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May 20, 2008

www.montand.com
Reply to Santa Fe Office

HAND-DELIVERED

Mr. Mark Fesmire, Director
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87504

Re: Request for Administrative Approval of an Unorthodox Well Location
Mancos Formation Approach Operating LLC

Sultemeier No. 1 Well - API No. 30-039-30342
2320' FSL and 490' FEL (Unit I)
Section 19 (Projected), T27N, R4E, NMPM
Rio Arriba County, New Mexico

Dear Mr. Fesmire:

On behalf of Approach Operating LLC, ("Approach") and pursuant to Division Rule 104.F and the applicable statewide rules governing wildcat oil wells (Rule 104.B.1), we request administrative approval for an unorthodox well location for the Approach Sultemeier No. 1 Well at the surface and bottom-hole locations reflected above.

This straight-hole well will be drilled to a depth sufficient to test the Mancos Shale formation in an area which is two miles or more from the boundary of any defined pool and any well that has produced from the formation and is consequently defined as wildcat under Rule 104.A.1. The statewide rules for wildcat oil wells currently provide that wells shall be drilled no closer than 330' to the outer boundary of a standard 40-acre spacing unit. A C-102 plat showing the NE/SE spacing unit and the proposed unorthodox surface and bottom hole locations for the Sultemeier No. 1 is attached as Exhibit "A".

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Approach seeks an exception from the applicable well location rules for the Sultemeier No. 1 Well due to terrain limitations, proximity to existing roads, the location of waterways, and to establish a surface location for operations that is more compatible with agricultural uses.

As demonstrated by the enclosed aerial photo, (Exhibit "B"), the Sultemeier No. 1 Well is located in a valley and near an existing road. Moving this site any further north or south would cause the location to be built on the side of a hill and would require more road to be built. In order to minimize the impact to the surface, Approach seeks approval of the non-standard location for this well.

Approach Operating LLC's affiliate company, Approach Oil and Gas Inc. owns or controls 100% of the leasehold working interest in each of the adjoining spacing units and Approach Operating would be the operator of each of those units. Further, the mineral interest ownership underlying the NE/SE of Section 19 and each of the surrounding spacing units is identical. Consequently, no further notice is indicated under the Division's rules (See Rule 1210.A.2).

The Division's Administrative Application Checklist is enclosed.

Thank you for your consideration of this request. Should more information be required, please do not hesitate to contact me.

Very truly yours,

MONTGOMERY & ANDREWS, P. A.



J. Scott Hall
Attorneys for Approach Operating LLC

Enclosures
Exhibit A C-102
Exhibit B Aerial Photo
Administrative Application Checklist

Cc: Approach Operating LLC

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

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 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

¹ API Number 30-039-30342		² Pool Code 97640		³ Pool Name WC17N4E19; Mancos Oil and Strat test	
⁴ Property Code 36701		⁵ Property Name Sultemeier Property			^{5a} Well Number Sultemeier #1
⁶ OGRID No. 248343		⁷ Operator Name Approach Operating LLC			Elevation 7590.73'

¹⁰ Surface Location


UL or lot no.	Section **19	Township **27N	Range **04E	Lot Idn	Feet from the 2320	North/South line NORTH South	Feet from the 490	East/West line EAST	County RIO ARriba
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¹¹ 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
¹² Dedicated Acres ¹³ Joint or Infill ¹⁴ Consolidation Code ¹⁵ Order No.									

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.

****Protection within the Tierra Amarilla Land Grant**

¹⁶ USC&GS brass cap "Penasco" 3852.03' N40°34'59"W 19 SULTEMEIER NO. 1 Latitude - 36.642610227N Longitude - 106.547435219W New Mexico State Plane Coordinate System - Central Zone x - 413,104.715 y - 2,054,205.900		¹⁷ 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 leased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this 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: <i>James S. Scott</i> Date: 8/31/2007 Printed Name: JAMES S. SCOTT	
¹⁸ 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 supervision, and that the same is true and correct to the best of my belief. 06 August 2007 Date of Survey Signature and Seal of Professional Surveyor: <i>Gilberto Archuleta</i> Gilberto Archuleta No. 13976 Certificate Number			

EXHIBIT

A



EXHIBIT
B

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]

[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]

[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]

[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]

[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]

[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication

X NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or X Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] X Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above; Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

J. Scott Hall

J. Scott Hall

Attorney

5/20/08

Print or Type Name

Signature

Title

Date

shall@montand.com
e-mail Address