

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Response Required – Deadline Enclosed

16-Nov-10

APACHE CORP

6120 S YALE
MIDLAND, TX 79705-

SUITE 1500

LETTER OF VIOLATION Delinquent Regulatory Filings

Dear Operator:

Oil Conservation Division ("OCD") records indicate that you failed to file the required reports identified below, or that your filings were incomplete or inaccurate.

NON-COMPLIANT WELL DETAIL SECTION

MCCALLISTER STATE No.012

Location: 25-17S-34E

30-025-33954-00-00

Original Well Type: Oil (Producing)

Well Status: Active

Determination or Violation Date: 11/16/2010

**Delinquent Report or Filing(s): - Other Monitoring and Reporting
Violation**

Comments: C-103 is being returned without approval. See attached OCD Rule 19.15.12.11.A for Downhole Commingling with pools that are NOT IN THE PREAPPROVED AREA & POOLS. The information on the C-103 needs to go on the C-107a with attachments. The original needs to be sent to the OCD Santa Fe office, and a copy to the OCD Hobbs office and the State Land Office. If you have questions on this matter, please call Donna Mull (575) 393-6161 ext 115.

CORRECTIVE ACTION ON THIS WELL DUE BY: 12/16/2010

Please file or correct the reports identified above by the corrective action due date indicated. If you fail to file or correct the reports by that date, the OCD will take enforcement action that may include but is not limited to applying for an order assessing civil penalties and/or requiring you to plug and abandon the wells associated with those reports.

Thank you for your prompt attention to this matter and your efforts in helping to protect our environment and the infrastructure of the oil and gas industry.

Sincerely,



Hobbs OCD District Office

acceptable alternative to individual well measurement provided that commingling of production from different pools or leases does not take place unless otherwise authorized pursuant to 19.15.12 NMAC.

(4) Approval process.

(a) In general. Where there is diversity of ownership, the division may grant an exception to the requirements of 19.15.12.9 NMAC to permit surface commingling of production from different leases, pools or leases and pools only after notice and an opportunity for hearing as provided in Paragraph (4) of Subsection C of 19.15.12.10 NMAC.

(b) Application. The operator shall submit an application for administrative approval to the division's Santa Fe office on form C-107-B, which shall contain a list of the parties (interest owners) owning an interest in the production to be commingled (including owners of royalty and overriding royalty interests whether or not they have a right or option to take their interests in kind) and a method of allocating production to ensure the protection of correlative rights.

(c) Notice. The applicant shall notify the interest owners in accordance with 19.15.4.12 NMAC. The applicant shall submit a statement attesting that the applicant, on or before the date the applicant submitted the application to the division, notified each of the interest owners by sending them a copy of the application and the attachments to the application, by certified mail, return receipt requested, and advising them that they must file any objection in writing with the division's Santa Fe office within 20 days from the date the division received the application. The division may approve the application administratively, without hearing, upon receipt of written waivers from interest owners, or if no interest owner has filed an objection within the 20-day period. If the division receives an objection, it shall set the application for hearing. The division shall notify the applicant, who shall give formal notice of the hearing to each party who has filed an objection and to such other persons as the division directs.

(d) Hearing ordered by the division. The division may set for hearing an application for administrative approval of surface commingling, and, in such case, the applicant shall give notice of the hearing in the manner the division directs.

(e) Notice by publication. When an applicant is unable to locate all interest owners after exercising reasonable diligence, the applicant shall provide notice by publication and submit proof of publication with the application. Such proof shall consist of a copy of the legal advertisement that was published in a newspaper of general circulation in the county or counties in which the commingled production is located. The advertisement shall include:

- (i) the applicant's name, address, telephone number and contact party;
- (ii) the location by section, township and range of the leases from which production will be commingled and the location of the commingling facility;
- (iii) the source of all commingled production by pool name; and
- (iv) a notation that interested parties must file objections or requests for hearing in writing with the division's Santa Fe office within 20 days after publication, or the division may approve the application.

(f) Effect of protest. The division shall include protests and requests for hearing it receives in the case file; provided however, the division shall not consider the protest as evidence. If the protesting party does not appear at the hearing, the division may grant application without receiving additional evidence in support of the application.

(g) Additions. A surface commingling order may authorize, prospectively, the inclusion of additional pools or leases within defined parameters set forth in the order, provided that:

- (i) the notice to the interest owners includes a statement that authorization for subsequent additions is being sought and of the parameters for the additions the applicant proposes, and
- (ii) the division finds that subsequent additions within defined parameters will not, in reasonable probability, reduce the commingled production's value or otherwise adversely affect the interest owners; a subsequent application to amend an order to add to the commingled production other leases, pools or leases and pools that are within the defined parameters requires notice only to the owners of interests in the production to be added, unless the division otherwise directs.

(h) State, federal or tribal lands. Notwithstanding the issuance of an exception under 19.15.12.10 NMAC, an operator shall not commence commingling involving state, federal or tribal leases unless or until approved by the state land office or the BLM, as applicable. [19.15.12.10 NMAC - Rp, 19.15.5.303 NMAC, 12/1/08]

19.15.12.11 DOWNHOLE COMMINGLING:

Is in Santa Fe. The director may grant an exception to 19.15.12.9 NMAC to permit the commingling of multiple producing pools in existing or proposed well bores when the following conditions are met.

- (1) The fluids from each pool are compatible and combining the fluids will not damage the pools.
- (2) The commingling will not jeopardize the efficiency of present or future secondary recovery operations in the pools to be commingled.
- (3) The bottom perforation of the lower zone is within 150 percent of the depth of the top perforation in the upper zone and the lower zone is at or below normal pressure with normal pressure assumed to be 0.433 psi per foot of depth. If the pools to be commingled are not within this vertical interval, then evidence is required to demonstrate that commingling will not result in shut-in or flowing well bore pressures in excess of any commingled pool's fracture parting pressure. The fracture parting pressure is assumed to be 0.65 psi per foot of depth unless the applicant submits other measured or calculated pressure data acceptable to the division.
- (4) The commingling will not result in the permanent loss of reserves due to cross-flow in the well bore.
- (5) Fluid-sensitive formations that may be subject to damage from water or other produced liquids are protected from contact with liquids produced from other pools in the well.
- (6) If any of the pools being commingled is prorated, or the well's production has been restricted by division order in any manner, the

allocated production from each producing pool in the commingled well bore shall not exceed the top oil or gas allowable rate for a well in that pool or rate restriction applicable to the well.

(7) The commingling will not reduce the value of the total remaining production.

(8) Correlative rights will not be violated.

~~B. The director may rescind authority to commingle production in a well bore and require the operator produce the pools separately if, in the director's opinion, waste or reservoir damage is resulting, correlative rights are being impaired or the efficiency of a secondary recovery project is being impaired, or any changes or conditions render the installation no longer eligible for downhole commingling.~~

C. When the conditions set forth in Subsection A of 19.15.12.11 NMAC are satisfied, the director may approve a request to downhole commingle production in one of the following ways.

(1) Individual exceptions. An operator shall file applications to downhole commingle in well bores located outside of an area subject to a downhole commingling order issued in a "reference case" ~~and not within a pre-approved pool or area on form C-107-A with the division~~

(a) The director may administratively approve a form C-107-A in the absence of a valid objection filed within 20 days after the division's receipt of the application if, in the director's opinion, waste will not occur and correlative rights will not be impaired.

(b) In those instances where the ownership or percentages between the pools to be commingled is not identical, applicant shall send a copy of form C-107-A to interest owners in the spacing unit by certified mail, return receipt requested.

(c) The applicant shall send copies of form C-107-A to the state land office for wells in spacing units containing state lands or the BLM for wells in spacing units containing federal or tribal lands.

(d) The director may set an administratively filed form C-107-A for hearing.

Also to District Office where well is located

(2) Exceptions for wells located in pre-approved pools or areas. Applicants shall file applications to downhole commingle in well bores within pools or areas that have been established by the division as "pre-approved pools or areas" pursuant to Paragraph (2) of Subsection D of 19.15.12.11 NMAC on form C-103 at the appropriate division district office. The district supervisor of the appropriate division district office may approve the proposed downhole commingling following receipt of form C-103. In addition to the information required by form C-103, the applicant shall include:

(a) the number of the division order that established pre-approved pool or area;

(b) the names of pools to be commingled;

(c) perforated intervals;

(d) allocation method and supporting data;

(e) a statement that the commingling will not reduce the total remaining production's value;

(f) in those instances where the ownership or percentages between the pools to be commingled is not identical, a statement attesting that applicant sent notice to the interest owners in the spacing unit by certified mail, return receipt requested of its intent to apply for downhole commingling and no objection was received within 20 days of sending this notice; and

(g) a statement attesting that applicant sent a copy of form C-103 to the state land office for wells in spacing units containing state lands or the BLM for wells in spacing units containing federal or tribal lands using sundry notice form 3160-5.

(3) Exceptions for wells located in areas subject to a downhole commingling order issued in a "reference case". Applicants shall file applications to downhole commingle in well bores within an area subject to a division order that excepted any of the criteria required by 19.15.12.11 NMAC or form C-107-A with the district supervisor of the appropriate division district office and, except for the place of filing, shall meet the requirements of the applicable order issued in that "reference case".

D. Applications for establishing a "reference case" or for pre-approval of downhole commingling on an area-wide or pool-wide basis.

(1) Reference cases. If sufficient data exists for a lease, pool, formation or geographical area to render it unnecessary to repeatedly provide the data on form C-107-A, an operator may except any of the various criteria required under 19.15.12.11 NMAC or set forth in form C-107-A by establishing a "reference case". The division, upon its own motion or application from an operator, may establish "reference cases" either administratively or by hearing. Upon division approval of such "reference cases" for specific criteria, the division shall require subsequent form C-107-A only to cite the division order number that established the exceptions and not require the applicant to submit data for those criteria. The division may approve applications involving exceptions to the specific criteria required by 19.15.12.11 NMAC or by form C-107-A after the applicant sends notice to the interest owners in the affected spacing units by certified mail, return receipt requested, based on evidence that the approval would adequately satisfy the conditions of Subsection A of 19.15.12.11 NMAC.

(2) Pre-approval of downhole commingling on a pool-wide or area-wide basis. If sufficient data exists for multiple formations or pools that have previously been commingled or are proposed to be commingled, the division, upon its own motion or application from an operator, may establish downhole commingling on a pool-wide or area-wide basis either administratively or by hearing.

(a) Applications for pre-approval shall include the data required by form C-107-A, a list of the names and address of operators in the pools, previous orders authorizing downhole commingling for the pools or area and a map showing the location of wells in the pools or area and indicating those wells approved for downhole commingling.

(b) The director may approve applications for pre-approval of downhole commingling on a pool-wide or area-wide basis after the applicant sends notice to operators in the affected pools or area by certified mail, return receipt requested, based on evidence that such approval adequately satisfies the conditions of 19.15.12.11 NMAC.

(c) Upon approval of certain pools or areas for downhole commingling, an operator may obtain approval for subsequent applications for approval to downhole commingle wells within those pools or areas by filing form C-103 in accordance with Paragraph (2) of Subsection C of 19.15.12.11 NMAC.

(3) The division shall maintain and continually update a list of pre-approved pools or areas in Subsection E of 19.15.12.11 NMAC.

E. Pre-approved pools and areas. Downhole commingling is approved within the following pool combinations or geographical areas (provided, however, that the operator shall file form C-103 with the appropriate division district office in accordance with the procedure set forth in Paragraph (2) of Subsection C of 19.15.12.11 NMAC):

Pre-approved pools or geographic areas for downhole commingling, permian basin			
All Blinebry, Tubb, Drinkard, Blinebry-Tubb, Blinebry-Drinkard and Tubb-Drinkard pool combinations within the following geographic area in Lea County:			
township 18 south, ranges 37, 38 and 39 east		township 23 south, ranges 36, 37 and 38 east	
township 19 south, ranges 36, 37, 38 and 39 east		township 24 south, ranges 36, 37 and 38 east	
township 20 south, ranges 36, 37, 38 and 39 east		township 25 south, ranges 36, 37 and 38 east	
township 21 south, ranges 36, 37 and 38 east		township 26 south, ranges 36, 37 and 38 east	
township 22 south, ranges 36, 37 and 38 east			
Blinebry pools			
6660	Blinebry oil and gas pool (oil)	34200	Justis-Blinebry pool
72480	Blinebry oil and gas pool (pro gas)	46990	monument-Blinebry pool
6670	west Blinebry pool	47395	Nadine-Blinebry pool
12411	Cline lower paddock-Blinebry pool	47400	west Nadine paddock-Blinebry pool
29710	Hardy-Blinebry pool	47960	oil center-Blinebry pool
31700	east Hobbs-Blinebry pool	96314	north Teague lower paddock-Blinebry assoc.
31680	Hobbs upper-Blinebry pool	58300	Teague paddock-Blinebry pool
31650	Hobbs lower-Blinebry pool	59310	east Terry-Blinebry pool
33230	house-Blinebry pool	63780	Weir-Blinebry pool
33225	south house-Blinebry pool	63800	east Weir-Blinebry pool
Tubb pools			
12440	Cline-Tubb pool	47530	west Nadine-Tubb pool
77120	Fowler-Tubb pool	58910	Teague-Tubb pool
26635	south Fowler-Tubb pool	96315	north Teague-Tubb associated pool
78760	house-Tubb pool	60240	Tubb oil and gas pool (oil)
33460	east house-Tubb pool	86440	Tubb oil and gas pool (pro gas)
33470	north house-Tubb pool	87080	Warren-Tubb pool
47090	monument-Tubb pool	87085	east Warren-Tubb pool
47525	Nadine-Tubb pool		
Drinkard pools			
7900	south Brunson Drinkard-abo pool	47505	west Nadine-Drinkard pool
12430	Cline Drinkard-abo pool	47510	Nadine Drinkard-Abo pool
15390	D-K Drinkard pool	57000	Skaggs-Drinkard pool
19190	Drinkard pool	96768	northwest Skaggs-Drinkard pool
19380	south Drinkard pool	58380	Teague-Drinkard pool
26220	Fowler-Drinkard pool	96313	north Teague Drinkard-Abo pool
28390	Goodwin-Drinkard pool	63080	Warren-Drinkard pool
31730	Hobbs-Drinkard pool	63120	east Warren-Drinkard pool
33250	house-Drinkard pool	63840	Weir-Drinkard pool
47503	east Nadine-Drinkard pool		
Blinebry-Tubb pools			
62965	Warren Blinebry-Tubb oil and gas pool		
Tubb-Drinkard pools			
18830	dollarhide Tubb-Drinkard pool	33600	imperial Tubb-Drinkard pool
29760	Hardy Tubb-Drinkard pool	35280	Justis Tubb-Drinkard pool
96356	north Hardy Tubb-Drinkard pool		
pool-combinations, Lea county			
airstrip-bone spring (960) and airstrip-wolfcamp (970) pools			
Baish-wolfcamp (4480) and maljamar-abo (43250) pools			
Blinebry oil and gas and Wantz-abo (62700) pools			
Blinebry oil and gas and south Brunson-Ellenburger (8000) pools			
Blinebry oil and gas and paddock (49210) pools			
cerca lower-wolfcamp (11800) and cerca upper-pennsylvanian (11810) pools			
Drinkard (19190) and paddock (49210) pools			

Drinkard (19190) and Wantz-abo (62700) pools
 Drinkard (19190) and Wantz-granite wash (62730) pools
 lazy J penn (37430) and south Baum-wolfcamp (4967) pools
 mesa verde-Delaware (96191) and mesa verde-bone spring (96229) pools
 west red tank-Delaware (51689) and red tank-bone spring (51683) pools
 south shoe bar-wolfcamp (56300) and south shoe bar upper-penn (56285) pools
 Skaggs-glorieta (57190) and Skaggs-Drinkard (57000) pools
 west Triste draw-Delaware (59945) and south sand dunes bone spring (53805) pools
 Triste draw-Delaware (59930) and Triste draw-bone spring (96603) pools
 Tubb oil and gas and paddock (49210) pools
 north vacuum-Abo (61760) and vacuum-wolfcamp (62340) pools
 vacuum-Blinebry (61850) and vacuum-Glorieta (62160) pools
 vacuum-Blinebry (61850) and vacuum-Drinkard (62110) pools
 vacuum upper-penn (62320) and vacuum-wolfcamp (62340) pools
 Wantz-abo (62700) and Wantz-granite wash (62730) pools

pool combinations, Eddy county

red lake queen-grayburg-san andres (51300) and northeast red lake-glorieta yeso (96836) pools

pool combination, San Juan basin

basin-dakota (71599) and angels peak-Gallup associated (2170) pools
 basin-dakota (71599) and Armenta-Gallup (2290) pools
 basin-dakota (71599) and Baca-Gallup (3745) pools
 basin-dakota (71599) and bisti lower-Gallup (5890) pools
 basin-dakota (71599) and BS mesa-Gallup (72920) pools
 basin-dakota (71599) and Calloway-Gallup (73700) pools
 basin-dakota (71599) and devils fork-Gallup associated (17610) pools
 basin-dakota (71599) and ensenada-Gallup (96321) pools
 basin-dakota (71599) and flora vista-Gallup (76640) pools
 basin-dakota (71599) and Gallegos-Gallup associated (26980) pools
 basin-dakota (71599) and ice canyon-Gallup (93235) pools
 basin-dakota (71599) and Kutz-Gallup (36550) pools
 basin-dakota (71599) and Largo-Gallup (80000) pools
 basin-dakota (71599) and otero-Gallup (48450) pools
 basin-dakota (71599) and Tapacito-Gallup associated (58090) pools
 basin-dakota (71599) and wild horse-Gallup (87360) pools
 basin-dakota (71599) and Aztec-pictured cliffs (71280) pools
 basin-dakota (71599) and Ballard-pictured cliffs (71439) pools
 basin-dakota (71599) and blanco-pictured cliffs (72359) pools
 basin-dakota (71599) and south blanco-pictured cliffs (72439) pools
 basin-dakota (71599) and Fulcher Kutz-pictured cliffs (77200) pools
 basin-dakota (71599) and west Kutz-pictured cliffs (79680) pools
 basin-dakota (71599) and Tapacito-pictured cliffs (85920) pools
 basin-fruitland coal (71629) and Aztec-pictured cliffs (71280) pools
 basin-fruitland coal (71629) and Ballard-pictured cliffs (71439) pools
 basin-fruitland coal (71629) and blanco-pictured cliffs (72359) pools
 basin-fruitland coal (71629) and east blanco-pictured cliffs (72400) pools
 basin-fruitland coal (71629) and south blanco-pictured cliffs (72439) pools
 basin-fruitland coal (71629) and carracas-pictured cliffs (96154) pools
 basin-fruitland coal (71629) and choza mesa-pictured cliffs (74960) pools
 basin-fruitland coal (71629) and Fulcher Kutz-pictured cliffs (77200) pools
 basin-fruitland coal (71629) and west Kutz-pictured cliffs (79680) pools
 basin-fruitland coal (71629) and Gavilan-pictured cliffs (77360) pools
 basin-fruitland coal (71629) and gobernador-pictured cliffs (77440) pools
 basin-fruitland coal (71629) and huerfano-pictured cliffs (78840) pools
 basin-fruitland coal (71629) and Potwin-pictured cliffs (83000) pools
 basin-fruitland coal (71629) and Tapacito-pictured cliffs (85920) pools
 basin-fruitland coal (71629) and twin mounds fruitland sand-pictured cliffs (86620) pools
 basin-fruitland coal (71629) and W. A. W. fruitland sand-pictured cliffs (87190) pools
 blanco-mesaverde (72319) and basin-dakota (71599) pools
 blanco-mesaverde (72319) and blanco-pictured cliffs (72359) pools
 blanco-mesaverde (72319) and south blanco-pictured cliffs (72439) pools

blanco-mesaverde (72319) and gobernador-pictured cliffs (77440) pools
blanco-mesaverde (72319) and west lindrith Gallup-dakota (39189) pools
blanco-mesaverde (72319) and Tapacito-pictured cliffs (85920) pools
blanco-mesaverde (72319) and Armenta-Gallup (2290) pools
blanco-mesaverde (72319) and BS mesa-Gallup (72920) pools
blanco-mesaverde (72319) and Calloway-Gallup (73700) pools
blanco-mesaverde (72319) and ensenada-Gallup (96321) pools
blanco-mesaverde (72319) and flora vista-Gallup (76640) pools
blanco-mesaverde (72319) and Largo-Gallup (80000) pools
blanco-mesaverde (72319) and west lindrith Gallup-Dakota (39189) pools
blanco-mesaverde (72319) and McDermott Gallup (81050) pools
blanco-mesaverde (72319) and Potter-Gallup (50387) pools
blanco-mesaverde (72319) and Tapacito-Gallup associated (58090) pools
blanco-mesaverde (72319) and wild horse-Gallup (87360) pools
otero-chacra (82329) and Aztec-pictured cliffs (71280) pools
otero-chacra (82329) and basin-dakota (71599) pools
otero-chacra (82329) and blanco-mesaverde (72319) pools
otero-chacra (82329) and south blanco-pictured cliffs (72439) pools
otero-chacra (82329) and Fulcher Kutz-pictured cliffs (77200) pools

[19.15.12.11 NMAC - Rp, 19.15.5.303 NMAC, 12/1/08]

HISTORY of 19.15.12 NMAC:

History of Repealed Material: 19.15.5 NMAC, Oil Production Practices (filed 04/27/2000) repealed 12/1/08.

NMAC History:

Those applicable portions of 19.15.5 NMAC, Oil Production Practices (Section 303) (filed 04/27/2000) was replaced by 19.15.12 NMAC, Pools, effective 12/1/08.

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS, NM 88240



015H14 150977
\$0.78
11/16/10
Rated Front 88240

HAYLER

US POSTAGE

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6120 S. Yale, Suite 1500
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