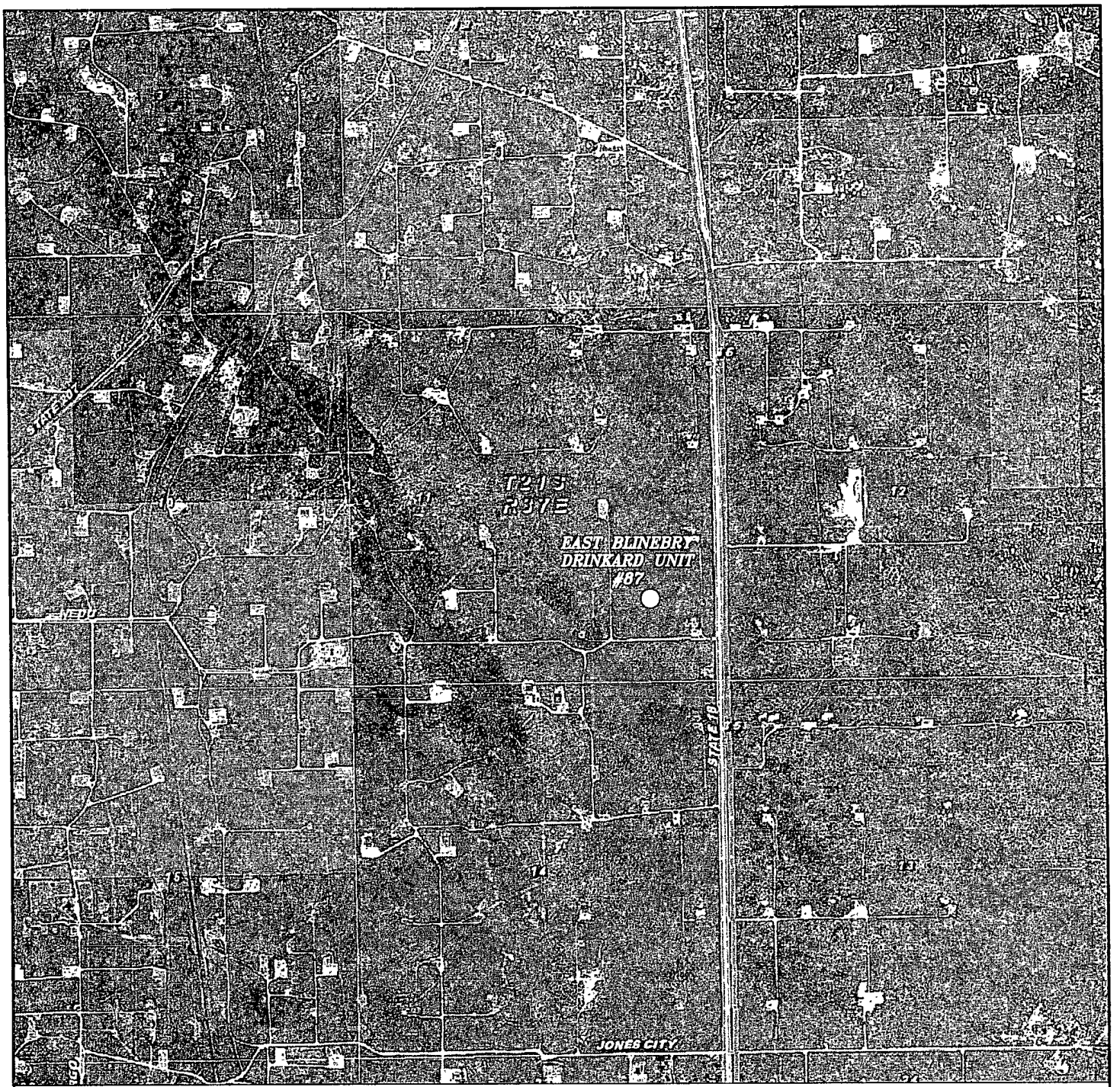

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(575) 392-2206 - Fax
basinsurveys.com

W.O. Number: 21115

Scale: 1" = 2000'

YELLOW TINT - USA LAND
BLUE TINT - STATE LAND
NATURAL COLOR - FEE LAND

APACHE CORP.

EAST BLINEBRY DRINKARD UNIT # 87
DRILLING PLAN

Surface Location

1185' FSL, 1060' FEL
SE ¼ of Section 11, Township 21 South, Range 37 East, Unit Letter P, N.M.P.M.
Lea County, New Mexico

DRILLING PROGRAM

1. **The geological surface formation** is recent Permian with quaternary alluvium and other superficial deposits.

2. **Estimated Tops of Geological Markers:**

FORMATION	DEPTH
Quaternary alluvials	Surface
Rustler	1342'
Yates	2632'
Seven Rivers	2867'
Queen	3437'
Grayburg	3775'
San Andres	4019'
Glorieta	5251'
Blinebry Marker	5680'
Tubb	6152'
Drinkard	6496'
Abo	6747'
TD	6950'

Estimated depths at which water, oil, gas, or other mineral-bearing formations are expected to be encountered:

SUBSTANCE	DEPTH
Oil	Blinebry @ 5680'
	Tubb @ 6152'
	Drinkard @ 6496'
Gas	None anticipated
Fresh Water	None anticipated

All fresh water and prospectively valuable minerals (as described by BLM) encountered during drilling will be recorded by depth and adequately protected. All oil and gas shows within zones of correlative rights will be tested to determine commercial potential.

3. **Proposed Casing Program:**

HOLE SIZE	CASING SIZE OD / ID	GRADE	WEIGHT PER FOOT	DEPTH LENGTH	SACKS CEMENT	ESTIMATED TOC - REMARKS
12 ¼"	8 5/8" 8.097"	J55 STC	24#	1,400'	650	TOC - Surface 8.9 ppg Water-based Mud; 89 ° F Est. Static Temp; 83 ° F Est. Circ. Temp.
		Safety Factors	Clps.- 2.19 Brst - 4.73 Ten.J- 8.12			
7 7/8"	5 ½" 4.892"	L80 LTC	17#	0-1000'	1,200	TOC – Surface Float Collar set @ 6931'/ 10.10 ppg Brine Mud; 141° F Est. Static Temp; 117° F Est. Circ. Temp.
		Safety Factors	Clps-10.81 Brst.- 2.12 Ten.J- 2.86			
7 7/8"	5 ½" 4.892"	K-55 LTC	17#	1,000'-6,950'		Included with above.
		Safety Factors	Clps.- 1.35 Brst.- 1.46 Ten.J- 2.69			

All casing will be new and API approved.

4. **Proposed Cement Program:**

CASING	LEAD SLURRY	TAIL SLURRY	DISPLACEMENT
8 5/8"	450 sacks Premium Class C Cmt + 3% bwoc Sodium Chloride + 0.25 lbs/sack Cello Flake + 3 lbs/sack LCM-1 + 0.005 gps FP-6L + 4% bwoc Bentonite Gel 796 Vol Cu Ft., 1.7 Vol. Factor Slurry Weight 13.5 ppg Slurry yield 1.75 cf/sack Mix Water 8.86 gps Estimated Pumping Time – 70 BC (HH:MM) 4:18	200 sacks Class C Cement + 2% bwoc Calcium Chloride + 0.25 lbs/sack Cello Flake + 0.005 gps FP-L6+56.3% Fresh Water, 270 Vol. Cu Ft 1.3 Vol. Factor Slurry Weight (ppg) 14.8 Slurry Yield (cf/sack) 1.35 Mix Water (gps)6.35 Estimated Pumping Time – 70 BC (HH:MM)-2:33	80.3 bbls Fresh Water @ 8.33 ppg

8 5/8" Casing: Volume Calculations:

1,400 ft	x	0.4127 cf/ft	with	75% excess	=	1,010.7 cf
42 ft	x	0.3576 cf/ft	with	0% excess	=	15.7 cf (inside pipe)
		TOTAL SLURRY VOLUME			=	954.2 cf
					=	182.6 bbls

Spacer 20.0 bbls Water @ 8.33 ppg

CASING	LEAD SLURRY	TAIL SLURRY	DISPLACEMENT
5 ½"	800 sacks (50:50) Poz (Fly Ash): Class C Cement + 5% bwow Sodium Chloride + 0.125 lbs/sack Cello Flake + 0.5% bwoc FL-52A 1,960 Vol. Cu Ft 2.4 Vol. Factor Slurry Weight (ppg) 11.8 Slurry Yield (cf/sack) 2.45 Mix Water (gps) 14.07; Estimated Pumping Time – 70 BC (HH:MM)-3:50;	350 sacks (50:50) Poz (Fly Ash):Class C Cement + 5% bwow Sodium Chloride + 0.125 lb/sk Cello Flake + 3 lbs/sk LCM-1+0.2% bwoc Sodium Metasilicate +0.45 bwoc FL-52A + 2% bwoc Bentonite 455 Vol. Cu Ft 1.3 Vol. Factor Slurry Weight (ppg) 14.2 Slurry Yield (cf/sack) 1.30 Mix Water (gps) 5.64; Estimated Pumping Time – 70 BC (HH:MM)-3:30;	161.6 bbls 2% Kcl Water @ 8.43 ppg

5 ½" Casing: Volume Calculations:

1,400 ft	x	0.1926 cf/ft	with	0% excess	=	269.5 cf
3,700 ft	x	0.1733 cf/ft	with	125% excess	=	1,441.6 cf
1,850 ft	x	0.1733 cf/ft	with	35% excess	=	432.5 cf
42 ft	x	0.1305 cf/ft	with	0% excess	=	5.5 cf (inside pipe)
	TOTAL SLURRY VOLUME				=	2,149.1 cf
	Total Volume in BBLS:				=	382.7 bbls

All slurries will be tested prior to loading to confirm thickening times and a lab report furnished to Apache. Fluid loss will be tested and reported on slurries with fluid loss additives. Lab test report will be furnished prior to pumping cement.

5. **Proposed Pressure Control Equipment:**

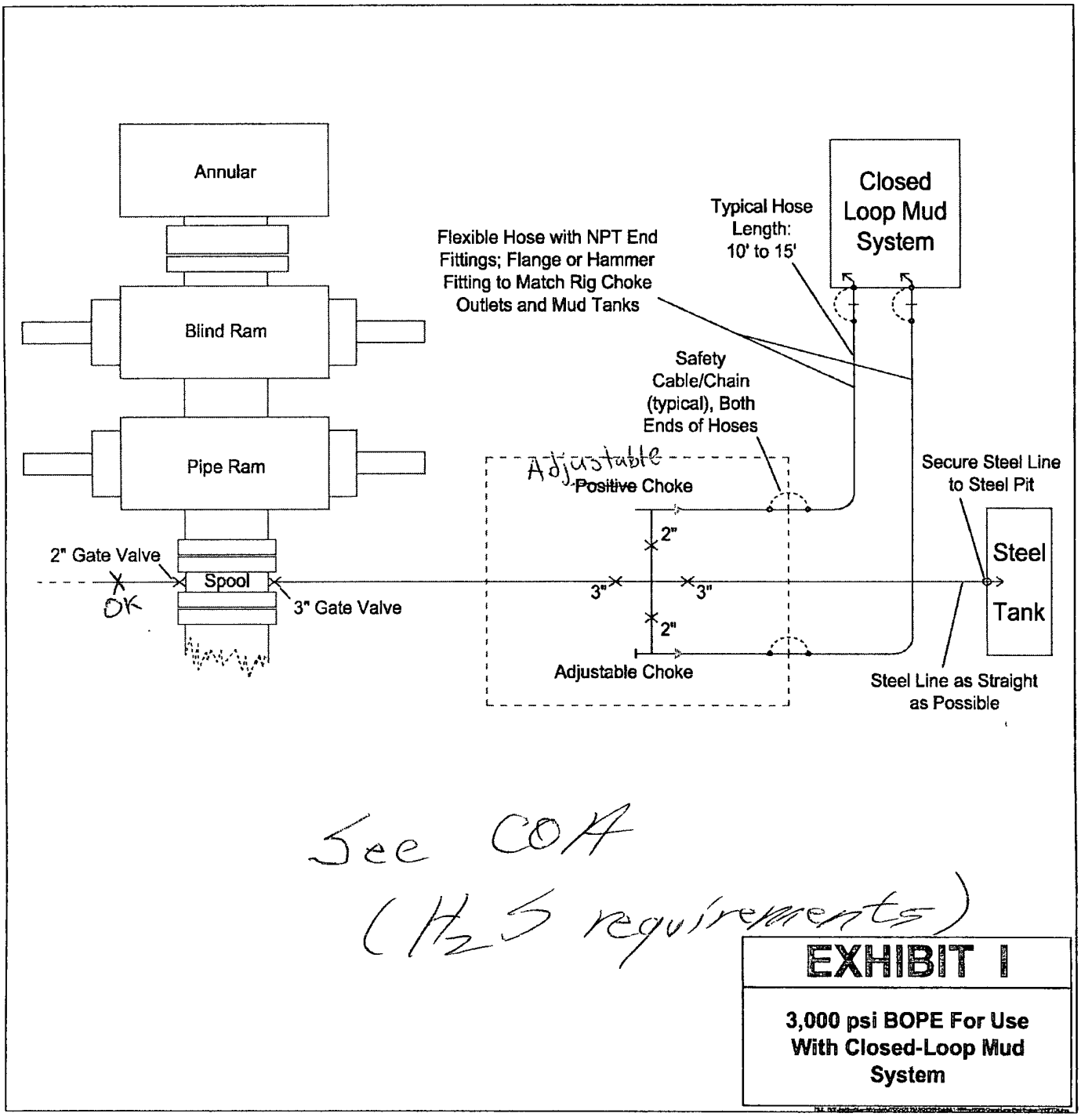
Will install on the 8 5/8" surface casing a 9" x 3000 psi WP Double Ram BOP with Annular, and will test using a 3rd party tester before drilling out of surface casing. **As maximum anticipated surface pressures do not exceed 2,000 psi, we will test the BOPE as a 2,000 psi system.** Bottom hole pressure calculations are included below. See Exhibit I, 3,000 psi BOPE attached.

Bottom Hole Pressure Calculations

The maximum anticipated bottom hole pressure is calculated y multiplying the depth of the well by 0.44. The maximum anticipated surface pressure is calculated assuming a partially evacuated hole with a pressure gradient of 0.22 psi/ft..

For the East Blinebry Drinkard Unit # 87 the maximum anticipated bottom hole pressure is 6,950' x 0.44 psi/ft. = 3,058 psi.

The maximum anticipated surface pressure for the East Blinebry Drinkard Unit #87 assuming a partially evacuated hole is 6,950' x 0.22 psi/ft = 1,529 psi.



6. **Proposed Mud Program**

DEPTH	MUD PROPERTIES	REMARKS
0 – 1,400'	Weight: 8.6 – 8.9 ppg Viscosity: 34 – 36 sec/qt pH: 9.0 – 9.5 Filtrate: NC	Spud with a Conventional Gel/Lime "Spud mud". Use gel and native solids to maintain a sufficient viscosity to keep the hole clean. Mix Paper one-two sacks every 100 feet drilled to minimize wall cake build up on water sands and to control seepage loss. Every 500' sweep the hole with 50 bbls of pre-mixed freshwater, gel and lime having a viscosity of 45-50 sec/qt.
1,400'-6,300'	Weight: 10.0 – 10.1 ppg Viscosity: 28 – 32 sec/qt pH: 9.5 – 10 Filtrate: NC	Drill out from under the surface casing with Brine Water. Paper should be added at 2 bags after every 100' drilled to control seepage losses. Mix one gallon of New-55 at flowline every 250 feet drilled to promote solids settling. Sweep hole with 3-ppb of Super Sweep every 500 feet.
6,300' – TD	Weight: 10.0 – 10.1 ppg Viscosity: 34 – 42 sec/qt pH: 9-10 Filtrate: 8-10 cc/30 min	From 6,300' to Total Depth, it is recommended the system be restricted to the working pits. Adjust and maintain pH with Caustic Soda. Treat system with WT-22 @ 0.1 ppb. Mix Starch (yellow) to control API filtrate at 8-10 cc. Sweep hole with Anco Drill N every 100'

7. **Auxiliary Well Control and Monitoring Equipment:**

a. 41/2" x 3000 psi Kelly valve
b. H_2S detection equipment will be rigged up and functional and breathing apparatus will be on location before drilling out of 8 5/8" surface casing.

8. **Evaluation Program:**

Open Hole Logging:

The following logs may be run:

CNL, Litho Density, GR, CAL, Dual Laterolog/MSFL, Sonic from TD-1300'
CNL, GR from TD-Surface

Mudlogging Program:

There are no plans to utilize a mud logging service on this well.

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. The estimated maximum bottom hole pressure is 3,058 psi., estimated BHT is 115°F.
No H_2S is anticipated. See Public Protection Plan for Hydrogen Sulfide (H_2S) attached.

10. **Anticipated Starting Date:**

Road and location construction will begin after the BLM has approved the APD, the NMOCD has issued a drilling permit, and Apache Corporation management determines the well to be economically advantageous to drill. Drilling will begin when a rig becomes available following completion of the location construction and access roads.

Representative and Emergency Contacts

Senior Representative (Manager, Engineering & Production):
Ross Murphy
Apache Corporation
6120 South Yale Avenue
Suite 1500
Tulsa, Oklahoma 74136
(918) 491-4834

Project (Operations Engineer):
Kevin Mayes
Apache Corporation
6120 South Yale Avenue
Suite 1500
Tulsa, Oklahoma 74136
(918) 491-4972

Drilling Operations (Operations Engineer):
Sam Hampton
Apache Corporation
6120 South Yale Avenue
Suite 1500
Tulsa, Oklahoma 74136
(918) 491-4954

PUBLIC PROTECTION PLAN FOR HYDROGEN SULFIDE (H_2S)

Assumed 100 ppm Radius of Exposure (ROE) = 3000'

100 ppm H_2S concentration shall trigger activation of this plan.

Emergency Procedures

In the event of a release of gas containing 100 ppm H_2S, the first responder(s) must;

- Isolate the area and prevent entry by other persons into the 100 ppm ROE.
- Evacuate any public places encompassed by the 100 ppm ROE.
- Be equipped with H_2S monitors and air packs in order to safely conduct efforts to control the release.
- Use the "buddy system" to ensure no injuries during the response operations.
- Take precautions to avoid personal injury during the operation.
- Contact operator and/or local officials to aid in operations. See list of phone numbers attached.
- Have received training in the
    a. Detection of H_2S
    b. Measures for protection against H_2S gas
    c. Equipment used for protection and emergency response to H_2S gas

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfer Dioxide (SO_2). Intentional ignition must be coorditnated with the NMOCD and local officials. Additionally the New Mexico State Police may be involved. The New Mexico State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of gas.

Characteristics of H_2S and SO_2

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H_2S	1.189 Air = 1.0	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO_2	2.21 Air = 1.0	2 ppm	N/A	1000 ppm

Contacting Authorities

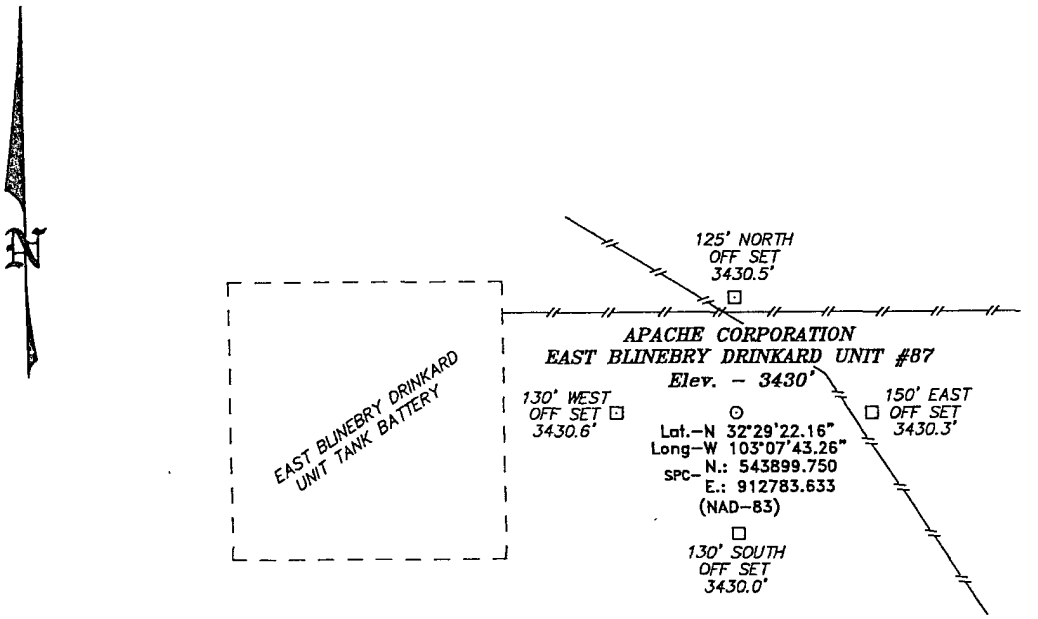
Apache Corporation's personnel must liaison with local and state agencies to ensure proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours after the release. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared will all information available including directions to site. The following call list of essential and potential responders has been prepared for use during a release. Apache Corporation' response must be in coordination with the State of New Mexico's "Hazerdous Materials Emergency Response Plan" (HMER).

(Note: Apache Corporation's Central Region Well Control Emergency Response Team should have already been notified. See Central Region Well Control Emergency Response Plan with drilling prognosis)

PUBLIC PROTECTION PLAN FOR H_2S - EMERGENCY CONTACTS

LOCATION	ENTITIY	PHONE NUMBER
	Ambulance	911
Eunice, NM	Apache Corp	(575) 394-1503
Eunice, NM	Apache Corp	(575) 394-2743
Eunice, NM	Sheriff's Office	(575) 394-2020
Hobbs, NM	State Police	(575) 392-5588
Eunice, NM	Fire Department	(575) 394-3258
Hobbs, NM	Fire Department	(575) 397-9308
Hobbs, NM	Local Emergency Mgmt. Safety	(575) 397-9231
Hobbs, NM	NM Oil Conservation Division	(575) 393-6161
Carlsbad, NM	Bureau of Land Management	(575) 887-6544
Santa Fe, NM	NM Emergency Response Commission	(505) 476-9600 24 hr, (505) 827-9126
Washington, DC	Nat'l Emergency Response Center	(800) 424-8802
Other Services		
Well Control	GSM Engineering	(806) 358-6894
Snubbing	Cudd Pressure Control	(915) 699-0139
Pumping	BJ Services	(575) 392-5556

SECTION 11, TOWNSHIP 21 SOUTH, RANGE 37 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.



200 0 200 400 FEET

SCALE: 1" = 200'

Directions to Location:

FROM GATE 28 ON STATE HWY 18; GO WEST 0.2 MILES TO LEASE ROAD, ON LEASE ROAD GO NORTH 0.1 MILES TO TANK BATTERY, GO EAST ACROSS TANK BATTERY TO PROPOSED WELL PAD.

APACHE CORPORATION

REF: EAST BLINEBRY DRINKARD UNIT #87 / WELL PAD TOPO

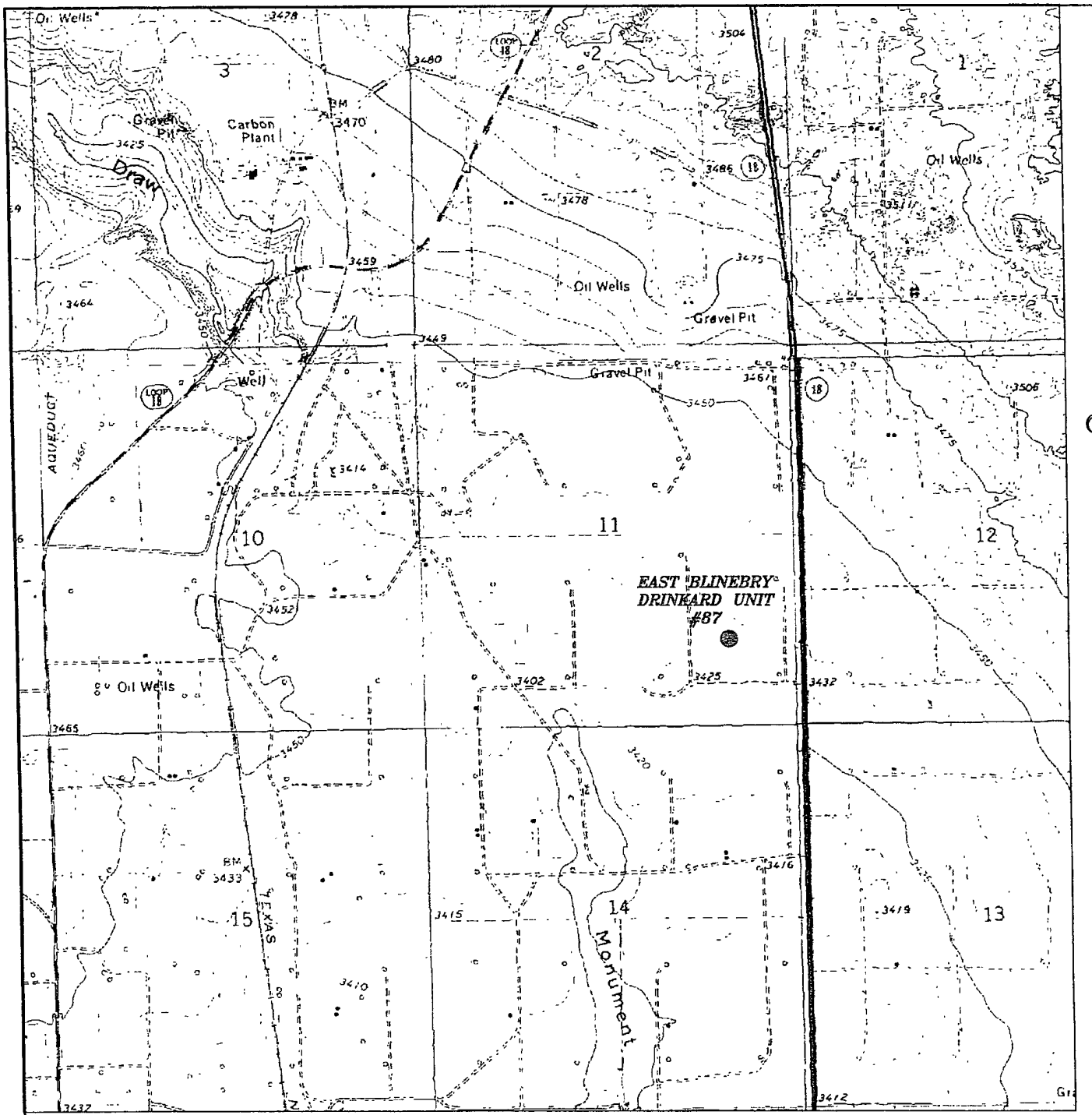
THE EAST BLINEBRY DRINKARD UNIT #87 LOCATED 1185' FROM THE SOUTH LINE AND 1060' FROM THE EAST LINE OF SECTION 11, TOWNSHIP 21 SOUTH, RANGE 37 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO.

BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 21115	Drawn By: J. M. SMALL		
Date: 02-19-2009	Disk: 21115 JMS	Survey Date: 02-17-2009	Sheet 1 of 1 Sheets

Exhibit A

Surface Use Plan



EAST BLINEBRY DRINKARD UNIT #87
Located at 1185' FSL AND 1060' FEL
Section 11, Township 21 South, Range 37 East,
N.M.P.M., Lea County, New Mexico.

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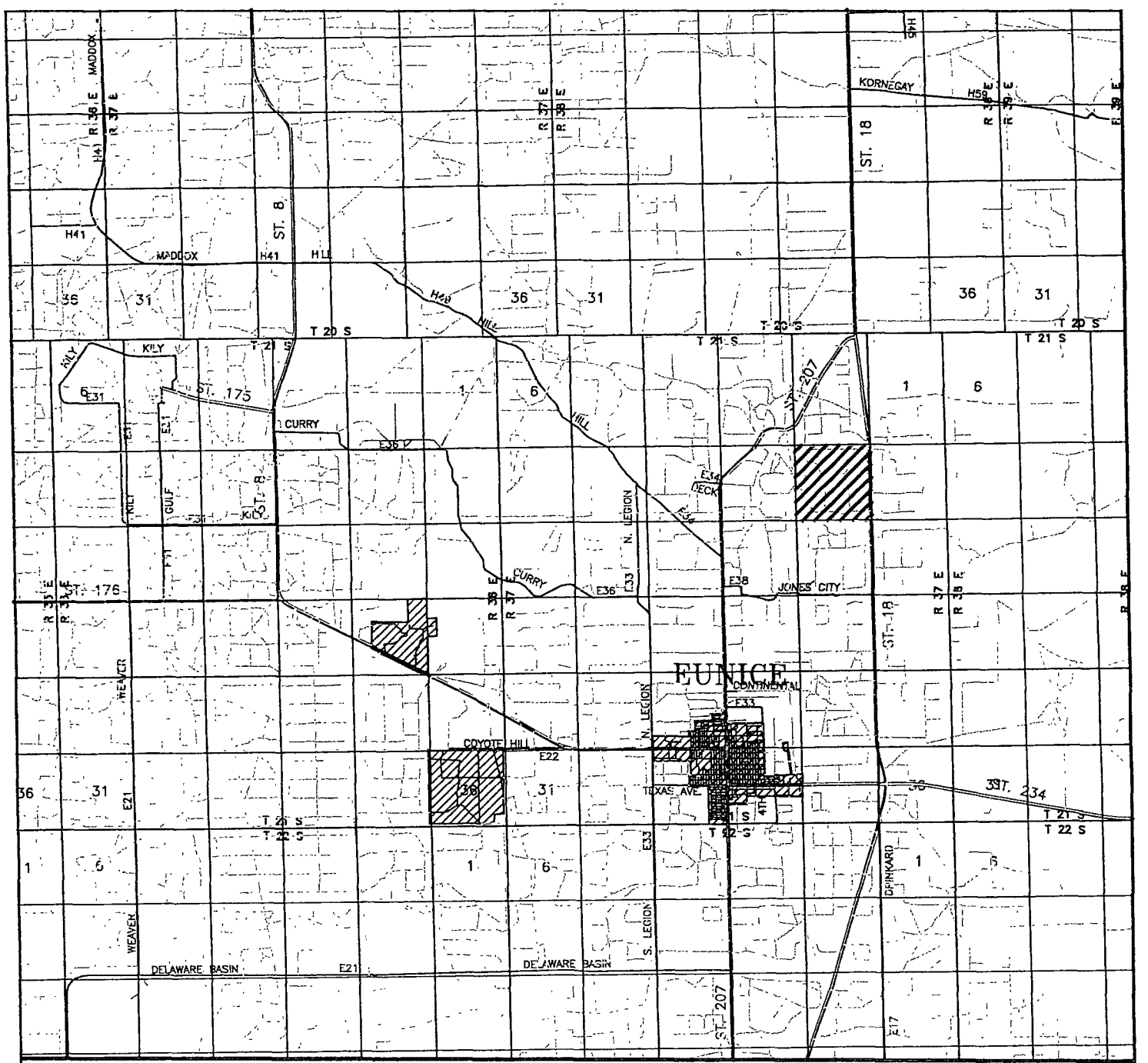
APACHE CORP.

Exhibit B

Surface Use Plan



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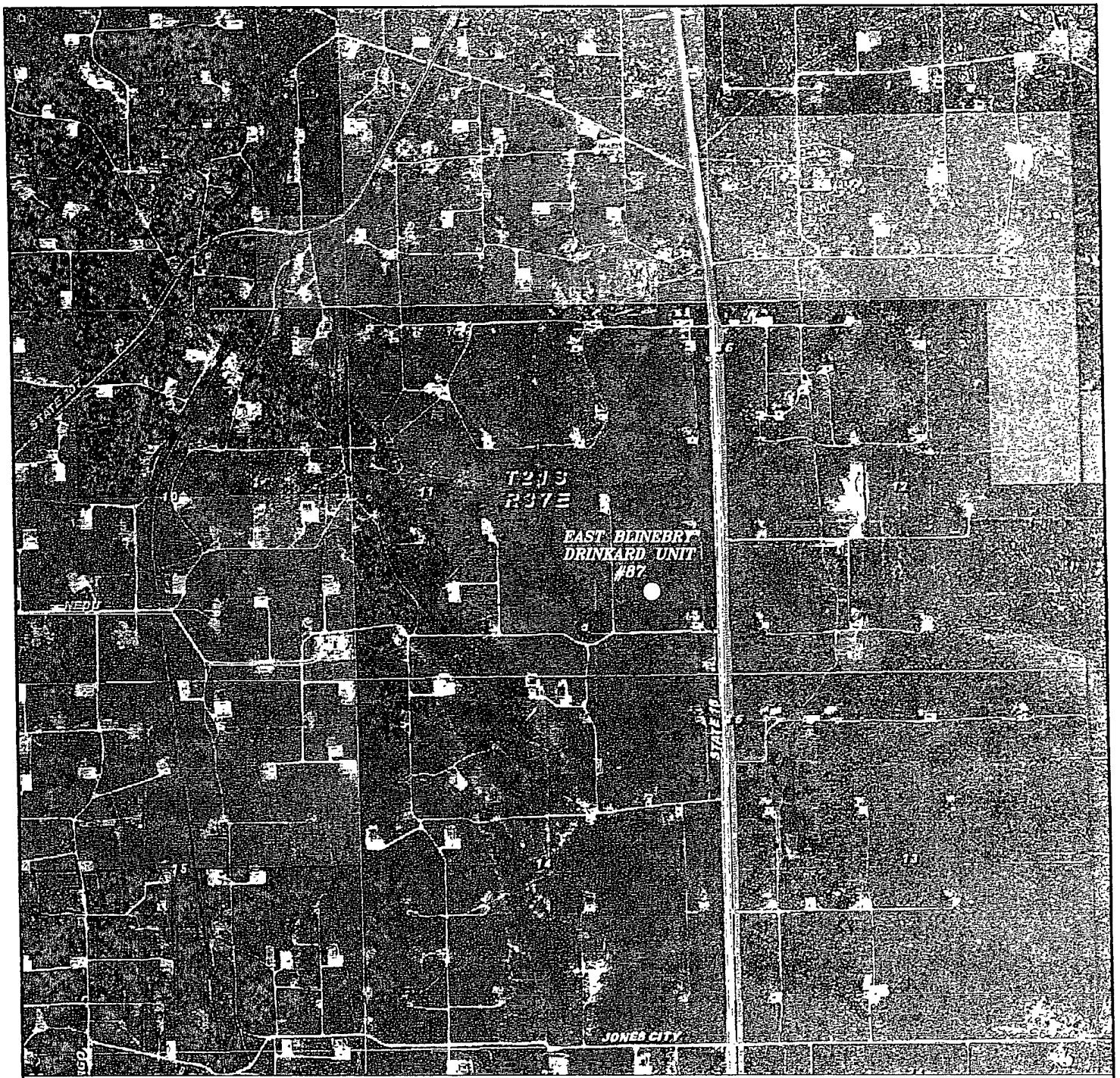
APACHE CORP.

Exhibit C

Surface Use Plan



EAST BLINEBRY DRINKARD UNIT #87
Located at 1185' FSL AND 1060' FEL
Section 11, Township 21 South, Range 37 East,
N.M.P.M., Lea County, New Mexico.

Basin Surveys
focused on excellence in the oilfield
P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(575) 393-7316 - Office
(575) 392-2206 - Fax
basinsurveys.com

W.O. Number: 21115

Scale: 1" = 2000'

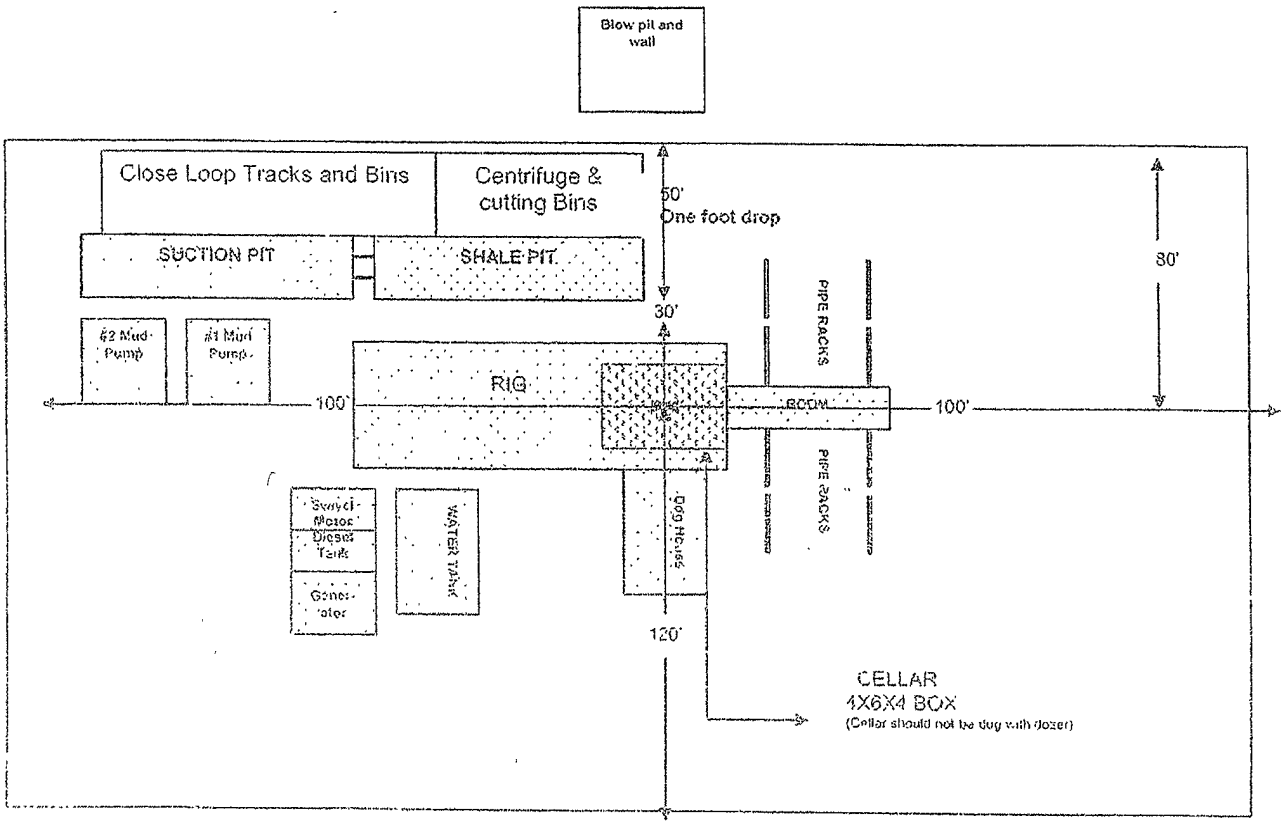
YELLOW TINT - USA LAND
BLUE TINT - STATE LAND
NATURAL COLOR - FEE LAND

APACHE CORP.

Exhibit D

Surface Use Plan

EXHIBIT E.
TYPICAL WELL SITE
PERMIAN BASIN CLOSED-LOOP MUD SYSTEM



Cellar can be 4X4X4 if using a screw-on wellhead

Exhibit E

Surface Use Plan

PECOS DISTRICT
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Apache Corporation
LEASE NO.:	LC032096B
WELL NAME & NO.:	East Blinebry Drinkard Unit – 87
SURFACE HOLE FOOTAGE:	1185' FSL & 1060' FEL
BOTTOM HOLE FOOTAGE	Same
LOCATION:	Section 11, T. 21 S., R 37 E., NMPM
COUNTY:	LeaCounty, New Mexico

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Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.

I. GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

II. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD. (Filing of a Sundry Notice is required for this 60 day extension.)

III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

IV. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

V. SPECIAL REQUIREMENT(S)

1. Timing Limitation Stipulation/Condition of Approval for Lesser Prairie-Chicken: Oil and gas activities including 3-D geophysical exploration, and drilling will not be allowed in lesser prairie-chicken habitat during the period from March 1st through June 15th annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, geophysical exploration other than 3-D operations, and pipeline, road, and well pad construction, will be allowed except between 3:00 am and 9:00 am. The 3:00 am to 9:00 am restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during this period. Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 ft. from the source of the noise.

2. Ground-level Abandoned Well Marker to avoid raptor perching: Upon the plugging and subsequent abandonment of the well, the well marker will be installed at ground level on a plate containing the pertinent information for the plugged well. For more installation details, contact the Carlsbad Field Office at 575-234-5972.

VI. CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Hobbs Field Station at (575) 393-3612 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved APD and Conditions of Approval (COA) on the well site and they shall be made available upon request by the Authorized Officer.

B. TOPSOIL

There is no measurable soil on this well pad to stockpile. No topsoil stockpile is required.

C. RESERVE PITS

The operator has applied for a closed-loop system. The operator shall properly dispose of drilling contents at an authorized disposal site.

D. FEDERAL MINERAL MATERIALS PIT

If the operator elects to surface the access road and/or well pad, mineral materials extracted during construction of the reserve pit may be used for surfacing the well pad and access road and other facilities on the lease.

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the
Carlsbad Field Office at (575) 234-5972.

E. WELL PAD SURFACING

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational needs.

F. ON LEASE ACCESS ROADS

Road Width
The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed thirty (30) feet.

Surfacing
Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

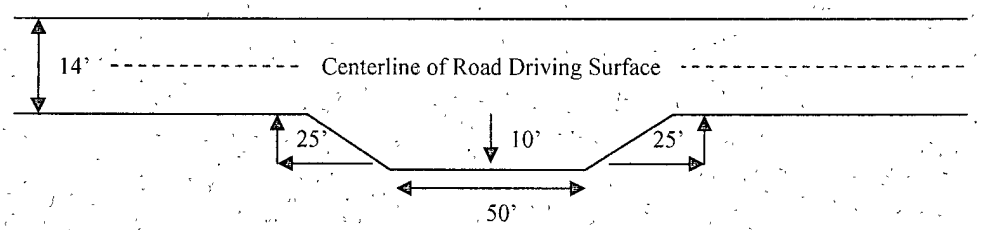
The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

Crowning
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Ditching
Ditching shall be required on both sides of the road.

Turnouts
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:

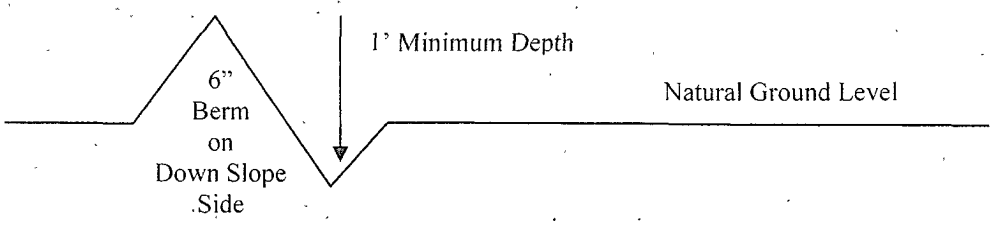
Standard Turnout – Plan View



Drainage
Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping and insloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

Cross Section of a Typical Lead-off Ditch



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

Formula for Spacing Interval of Lead-off Ditches

Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

400 foot road with 4% road slope: $\frac{400'}{4\%} + 100' = 200'$ lead-off ditch interval

Culvert Installations
Appropriately sized culvert(s) shall be installed at the deep waterway channel flow crossing.

Cattleguards
An appropriately sized cattleguard(s) sufficient to carry out the project shall be installed and maintained at fence crossing(s).

Any existing cattleguard(s) on the access road shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattleguard(s) that are in place and are utilized during lease operations.

A gate shall be constructed and fastened securely to H-braces.

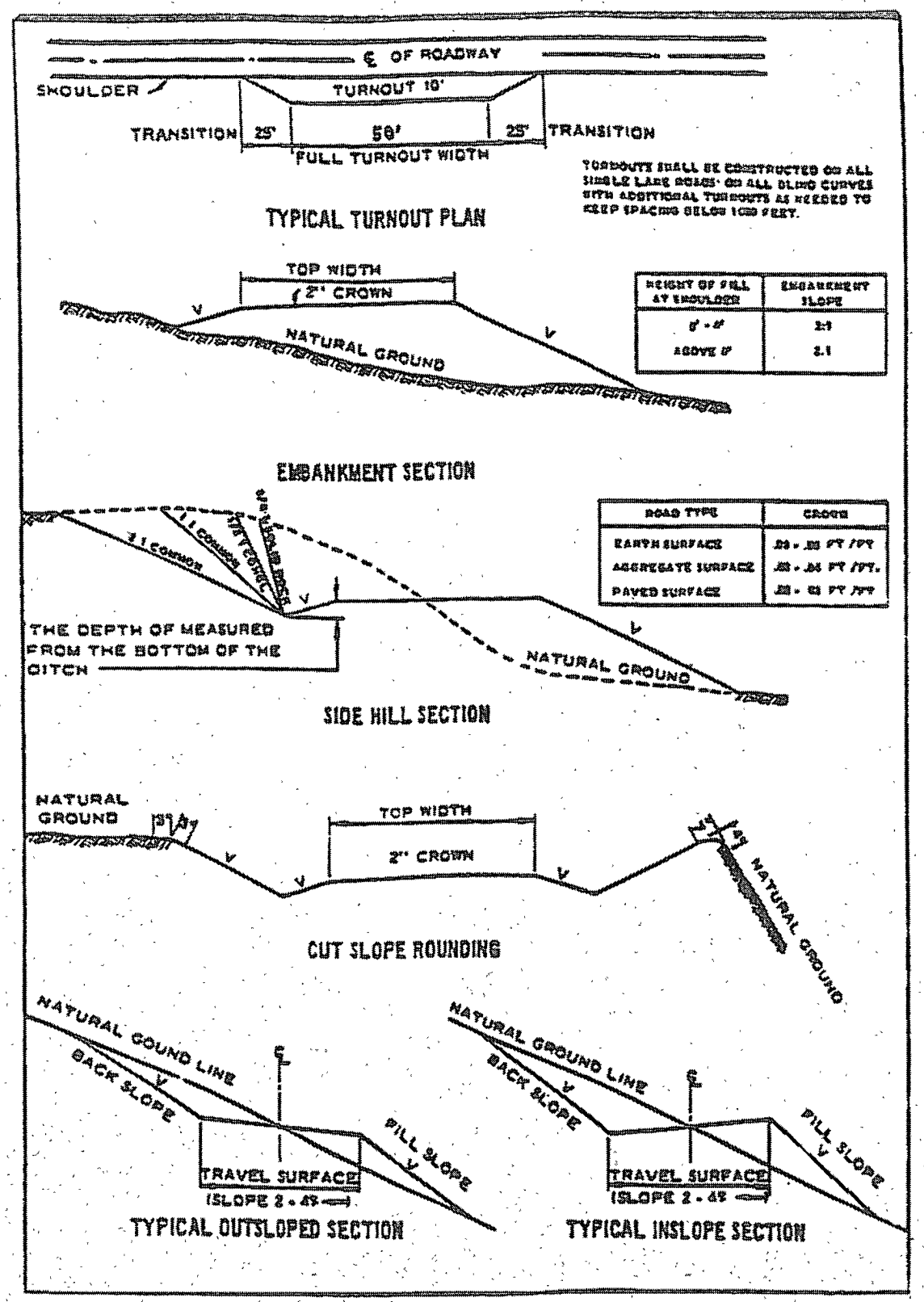
Fence Requirement
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fence(s).

Public Access

Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

Figure 1 – Cross Sections and Plans For Typical Road Sections



VII. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:

a. Spudding well
b. Setting and/or Cementing of all casing strings
c. BOPE tests

☒ **Lea County**
Call the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240,
(575) 393-3612

1. A Hydrogen Sulfide (H2S) Drilling Plan should be activated 500 feet prior to drilling into the **Blinebry** formation. **As a result, the Hydrogen Sulfide area must meet Onshore Order 6 requirements, which includes equipment and personnel/public protection items. If Hydrogen Sulfide is encountered, please provide measured values and formations to the BLM.**

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

B. CASING

Changes to the approved APD casing and cement program require submitting a sundry and receiving approval prior to work. Failure to obtain approval prior to work will result in an Incident of Non-Compliance being issued.

Centralizers required on surface casing per Onshore Order 2.III.B.1.f.

Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater for all casing strings. Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. See individual casing strings for details regarding lead cement slurry requirements.

No pea gravel permitted for remedial or fall back remedial without prior authorization from the BLM engineer.

Possible lost circulation in the Glorietta formation.

1. The **8-5/8** inch surface casing shall be **set at approximately 1400 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt)** and cemented to the surface.

    a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.

    b. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.

    c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.

    d. If cement falls back, a remedial cement job will be done prior to drilling out that string.

2. The minimum required fill of cement behind the **5-1/2** inch production casing is:

    ☒ Cement to surface. If cement does not circulate, contact the appropriate BLM office.

3. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

C. PRESSURE CONTROL

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.

2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **2000 (2M)** psi. **Operator is installing a 3M system and testing as a 2M based on bottom hole pressure gradient. 2M system approved.**

3. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

   a. The tests shall be done by an independent service company.

   b. The results of the test shall be reported to the appropriate BLM office.

   c. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.

   d. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

D. DRILL STEM TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

RGH 042409

VIII. PRODUCTION (POST DRILLING)

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities
Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Containment Structures
The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

Painting Requirement
All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color
Shale Green, Munsell Soil Color Chart # 5Y 4/2

IX. INTERIM RECLAMATION & RESERVE PIT CLOSURE

A. INTERIM RECLAMATION

If the well is a producer, interim reclamation shall be conducted on the well site in accordance with the orders of the Authorized Officer. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting interim reclamation.

During the life of the development, all disturbed areas not needed for active support of production operations should undergo interim reclamation in order to minimize the environmental impacts of development on other resources and uses.

Operators should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche may be used for road repairs, fire walls or for building other roads and locations. In order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

Seed Mixture 2, for Sandy Sites

The holder shall seed all disturbed areas with the seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed (PLS)* per acre. There shall be no primary or secondary noxious weeds in the seed mixture. Seed will be tested and the viability testing of seed will be done in accordance with State law (s) and within nine (9) months prior to purchase. Commercial seed will be either certified or registered seed. The seed container will be tagged in accordance with State law(s) and available for inspection by the authorized officer.

Seed will be planted using a drill equipped with a depth regulator to ensure proper depth of planting where drilling is possible. The see mixture will be evenly and uniformly planted over the disturbed area (smaller/heavier seeds have a tendency to drop the bottom of the drill and are planted first). The holder shall take appropriate measures to ensure this does not occur. Where drilling is not possible, seed will be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre are to be doubled. The seeding will be repeated until a satisfactory stand is established as determined by the authorized officer. Evaluation of growth will not be made before completion of at least one full growing season after seeding.

Species to be planted in pounds of pure live seed* per acre:

Species	lb/acre
Sand dropseed (Sporobolus cryptandrus)	1.0
Sand love grass (Eragrostis trichodes)	1.0
Plains bristlegrass (Setaria macrostachya)	2.0

*Pounds of pure live seed:

Pounds of seed **x** percent purity **x** percent germination = pounds pure live seed

X. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer shall issue instructions and/or orders for surface reclamation and restoration of all disturbed areas.

On private surface/federal mineral estate land the reclamation procedures on the road and well pad shall be accomplished in accordance with the private surface land owner agreement.