

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

JUN 16 PM 4 02

**IN THE MATTER OF THE APPLICATION OF THE BOARD
OF COUNTY COMMISSIONERS OF RIO ARRIBA COUNTY
FOR CANCELLATION OR SUSPENSION OF APPLICATIONS
FOR PERMITS TO DRILL (APD'S) FILED BY APPROACH
OPERATING, LLC, RIO ARRIBA COUNTY, NEW MEXICO CASE NO. 14134**

**IN THE MATTER OF THE APPLICATION OF
APPROACH OPERATING, LLC FOR APPROVAL
OF SIX APPLICATIONS FOR PERMITS TO DRILL,
RIO ARRIBA COUNTY, NEW MEXICO**

CASE NO. 14141

**RESPONSE TO
MOTION FOR CONTINUANCE**

Approach Operating LLC, ("Approach"), through its undersigned attorneys, Montgomery and Andrews, P.A., (J. Scott Hall) responds to the June 13, 2008 Motion For Continuance filed on behalf of Rio Arriba County.

Approach opposes the County's June 13, 2008 Motion. This motion represents the County's second effort to delay the hearing on its own Application. Originally, the County requested that its Application be set for Examiner hearing on May 29, 2008. The County then filed its Motion to Vacate and Reschedule Hearing on May 12, 2008. Approach resisted that motion, pointing out that the short-fused lease owned by Approach Oil and Gas Inc. was subject to termination if it were prevented from fulfilling its drilling commitment. Approach, however, offered to work with the County to set a special hearing date and June 20th was agreed to by the parties and the Division's Examiner. (*See Response to Motion To Vacate And Reschedule Hearing*, May 14, 2008.)

As grounds for its most recent motion, the County alleges that Approach's ownership of the underlying oil and gas lease is in question, but no further explanation is

offered. However, it appears that the County's motion was not preceded by adequate due diligence.

As is readily ascertainable from public records, Approach's lease title is straightforward. It is also unassailable. Attached as Exhibit "A" is an excerpted copy of the February 27, 2007 Oil and Gas Lease covering the lands where Approach's APD's are located. Exhibit "B" is an excerpted copy of the March 7, 2007 lease assignment to Approach Oil and Gas Inc. Both of these instruments are filed with the Rio Arriba County Clerk's office at Book 530/Pg. 2524 and Book 530/Pg.2529, respectively. These instruments were filed on April 5, 2007 and under this state's recordation statutes, specifically NMSA 1978 §14-9-2, the County has been charged with notice of their existence since that time.

The County suggests at paragraph 5 of its motion that "[o]wnership of the mineral estate by Approach is a threshold requirement to a valid Application for Permit to Drill...". If it is the County's position that Approach Operating LLC's APD's should be revoked because record title ownership is in Approach Oil and Gas Inc., directly applicable agency precedent and long-standing Division practice have rendered any such argument a non-starter. Many orders of the Division, too numerous to count, authorize wells to be drilled by an owner of the leasehold working interest or the operating rights, or by the owner's operator or designee. *See, inter alia, Order No. R-12343-B, Conclusion IV D; Order No. R-12343-E, Conclusion Paragraph 19^{III}.*

^{III} NMOCD and NMOCC Case Nos. 13492 and 13493, *Application of Samson Resources Company, et. al; Application of Chesapeake Operating, Inc., Lea County, New Mexico*


Shown on Exhibit "C" is Approach's Corporate Structure. The owner of record title, Approach Oil and Gas Inc., has the same corporate officers as Approach Operating, LLC. Both companies are wholly owned by Approach Resources Inc. and share the same officers with that corporation. As indicated by the attached affidavit of Glenn W. Reed, (Exhibit "D"), Approach Operating, LLC is the operating entity for Approach Oil and Gas Inc., is responsible for regulatory compliance and has placed the financial assurance instrument with the Division for the drilling of these wells. Further, Approach Operating, LLC is acting at the direction of Approach Oil and Gas Inc. and is authorized to obtain permits to drill and operate the wells that are the subject of this proceeding.

As before, Approach strenuously opposes any further delays which will interfere with the exercise and maintenance of its property rights. If it is prevented from drilling and its lease is lost, Approach will incur significant consequential damages.

The County's motion should be denied.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By: 

J. Scott Hall

Attorneys for Approach Operating LLC
P. O. Box 2307
Santa Fe, New Mexico 87504-2307
(505) 982-3873

Certificate of Service

I hereby certify that a true and correct copy of the foregoing was faxed to
counsel of record on the 16th day of June, 2008 as follows:

Ted J. Trujillo, Esq.
P. O. Box 2185
Española, NM 87532-2185
(505) 753-4750 [facsimile]

A handwritten signature in black ink, appearing to read "J. Scott Hall", written over a horizontal line.

J. Scott Hall

Form 342P
Producer's 88

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J. FRED VIGIL, COUNTY CLERK
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OIL & GAS LEASE

THIS AGREEMENT made this 27 day of February, 2007 between Robert B. Rowling, William C. Dunlap, Thomas Hassen, Minerva Partners, LTD., a Texas limited partnership, Recklaw Ventures, Ltd., and Michael T. Popejoy, whose address is 600 East Las Colinas Boulevard, Suite 1900, Irving, Texas 75039-5601 herein called Lessor (whether one or more) and Lynx Production Company, Inc. whose address is 2121 San Jacinto, Suite 860, Dallas, Texas 75201, Lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata laying pipelines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in Rio Arriba County, New Mexico, to wit:

90,357.544 acres, more or less, out of the Tierra Amarilla Grant, Rio Arriba County, New Mexico more fully described on Exhibit A attached hereto.

Said land is estimated to comprise 90,357.544 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force from the first date above until April 2, 2009 (called primary term) and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by Lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, 1/8 of that produced and saved from said land, same to be delivered at the wells or to the credit of Lessor in the pipeline to which the wells may be connected; (b) on gas, including casing head gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of 1/8 of the gas used, provided that on gas sold on or off the premises, the royalties shall be 1/8 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, Lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of Lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if Lessee shall correct such error within 30 days after Lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable Lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by Lessee and gas purchaser for such term and under such conditions as are customary in the industry. Price shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and Lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve Lessee of the obligation to pay royalties on actual production pursuant to the provision or Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the County in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by Lessee, as provided herein, may be dissolved by Lessee by

EX.
A

recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but Lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if Lessee commences operations for additional drilling or reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipelines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without Lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee; and no such change or division shall be binding upon Lessee for any purpose until 30 days after Lessee has been furnished by certified mail at Lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Lessor. If any such change in ownership occurs through death of the owner, Lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as Lessee has been furnished with evidence satisfactory to Lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge Lessee of any obligations hereunder and, if Lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such Lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall properly comply or make such payments.

9. Should Lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's duty shall be suspended and Lessee duly shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event Lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

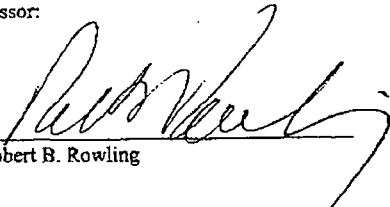
11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to Lessor or his heirs, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the County in which said land is situated; thereupon Lessee shall be relieved from all obligations, expressed or implied of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

SEE ATTACHED ADDENDUM "A" FOR ADDITIONAL PROVISIONS (1 through 21)

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J. FRED VIGIL, COUNTY CLERK
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IN WITNESS WHEREOF, this instrument is executed on the date first above written.

Lessor:

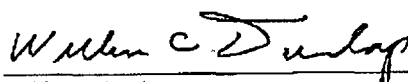

Robert B. Rowling

Lessee:

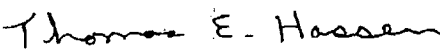

Lynx Production Company

By Robert S. Craine, President

Lessor:


William C. Dunlap

Lessor:


Thomas Hassen
THOMAS E. HASSEN

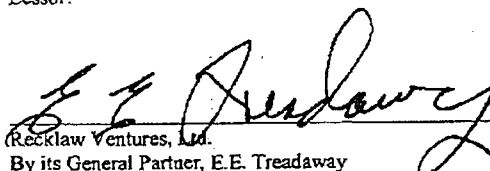
Lessor:

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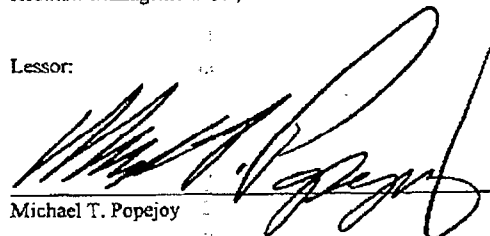
Minerva Partners, LTD., A Texas Limited Partnership

By: Malouf Interests, Inc.
Its General Partner,
By its President, Matthew Malouf

Lessor:


Recklaw Ventures, Ltd.
By its General Partner, E.E. Treadaway
Recklaw Management Co., Inc.

Lessor:


Michael T. Popejoy

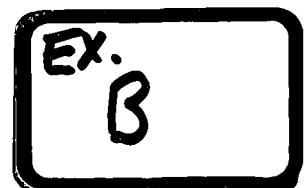
ASSIGNMENT OF OIL AND GAS LEASE

This Assignment of Oil and Gas Lease (the "Assignment") is from LYNX PRODUCTION COMPANY, INC., a Texas corporation, whose address is 2100 Ross Avenue, Suite 860, LB No. 52, Dallas, Texas 75201 (referred to as "Assignor") to APPROACH OIL & GAS INC., a Delaware corporation, whose address is 6300 Ridglea Place, Suite 1107, Fort Worth, Texas 76116-5737 (referred to as "Assignee").

For adequate consideration the receipt of which is acknowledged, Assignor, subject to the terms and provisions herein contained as well as the reservation herein after set forth, does hereby grant, sell, assign and convey, unto Assignee, its successors and assigns, the Oil and Gas Lease identified on Exhibit "A" attached to and made a part hereof and the lands covered by the Lease as described on Exhibit "A" (such Oil and Gas Lease being referred to as the "Lease" and the lands covered by the Lease being referred to as the "Lands"). For purposes of this Assignment the Lease and the Lands sold and conveyed by Assignor to Assignee as contemplated in this Assignment hereinafter jointly are referred to as the "Assigned Interests".

This Assignment and the Assigned Interests are further made expressly subject to the following:

1. The sixteen and twenty five one-hundredths percent (16.25%) royalty interest as provided in the Lease and to all of the terms, conditions, provisions and obligations set forth in the Lease.
2. Assignor warrants that the Assigned Interests are assigned to Assignee free and clear of all liens, security interests and other such encumbrances created by, through and under Assignor, but not otherwise. EXCEPT AS PROVIDED IN THE PRECEDING SENTENCE, THIS ASSIGNMENT IS WITHOUT WARRANTY, EXPRESS, IMPLIED, OR STATUTORY, WHATSOEVER.
3. Assignor hereby excepts and reserves unto itself, its successors and assigns, as an overriding royalty interest, three and seventy five one-hundredths percent (3.75%) of all the oil, gas and other hydrocarbons and / or substances covered by the Lease which are produced from or attributable to the Lease and the Lands. The overriding royalty shall be charged with and shall bear its proportionate part of the gross production, pipeline, severance, windfall profit and all other taxes which may be levied or assessed against or with respect to oil, gas, casinghead gas and liquid hydrocarbons produced from or attributable to the Lands, regardless of whether such taxes are initially paid by Assignor or are paid by or caused to be paid by parties conducting operations for the production of oil and gas, purchasers of such production or others. In addition, Assignor shall pay all ad valorem taxes assessed against the overriding royalty interests herein reserved. The overriding royalty reserved hereunder shall be computed after deducting from oil and gas production attributable to the Lands, or the market value thereof, (i) hydrocarbons that are lost, flared, used in operations on the Lands or lands pooled or unitized with the Lands (including, but not limited to, drilling, recycling, gas lifting and production), or used to transport, separate, dehydrate, condition, process or render such production merchantable and (ii) the costs of



transporting oil, gas, casinghead gas and liquid hydrocarbons and/or rendering it merchantable, including, but not limited to, the costs of treating, conditioning, dehydrating, transporting, separating, compressing and processing the hydrocarbons.

The following provisions apply to Assignor's overriding royalty interest:

(a) Proportionate Reduction: In the event the Lease covers interests in the Lands which are less than the entire mineral fee or if Assignor owns less than 100% of the leasehold interest in and to the Lease, then Assignor's overriding royalty interest will be proportionately reduced.

(b) Pooling: Assignor's overriding royalty will be subject to pooling and unitization on the same terms as the landowner's royalty reserved in the Lease.

(c) Extensions and Renewals: Assignor's overriding royalty will apply to any and all renewals or extensions of the Lease, in whole or in part, which are acquired during the term of the Lease and/or within two (2) years after expiration of the Lease, or any portion or portions of the Lease.

4. Assignee expressly assumes and agrees to perform at Assignee's sole expense all of Assignor's obligations arising or accruing after the date of this Assignment which relate to the ownership and / or operation of the Assigned Interests and are contained in or covered by the Lease, including but not limited to the timely plugging and abandoning in accordance with all applicable regulatory and contractual requirements of all wells drilled by or on behalf of Assignee upon the Lease and the Lands.

5. In conducting or causing to be conducted any operations or activities upon the Lease and the Lands, Assignee agrees to comply with, and to cause Assignee's contractors and subcontractors to comply with, all laws, ordinances, rules and regulations, federal, state and municipal, as applicable, with respect to such operations and activities.

6. Assignee hereby agrees and legally obligates itself to indemnify and defend Assignor from and against any and all liabilities, liens, demands, judgments, suits and claims of any kind or character, including all costs and expenses associated therewith, arising out of, in connection with or resulting from the ownership and / or operation of the Assigned Interests, including but not limited to all claims for environmental conditions, which arise or are initially asserted subsequent to the date of this Assignment.

7. Assignee acknowledges that it is experienced and actively engaged in the oil and gas business. Assignee has relied exclusively upon its own expertise and the expertise of its employees, agents and consultants in evaluating the oil and gas potential of the Leases and the Lands, and in deciding to enter into the transaction evidenced by this Assignment. In so doing, Assignee is not relying upon any information or data furnished by Assignor or any third parties associated with Assignor, past or present, or upon any statements or representations made by Assignor or anyone representing or associated with Assignor.

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The terms, covenants and conditions hereof shall be binding upon and shall inure to the benefit of Assignor and Assignee and their respective successors and assigns; and such terms, covenants and conditions shall be covenants running with the Assigned Interests, and with each subsequent transfer or assignment thereof.

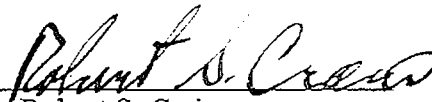
This Assignment may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall be deemed one original instrument provided this Assignment, or a counterpart hereof, is signed by Assignor and Assignee.

This Assignment is executed by Assignor on and to be effective as of the date indicated in its acknowledgment included herewith.

ASSIGNOR:

LYNX PRODUCTION COMPANY, INC.

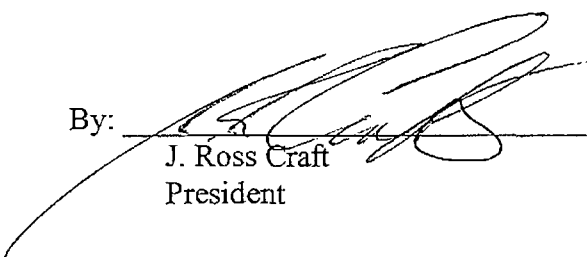
By:


Robert S. Craine
President

ASSIGNEE:

APPROACH OIL & GAS INC.

By:


J. Ross Craft
President

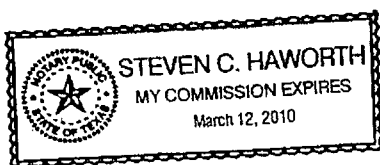
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STATE OF TEXAS
COUNTY OF DALLAS

This instrument was acknowledged before me this 7th day of March, 2007, by Robert S. Craine, President of Lynx Production Company, Inc., a corporation.

Steven C. Haworth

Notary Public
State of Texas

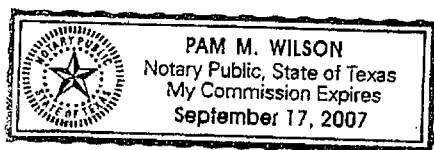


STATE OF TEXAS
COUNTY OF TARRANT

This instrument was acknowledged before me this 6th day of March, 2007, by J. Ross Craft, President of Approach Oil & Gas Inc., a corporation.

Pam M. Wilson

Notary Public
State of Texas



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EXHIBIT "A"

RIO ARriba
J. FRED VIGIL, COUNTY CLERK
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ATTACHED TO AND MADE A PART OF THAT CERTAIN ASSIGNMENT OF OIL AND GAS LEASE DATED MARCH 7, 2007, BY AND BETWEEN LYNX PRODUCTION COMPANY, INC., AS ASSIGNOR, AND APPROACH OIL & GAS INC., AS ASSIGNEE

Oil and Gas Lease dated February 27, 2007, between Robert B. Rowling, William C. Dunlap, Thomas Hassen, Minerva Partners, Ltd., a Texas limited partnership, Recklaw Ventures, Ltd., and Michael T. Popejoy, as Lessor, and Lynx Production Company, Inc., as Lessee, covering 90,357.544 acres of land, more or less, out of the Tierra Amarilla Grant, Rio Arriba County, New Mexico, described as follows:

PART 1

The following lands, which are all a part of the Tierra Amarilla Grant, also known as private land claim number three, in a Patent issued to Francisco Martinez on February 21, 1881, which Patent was recorded in the Office of the County Clerk of Rio Arriba County, New Mexico in Book 15-A, pages 102 *et seq.*, which premises are also depicted on a Map by Kenneth A. Heron, Engineer, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico in Book A-89, page 61:

Tract A:

A portion of the mineral estate described in a Deed from Arlington Land Company to Mosota Land Company recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on March 31, 1914 in Book 19-A, page 556, as follows:

- (1) The Frank Luna Tract containing 2490.7 acres, more or less;
- (2) The Lucas Martinez Tract containing 1175.8 acres, more or less, as described in a Deed from Arlington Land Company to Lucas Martinez recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on January 10, 1915 in Book 20-A, page 144;
- (3) The A.V. Valdez Tract containing 2188 acres, more or less, as described in a Deed from Arlington Land Company to Antonio V. Valdez, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on February 24, 1913 in Book 20-A, page 38;
- (4) The Valdez Brothers Tract containing 3246.6 acres, more or less, as described in a Deed from Arlington Land Company to Victor and Gregorita Valdez recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on February 24, 1913 in Book 19-A, page 693; and
- (5) The Espiridion Martinez Tract containing 3221.4 acres, more or less, as described in a Deed from Arlington Land Company to Espiridion Martinez recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on February 24, 1913 in Book 19-A, page 685.

EXCEPTING AND EXCLUDING THE FOLLOWING LANDS FROM THE VALDES BROTHERS TRACT (PART OF TRACT A):

(a) 63.926 acres as described in a Warranty Deed from Leroy V. and Liz M. Hieronymus to Guillermo Pilar and Lynn T. Landmesser, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on September 18, 1986 in Book 155, page 4; and

(b) 540.97 acres as described in a Warranty Deed from Jose Ramon Garcia to Palma Loppacher, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on April 1, 1994 in Book 178, page 566.

Tract B:

A portion of the mineral estate described in a Warranty Deed from Arlington Land Company to Mosota Land Company recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on August 25, 1914 in Book 20-A, page 68, as follows:

- (1) The Penn Building Company Tract containing 2988 acres, more or less;
- (2) The Wm. Kinderman Tract containing 4528 acres, more or less, SUBJECT TO a Quit Claim Deed from Andryck Corporation to Karl Bruesselbach recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on September 26, 1946 in Book 30, page 552, which conveys an undivided one-half (1/2) mineral interest in and to 4,345 acres; and
- (3) The Cip. Salazar Tract containing 1502 acres, more or less, as described in a Deed from Arlington Land Company to Cipriano Salazar, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on April 15, 1919 in Book 21-A, page 304.

EXCEPTING AND EXCLUDING THE FOLLOWING LANDS FROM THE PENN BUILDING COMPANY TRACT (PART OF TRACT B):

- (a) Lot 29B, Laguna Vista S/D, Unit 1, as described in a Warranty Deed from Lisa Ledwidge, Trustee, to Patrick J. Byrnes and Carol Anne Byrnes, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on February 20, 2001 in Book 331, page 737, containing 2.0 acres;
- (b) Lot 12 as described in a Warranty Deed from Glen H. Livermore and Helen M. Livermore, and Ross E. Livermore, to Scott E. Slezak and Carla A. Slezak, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on January 4, 1999 in Book 235, page 197; and

Lot 13 and 14 as described in a Warranty Deed from Glen H. Livermore and Helen M. Livermore, and Ross E. Livermore, to Scott E. Slezak and Carla A. Slezak, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on January 30, 1998 in Book 196, page 163,

collectively containing 6.0 acres;

- (c) Lot 94, Laguna Vista S/D, Unit 1, as described in a Warranty Deed from Debora J. Hamberg to Edward L. Tremba and Rosemary Ney Tremba, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on August 13, 1981 in Book 141, page 663, containing 2.0 acres;
- (d) 1.928 acres as described in a Release and Quitclaim from the Trustees under the will of John E. Andrus to David J. Alderete, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on May 1, 2002 in Book 391, page 37;

- (e) Tract A and Tract B as described in a Warranty Deed from The Woodaman Family Trust to Dean R. Danielsen, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on June 23, 1998 in Book 198, page 146, containing 3.973 acres;
- (f) 1.17 acres as described in a Release and Quitclaim from the Trustees under the will of John E. Andrus to Warren D. Smalley and Joyce Smalley-McDonagy, Trustees, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on September 6, 2002 in Book 167, page 191;
- (g) Lot 65, Laguna Vista S/D, Unit 1, as described in a Warranty Deed from Rex A. Shroyer and Edna F. Shroyer to _____, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on July 2, 1992 in Book 171, page 95, containing 5.20 acres;
- (h) Lot 66, Laguna Vista S/D, Unit 1, as described in a Warranty Deed from Herman C. Bohnhoff and Lois M. Bohnhoff to _____, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on October 13, 1988 in Book 160, page 463, containing 4.64 acres;
- (i) 1.927 acres as described in a Warranty Deed from Richard D. Lueck and Susan E. Lueck to Richard D. Lueck and Susan E. Lueck, Co-Trustees, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on June 16, 1998 in Book 198, page 44;
- (j) 1.961 acres as described in a Warranty Deed from Max L. Smith and Mary C. Smith, and Melvin R. Hayes and Bernyle M. Hayes, to Cecil F. Stark, Jr. and Mary R. Stark, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on June 4, 1992 in Book 170, page 721;
- (k) 51.27 acres as described in a Warranty Deed from Rex A. Shroyer and Edna F. Shroyer, Trustees, to Jorge A. Valle and Martha L. Valle, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on January 10, 2000 in Book 301, page 438;
- (l) A tract of land as described in a Warranty Deed from Rex A. Shroyer and Edna F. Shroyer, Trustees, to Charles A. Slocumb and Constance D. Slocumb, recorded in the Office of the County Clerk, Rio Arriba County of New Mexico on May 31, 2002 in Book 395, page 425; and
- Pond Tract 5 as described in a Warranty Deed from Mary Ann Wightman to Charles A. Slocumb and Constance D. Slocumb, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on April 6, 1999 in Book 241, page 950,
- Collectively containing 15.0 acres;
- (m) Tract 12-A as described in a Warranty Deed from Patsy P. Hughes to Donald D. Cobb and Constance M. Cobb, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on November 16, 1992 in Book 172, page 463, containing 2.60 acres;
- (n) Tract 12-B as described in a Warranty Deed from Charles A. Slocumb and Constance D. Slocumb to Donald D. Cobb and Constance M. Cobb, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on January 12, 2000 in Book 301, page 577, containing 2.29 acres;
- (o) 2.476 acres as described in a Warranty Deed from Max L. Smith and Mary C. Smith, and Melvin R. and Bernyle M. Hayes, to Gene D. Bowling and Marjorie A. Bowling, recorded in the

Office of the County Clerk of Rio Arriba County, New Mexico on May 14, 1990 in Book 164, page 579;

(p) 2.025 acres as described in a Warranty Deed from Kenneth R. Baker and Patricia C. Baker to Marvin S. Canter and Melissa Faye Canter, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on April 4, 2000 in Book 307, page 544; and

EXCEPTING AND EXCLUDING THE FOLLOWING LANDS FROM THE WM. KINDERMAN TRACT (PART OF TRACT B):

(q) 947.70 acres, being part of the lands described in a Warranty Deed from the Trustees under the will of John E. Andrus to Commercial Holding Company and Unser, LLC, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on October 4, 2004 in Book 517, page 472.

EXCEPTING AND EXCLUDING THE FOLLOWING LANDS FROM THE CIP. SALAZAR TRACT (PART OF TRACT B):

(r) 915.87 acres, being part of the lands described in a Warranty Deed from the Trustees under the will of John E. Andrus to Commercial Holding Company and Unser, LLC, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on October 4, 2004 in Book 517, page 472.

Tract C:

The mineral estate, described in (i) a Deed from Arlington Land Company to Mosota Land Company recorded in the Office of the County Clerk of Rio Arriba County, New Mexico in Book 22-A, page 001, (ii) a Quitclaim Deed from Andryck Corporation to The Penn Building Company recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on June 11, 1947 in Book 34, page 316; (iii) a Mineral Rights Deed from the Penn Building Company to the Trustees under the will of John E. Andrus recorded in the Office of the County Clerk of Rio Arriba County, New Mexico in Book 7, page 431; and (iv) a Final Decree in Case No. 4774 in the District Court of Rio Arriba County, New Mexico recorded in Book 34, page 475, as follows:

Lot 6, Nutrias Valley Tract, containing approximately 48,686.31 acres, more or less;

SUBJECT TO an Assignment of Royalties from The Penn Building Company, *et. al.*, to Raymond Spill, *et. al.*, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico, on August 6, 1956 in Book 28, page 354.

EXCEPTING AND EXCLUDING THE FOLLOWING LANDS FROM TRACT C:

(a) Lots 24, 25 and 26 Talavera S/D, Unit 1, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on November 23, 1968 in Book of Plats, page 389, containing 18.60 acres; and

(b) 96.54 acres as described in a Mineral Deed from the Trustees under the will of John E. Andrus to the United States of America, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on January 13, 1958 in Book 32, page 491.

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Tract D:

The mineral estate in the land known as the W.D. Chiles Tract containing 653 acres, more or less, as described in a Warranty Deed from The Penn Building Company to W. D. Chiles, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on April 1, 1937 in Book 23-A, page 606.

Tract E

The oil and gas mineral interest only in the El Vado Lake State Park tract containing 966.8 acres, more or less, as reserved in A Quit Claim Deed from Mosota Land Company to the Middle Rio Grande Conservancy District, recorded in the Office of the County Clerk of Rio Arriba County, New Mexico on December 26, 1930 in Book 25, page 169.

THE FOREGOING TRACTS, LESS THE EXCLUDED LANDS, CONTAIN 68,956.544 GROSS ACRES, MORE OR LESS.

PART 2

All of the Mineral Estate as described in Deed 19-A, page 556, and a portion of the Mineral Estate as described in Deed 19-A, page 428; which are all a part of the Tierra Amarilla Grant also known as private land claim number three, patent issued to Francisco Martinez on February 21, 1881, which patent was recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, Book 15-A at pages 102 *et seq.*, and which premises are also depicted on the Map by Kenneth A. Heron, Engineer and recorded in the Office of the County Clerk, Rio Arriba County, New Mexico in Book A-89, page 61-62 as the following tracts:

As covered in Deed 19-A, page 556:

G-1: The Geo. Becker Tracts containing 7991 acres, more or less, as described in Deed from the Arlington Land Company to George Becker, dated December 27, 1917 and recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on February 04, 1918 in Book 20-A, page 655.

G-2: The Espiridon Martinez Tract containing 3221.4 acres, more or less, as described in Deed from the Arlington Land Company to Espiridon Martinez recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on February 24, 1913 in Book 19-A, page 685.

G-3: The Frank Luna Tract containing 2490.7 acres more or less, as described in Deed from the Arlington Land Company to Francisco D. Luna, Jr., dated March 17, 1913 and recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on July 22, 1914 in Book 20-A, page 4-7.

G-4: The Lucas Martinez Tract containing 1176.8 acres more or less, as described in Deed from the Arlington Land Company to Lucas Martinez recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on January 10, 1915 in Book 20-A, page 144.

G-5: The A.V. Valdez Tract containing 2188 acres more or less as described in Deed from the Arlington Land Company to Antonio V. Valdez, recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on February 24, 1913 in Book 20-A, page 38.

G-6: The Valdez Brothers Tract containing 3246.6 acres more or less, as described in Deed from the Arlington Land Company to Victor and Gregorita Valdez recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on February 24, 1913 in Book 19-A, page 693.

G-7: Gom. Salazar Tract, containing 1181 acres more or less, as described in Deed from the Arlington Land Company to Kenneth A. Heron dated July 1, 1918, and recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on September 19, 1918 in Book 21-A, page 148-150.

G-8: Ulibarri No. 1 Tract containing 10,376 acres more or less, as described in Deed from the Arlington Land Company to Ismael Ulibarri & Bros., dated December 18, 1912 and recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on August 3, 1914 in Book 20-A, page 19-23.

G-9: Ismael Ulibarri, No. 2 Tract containing 3649 acres more or less, as described in Deed from the Arlington Land Company to Ismael Ulibarri & Bros., dated April 14, 1916 and recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on July 22, 1916 in Book 20-A, page 323-326.

G-10: M.D. Esquibel Tract containing 5545 acres more or less, as described in Deed from the Arlington Land Company to Manuel D. Esquibel and Antonio J. Esquibel, dated January 2, 1913 and recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on July 23, 1914 in Book 20-A, page 11-14.

As covered in Deed 19-A, page 556 and Deed 19-A, page 428:

G-11: Everett G. Clark Tract containing 9544 acres, more or less, as described in Deed from the Arlington Land Company to James F. Hutchinson, dated April 2, 1917 and recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on May 30, 1917 in Book 20-A, page 477-480.

EXCEPTING AND EXCLUDING, HOWEVER, FROM THE ABOVE-DESCRIBED PROPERTY, THE FOLLOWING TRACTS.

E-1: The Geo. Becker Tracts containing 7991 acres, more or less, as described in Deed from the Arlington Land Company to George Becker, dated December 27, 1917 and recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on February 04, 1918 in Book 20-A, page 655. (*Same land as Tract G-1.*)

E-2: The Frank Luna Tract containing 2490.7 acres more or less, as described in Deed from the Arlington Land Company to Francisco D. Luna, Jr., dated March 17, 1913 and recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on July 22, 1914 in Book 20-A, page 4-7. (*Same land as Tract G-3.*)

E-3: The Lucas Martínez Tract containing 1176.8 acres more or less as described in Deed from the Arlington Land Company to Lucas Martinez recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on January 10, 1915 in Book 20-A, page 144. (*Same land as Tract G-4.*)

E-4: The A.V. Valdez Tract containing 2188 acres more or less as described in Deed from the Arlington Land Company to Antonio V. Valdez, recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on February 24, 1913 in Book 20-A, page 38. (*Same land as Tract G-5.*)

E-5: The Valdez Brothers Tract containing 3246.6 acres more or less, as described in Deed from the Arlington Land Company to Victor and Gregorita Valdez recorded in the Office of the County Clerk,

Rio Arriba County, New Mexico, on February 24, 1913 in Book 19-A, page 693. (*Same land as Tract G-6.*)

E-6: The Espiridion Martinez Tract containing 3221.4 acres as described in Deed from the Arlington Land Company to Espiridon Martinez recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on February 24, 1913 in Book 19-A, page 685. (*Same land as Tract G-2.*)

E-7: 63.93 acres, more or less, as described in Warranty Deed from Leroy V. and Liz M. Hieronymus to Guillermo Pilar and Lynn T. Landmesser, recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on September 18, 1986 in Book 155, page 4-5. (*Located wholly within Tract E-5.*)

E-8: 540.97 acres, more or less as described in Warranty Deed from Jose Ramon Garcia to Palma Loppacher, recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on April 1, 1994 in Book 178, page 566-568. (*426.97 acres are located within Tract E-5, and 114 acres comprise part of Tract G-7.*)

E-9: 1054.39 acres, more or less, as described in Warranty Deed recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on November 29, 1983, in Book 147, page 393 and as shown as Tract entitled Gregorio F. Garcia on the Plat of Survey for the heirs of Jose Antonio Garcia Y Piedad R. Garcia recorded in the Office of the County Clerk, Rio Arriba County, New Mexico on June 21, 1984 in Book F-99, page 1405 as Document # 28029. (*351.46 acres are located within Tract E-5, and 702.93 acres comprise parts of Tracts G-7 and G-8.*)

E-10: 1054.38 acres, more or less, as shown as Tract entitled Lourdes G. Maestas on the Plat of Survey for the heirs of Jose Antonio Garcia Y Piedad R. Garcia recorded in the Office of the County Clerk, Rio Arriba County, New Mexico on June 21, 1984 in Book F-99, page 1405 as Document # 28029. (*Comprising parts of Tracts G-7 and G-8.*)

E-11: 1205.65 acres, more or less, as described in Warranty Deed recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on November 19, 1993, in Book 172, page 503-504 and as shown as Tracts entitled Adan Garcia on the Plat of Survey for the heirs of Jose Antonio Garcia Y Piedad R. Garcia recorded in the Office of the County Clerk, Rio Arriba County, New Mexico on June 21, 1984 in Book F-99, page 1405 as Document # 28029. (*Comprising parts of Tracts G-7, G-8, and G-9.*)

E-12: 1700.30 acres, more or less, as described in Warranty Deed recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on June September 6, 1990, in Book 165, page 444-445 and as shown as Tracts entitled Manuel R. Garcia on the Plat of Survey for the heirs of Jose Antonio Garcia Y Piedad R. Garcia recorded in the Office of the County Clerk, Rio Arriba County, New Mexico on June 21, 1984 in Book F-99, page 1405 as Document # 28029. (*Comprising parts of Tracts G-7, G-8, and G-9.*)

E-13: A certain parcel identified as "RANCH TRACT 1870.56 ACRES", as shown on plat entitled "SURVEY FOR RAYMOND A. AND MARY DIANNE WHITMIRE...", filed in the Office of the County Clerk, Rio Arriba County, New Mexico, on September 25, 1995, in Plat Book O-655, page 3765, as Document No. 120985. (*Comprising parts of Tracts G-8 and G-9.*)

E-14: A certain parcel identified as "STONE HOUSE TRACT 17.81 ACRES", as shown on plat entitled "AMENDED PLAT OF LOT LINE ADJUSTMENT BETWEEN WENDELL W. HENNIGH AND S.A.M. CO., L.L.C. DBA RED RABBIT RANCH..." filed in the Office of the County Clerk, Rio

Arriba County, New Mexico, on October 24, 2001 in Plat Book W-143, page 7476, as Document No. 216879. (*Comprising part of Tract G-8.*)

E-15: 3.72 acres, more or less, identified as "Creek Tract", as shown on plat filed in the Office of the County Clerk, Rio Arriba County, New Mexico, on January 29, 1997, in Plat Book P-135, page 3676. (*Comprising part of Tract G-8.*)

E-16: 13.57 acres, more or less, identified as "West Tract", as shown on plat filed in the Office of the County Clerk, Rio Arriba County, New Mexico, on October 24, 2001, in Plat Book W-143, page , page 1476. (*Comprising part of Tract G-8.*)

E-17: 57.89 acres, more or less, and 3.27 acres, more or less, as described in Warranty Deed recorded in Book 146, page 150 and Quitclaim Deed recorded in Book 146, page 152. (*Comprising part of Tract G-8.*)

E-18: 151.57 acres, more or less, as described in Deed from the Louis C. Crawford and Elizabeth I. Crawford to The T & B Crawford Family Limited Partnership, dated June 23, 2000 and recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on May 11, 2001 in Book 340, page 251-253. (*Comprising part of Tract G-11.*)

E-19: 1998.35 acres, more or less, as described in Release and Quitclaim from the John E. Andrus Trust to Vaughn A. Johnson and Karen C. Johnson, dated April 29, 2002 and recorded in the Office of the County Clerk, Rio Arriba County, New Mexico, on May 1, 2002 in Book 391, page 25-30. (*Comprising part of Tract G-11.*)

Said legal descriptions of the surface property are for the purpose of mineral rights tract identification only, and are not to be construed as acknowledging, conveying or in any way imparting surface rights or ownership.

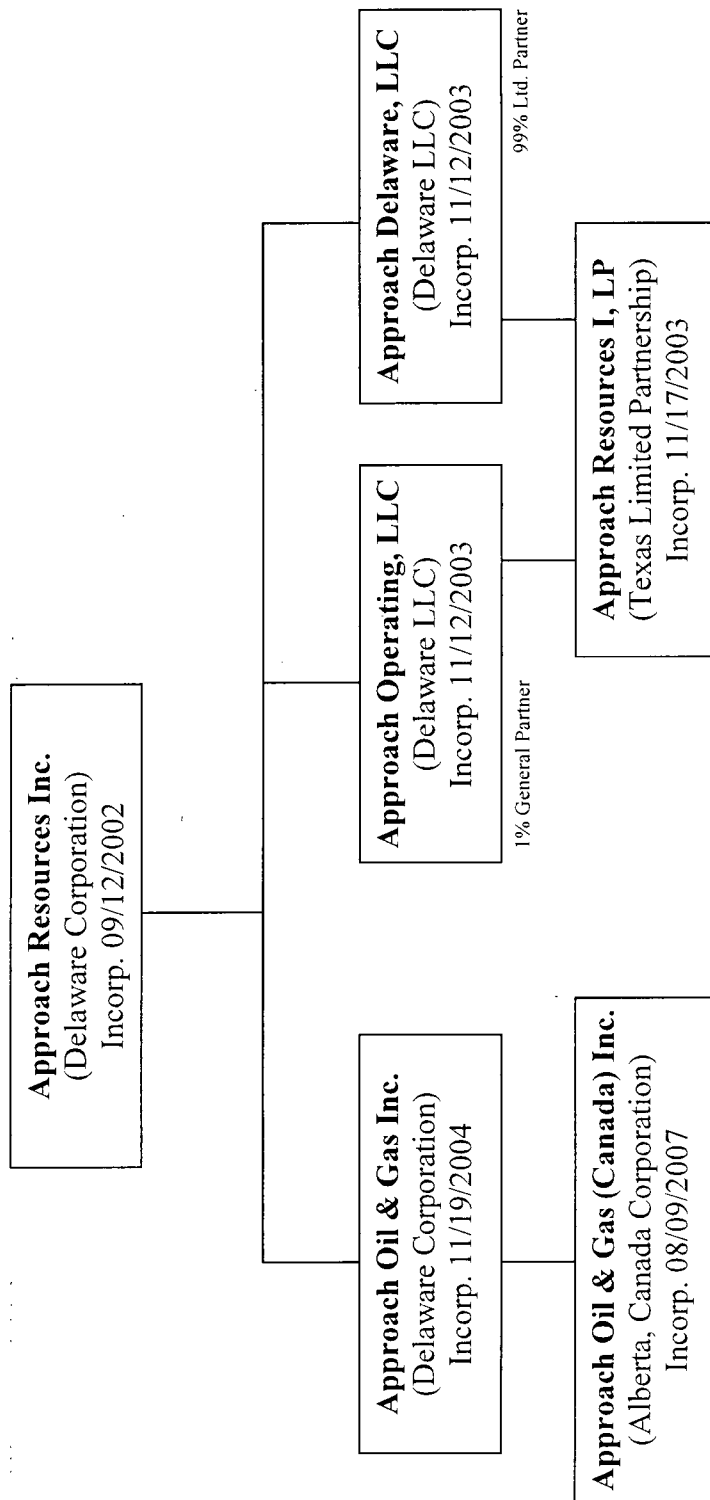
AFTER RECORDING RETURN TO:

Approach Oil & Gas Inc.
6300 Ridglea Place, Suite 1107
Fort Worth, Texas 76116-5737

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Approach Resources Inc. *Corporate Structure*



Ex.
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STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF THE BOARD
OF COUNTY COMMISSIONERS OF RIO ARRIBA COUNTY
FOR CANCELLATION OR SUSPENSION OF APPLICATIONS
FOR PERMITS TO DRILL (APD'S) FILED BY APPROACH
OPERATING, LLC, RIO ARRIBA COUNTY, NEW MEXICO

CASE NO. 14134

IN THE MATTER OF THE APPLICATION OF
APPROACH OPERATING, LLC FOR APPROVAL OF
SIX APPLICATIONS FOR PERMITS TO DRILL,
RIO ARRIBA COUNTY, NEW MEXICO

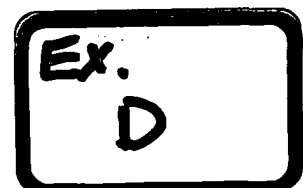
CASE NO. 14141

AFFIDAVIT OF GLENN W. REED

STATE OF TEXAS }
 } ss.
COUNTY OF TARRANT }

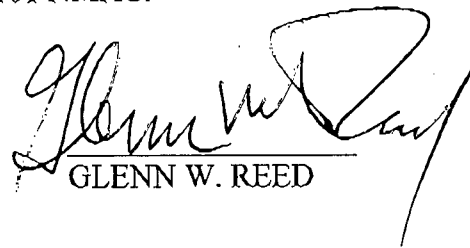
Glenn W. Reed, being duly sworn, states:

1. I am the age of majority and am otherwise competent to testify to the matters set forth herein of which I have personal knowledge.
2. I am Executive Vice-President – Engineering and Operations for Approach Resources Inc. and Approach Oil and Gas Inc. In that capacity, I am familiar with the corporate structure of Approach Resources Inc., Approach Oil and Gas Inc. and Approach Operating, LLC. The officers of each of these entities are the same. Approach Oil and Gas Inc. and Approach Operating, LLC are wholly owned by Approach Resources Inc.
3. By that Assignment of Oil and Gas Lease dated March 7, 2007 and recorded at Book 530/Pg. 2529 of the Rio Arriba County Clerk's office, Approach Oil and Gas Inc. acquired record title to that Oil and Gas Lease dated February 27, 2007 filed of record at Book 530/Pg. 2524 and covering 90,357.544 acres in Rio Arriba County, New Mexico.
4. Approach Operating, LLC has filed with the New Mexico Oil Conservation Division Applications for Permits To Drill for ten wells located on the Oil and Gas Lease referenced above. In doing so, Approach Operating, LLC acted under authorization of Approach Oil and Gas Inc.. Approach Operating, LLC is the operating entity for Approach Resources Inc. and Approach Oil and Gas Inc.



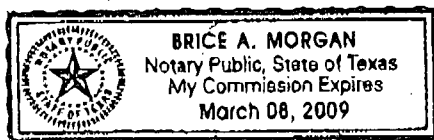
Approach Operating, LLC is responsible for compliance with the rules and regulations of the New Mexico Oil Conservation Division. Approach Operating, LLC has placed with the NMOCD the required financial assurance instrument in compliance with Section 70-2-14 NMSA and 19.15.3.101 NMAC.

FURTHER AFFIANT SAYETH NOT.


GLENN W. REED

STATE OF TEXAS
COUNTY OF TARRANT

This instrument was acknowledged before me on June 16, 2008 by Glenn W. Reed, Executive Vice-President – Engineering and Operations, Approach Resources Inc., a Delaware corporation, on behalf of said corporation.



Notary Public in and for the State of TEXAS

Printed Name: Brice A. Morgan

Commission Expires: 3-08-09