

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

**IN THE MATTER OF THE APPLICATION
OF APPROACH OPERATING LLC FOR
AN UNORTHODOX WELL LOCATION
AND NON-STANDARD SPACING AND
PRORATION UNIT, RIO ARRIBA
COUNTY, NEW MEXICO.**

CASE NO. 14576

AFFIDAVIT OF BRICE A. MORGAN

BRICE A. MORGAN, being duly sworn, state:

1. I am the landman for Approach Resources Inc. and Approach Operating, LLC in the Company's Fort Worth, Texas, office. I am responsible for the Company's Rio Arriba County, New Mexico properties. I am familiar with the lands and the subject matter of this application and have direct knowledge of the matters set forth herein.

2. Approach Operating, LLC seeks approval of an unorthodox well location and a non-standard unit to be dedicated to the Approach Montano No. 1 Well at the following surface and bottom-hole locations:

Montano No. 1
API No. 30-39-30858
939' FNL and 207' FWL (D)
Projected Section 3, T27N, R4E
Rio Arriba County, New Mexico

3. Approach Operating, LLC owns the right to drill the well on these lands. This straight-hole well will be drilled to a depth sufficient to test the Mancos Shale formation within the boundaries of the WC Tierra Amarilla Mancos Oil Pool and is defined as a wildcat under the Division's rules. 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. The C-101 along with the C-102 plat showing the NW/NW spacing unit and the proposed unorthodox surface and bottom hole locations for the Montano No. 1 are attached as Exhibit A.

4. Approach seeks an exception from the applicable well location rules for the Montano No. 1 Well for the following reasons: (1) The well is located in an un-surveyed area within the Tierra Amarilla Land Grant. The section/township/range description of the location is based on unofficial, projected township and section lines from an adjoining survey and therefore, it is not possible to state the proximity to actual section lines or quarter-quarter subdivisions boundaries with certainty. However, the location descriptions by latitude/longitude and by reference to the New Mexico State Plane Coordinate System referenced on the C-102 are accurate. (2) The well has also been located in conformance with the Design and Operational Standards for Oil and Gas Development of Rio Arriba County Ordinance No. 2009-01. Among

EXHIBIT 1

other matters, these standards take into consideration terrain limitations, access roads, proximity to water features, and compatibility with existing land uses. Many of these matters are demonstrated by the enclosed aerial photo of the Montano No. 1 Well (Exhibit B).

5. The location for this well is not located closer than 660' to any existing well or a well that is known to be planned. Approach Operating, LLC's affiliate company, Approach Oil & Gas Inc., owns or controls 100% of the leasehold working interest in each of the adjoining spacing units toward which the location encroaches and Approach Operating, LLC would be the operator of each of those units. Further, the mineral interest ownership underlying the NW/NW of projected Section 3 and each of the spacing units toward which the well encroaches is identical. Consequently, no further notice for the NSL application is indicated under the Division's rules (See Rule 19.15.4.12.A.2).

6. In addition, Approach Operating, LLC also seeks approval of a 52± acre non-standard spacing and proration unit to be dedicated to the referenced well, comprised of that acreage located generally in the NW/NW of Section 3 as indicated on the attached survey plat (Exhibit C).

7. The statewide oil well location and acreage dedication rules that would otherwise be applicable to the WC Tierra Amarilla Mancos Oil Pool (97767) provide that oil wells shall be located on a spacing unit "*...consisting of approximately 40 contiguous surface acres, substantially in the form of a square that is a legal subdivision of the United States public land survey and is a governmental quarter-quarter section or lot..*". See Rule 19.15.15.9.A. Rule 19.15.15.11 B(1) authorizes administrative approval of non-standard units when necessitated by "*a variation in the legal subdivision of the United States public land surveys...*". Of course, the variation in this circumstance results from the application of a less than certain *projected* survey.

8. As indicated above, this well and spacing unit are located in un-surveyed areas within the Tierra Amarilla Land Grant. Therefore, the location of section lines and quarter-quarter subdivisions are only projected estimates. In this case, the proposed unit is bounded on the east by Approach's lease boundary. Further, even though the east/west width of the resulting spacing unit would be approximately 954', maintaining the non-standard unit within the confines of projected section 3 is preferable to creating a 1,320' wide unit that overlaps into section 4 so that future development patterns may remain consistent with the projected section subdivision boundaries.

9. Finally, the size of the proposed unit, 52 acres ±, does not exceed 130% of a standard unit and would therefore qualify for administrative approval under Rule 19.15.15.11B(1) of the Divisions rules.

10. Approach first sought administrative approval of this NSL and NSP by application dated July 14, 2010. However, because of the guidance received from the Division in a related case, (NSP-1942), Approach elected to file this Application under Rule 19.15.4.8. Notice of the initial application was sent to those unleased mineral interest owners in the NW/NW equivalent of Section 3 whose interests are situated outside the proposed non-standard unit. (See Exhibit D.) A number of those owners provided written waivers of objections (Exhibit E). We have received no objections to the proposed unorthodox location or the non-standard unit.

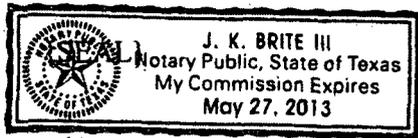
11. Exhibits A, B, C, D and E, and the attachments thereto were prepared or compiled by me or at my direction and control.

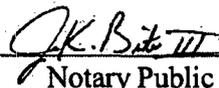


BRICE A. MORGAN

State of Texas)
) ss.
County of Tarrant)

The foregoing instrument was acknowledged before me the 11th day of April, 2011 by Brice A. Morgan.





Notary Public in and for the State of Texas

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
X AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code		³ Pool Name	
⁴ Property Code		⁵ Property Name Montano Property			⁶ Well Number Montano #1
⁷ OGRID No.		⁸ Operator Name Approach Operating LLC			⁹ Elevation 7455.41

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
	**03	**27N	**04E		939	NORTH	207	WEST	Rio Arriba

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
D									
¹² Dedicated Acres		¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ Order No.			

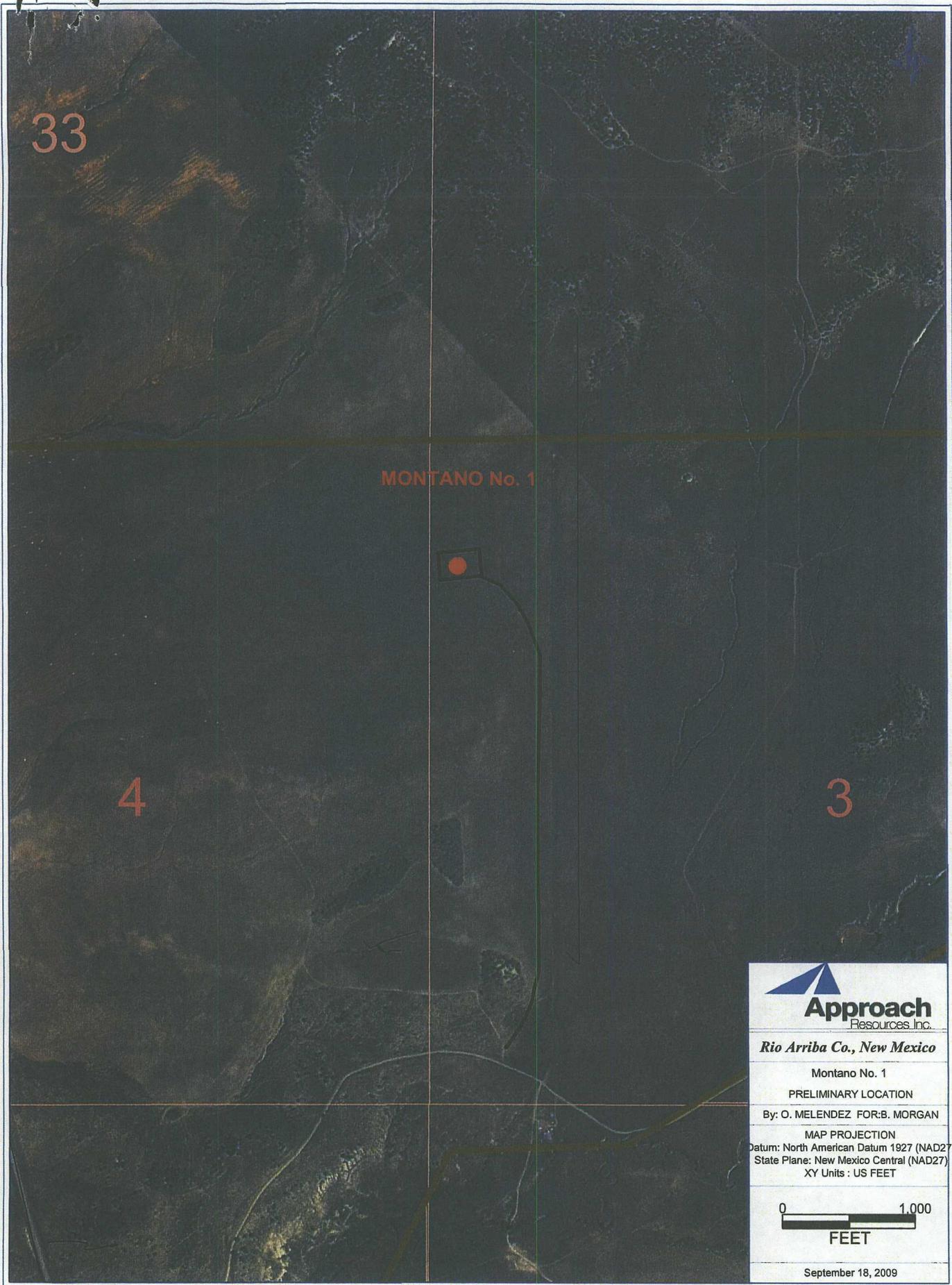
No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

**** Projection within the Tierra Amarilla Land Grant**

¹⁶ 					¹⁷ OPERATOR CERTIFICATION <i>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.</i> Signature: <i>[Signature]</i> Date: 4-13-10 Printed Name: Brice A. Morgan	
						¹⁸ SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from original 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.</i> Signature: <i>[Signature]</i> Date: 4/06/2010 Printed Name: Gilberto Archuleta

Latitude - 36.60674 North
Longitude - -106.50800 West
Latitude, longitude & distances from projected section lines provided by Approach Resources LLC.

EXHIBIT A



PETRA 9/18/2009 11:12:40 AM

EXHIBIT B



MONTANO No. 1

939 FNL 207 FWL

52 ac.

4

3

Lease Line

US 84



Approach
Resources Inc.

Montano No. 1

RIO ARRIBA CO., NEW MEXICO



April 19, 2010

PETRA 4/19/2010 1:48:29 PM

EXHIBIT C



**MONTGOMERY
& ANDREWS**
LAW FIRM

J. SCOTT HALL

Cell: (505) 670-7362

Email: shall@montand.com

Reply To: Santa Fe Office

www.montand.com

July 14, 2010

Mr. Mark E. Fesmire, Director
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: Approach Operating LLC
Request for Administrative Approval, Unorthodox Well Location
And for Non-Standard Oil Spacing And Proration Unit
WC Tierra Amarilla Mancos Oil Pool (97767)

Montano No. 1
API No. 30-39-30858
939' FNL and 207' FWL (D)
Projected Section 3, T27N, R4E
Rio Arriba County, New Mexico

Dear Mr. Fesmire:

On behalf of Approach Operating LLC, ("Approach") and pursuant to Division Rule 19.15.15.13 and the applicable statewide rules governing oil well locations (Rule 19.15.15.19.A), we request administrative approval for an unorthodox well location for the Approach Montano 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 within the boundaries of the WC Tierra Amarilla Mancos Oil Pool and is defined as a wildcat under the Division's rules. 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. The C-101 along with the C-102 plat showing the NW/NW spacing unit and the proposed unorthodox surface and bottom hole locations for the Montano No. 1 are attached as Exhibit A.

REPLY TO:

325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307
Santa Fe, New Mexico 87504-2307

6301 Indian School Road NE, Suite 400
Albuquerque, New Mexico 87110
Telephone (505) 884-4200 • Fax (505) 888-8929

EXHIBIT D

Post Office Box 36210
Albuquerque, New Mexico 87176-6210

Mr. Mark E. Fesmire, Director
July 14, 2010
Page 2

Approach seeks an exception from the applicable well location rules for the Montano No. 1 Well for the following reason: (1) The well is located in an un-surveyed area within the Tierra Amarilla land grant. The section/township/range description of the location is based on unofficial, projected township and section lines from an adjoining survey and therefore, it is not possible to state the proximity to actual section lines or quarter-quarter subdivisions boundaries with certainty. However, the location descriptions by latitude/longitude and by reference to the New Mexico State Plane Coordinate System referenced on the C-102 are accurate. (2) The well has also been located in conformance with the Design and Operational Standards for Oil and Gas Development of Rio Arriba County Ordinance No. 2009-01. Among other matters, these standards take into consideration terrain limitations, access roads, proximity to water features, and compatibility with existing land uses. Many of these matters are demonstrated by the enclosed aerial photo of the Montano No. 2 Well (Exhibit B).

The location for this well is not located closer than 660' to any existing well or a well that is known to be planned. 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 toward which the location encroaches and Approach Operating would be the operator of each of those units. Further, the mineral interest ownership underlying the NW/NW of projected Section 3 and each of the spacing units toward which the well encroaches is identical. Consequently, no further notice for the NSL application is indicated under the Division's rules (See Rule 19.15.4.12.A.2).

In addition, Approach Operating also seeks approval of a 52± acre non-standard spacing and proration unit to be dedicated to the referenced well, comprised of that acreage located generally in the NW/NW of Section 3 as indicated on the attached survey plat (Exhibit C).

The statewide oil well location and acreage dedication rules that would otherwise be applicable to the WC Tierra Amarilla Mancos Oil Pool (97767) provide that oil wells shall be located on a spacing unit "*...consisting of approximately 40 contiguous surface acres, substantially in the form of a square that is a legal subdivision of the United States public land survey and is a governmental quarter-quarter section or lot..*". See Rule 19.15.15.9.A. Rule 19.15.15.11 B(1) authorizes approval of non-standard units when necessitated by "*a variation in the legal subdivision of the United States public land surveys...*". Of course, the variation in this circumstance results from the application of a less than certain *projected* survey, but the exception provided for under the rule would otherwise seem to apply.

Mr. Mark E. Fesmire, Director
July 14, 2010
Page 3

As indicated above, this well and spacing unit are located in un-surveyed areas within the Tierra Amarilla Land Grant. Therefore, the location of section lines and quarter-quarter subdivisions are only projected estimates. In this case, the proposed unit is bounded on the east by Approach's lease boundary. However, the well is located 747' from the lease boundary, so correlative rights should not be a concern. Further, even though the east/west width of the resulting spacing unit would be approximately 954', maintaining the non-standard unit within the confines of projected section 3 is preferable to creating a 1,320' wide unit that overlaps into section 4 so that future development patterns may remain consistent with the projected section subdivision boundaries.

Finally, the size of the proposed unit, 52 acres \pm , does not exceed 130% of a standard unit and therefore qualifies for administrative approval under Rule 19.15.15.11B(1) of the Divisions rules.

We are providing notice of this application to those unleased mineral interest owners in the NW/NW equivalent of Section 3 whose interests are situated outside the proposed non-standard unit. (See Exhibit D.)

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

JSH:kw
Enclosures:
Exhibit A: C-102
Exhibit B: Aerial Photo
Exhibit C: Survey Plat
Exhibit D: List of interest owners to be notified
Administrative Application Checklist

cc: Steve Hayden, NMOCD-Aztec
Rio Arriba County Planning and Zoning Department
Approach Operating LLC

00175389

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
X AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code		³ Pool Name	
⁴ Property Code		⁵ Property Name Montano Property			⁶ Well Number Montano #1
⁷ OGRID No.		⁸ Operator Name Approach Operating LLC			⁹ Elevation 7455.41

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
	**03	**27N	**04E		939	NORTH	207	WEST	Rio Arriba

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
D									

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.

**** Projection within the Tierra Amarilla Land Grant**

<p>16</p> <p>939'</p> <p>207'</p> <p>Montano #1</p>				<p>¹⁷ OPERATOR CERTIFICATION</p> <p><i>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 released 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.</i></p> <p>Signature: <i>BA Morgan</i> Date: 4-13-10</p> <p>Printed Name: Brice A. Morgan</p>
				<p>¹⁸ SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from original holes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p><i>Gilberto Arce</i> Date: 4/06/2010</p> <p>Gilberto Arce</p>
				<p>Certificate Number</p>

Latitude - 36.60674 North
Longitude - -106.50800 West
Latitude, longitude & distances from projected section lines provided by Approach Resources LLC.

33

MONTANO No. 1

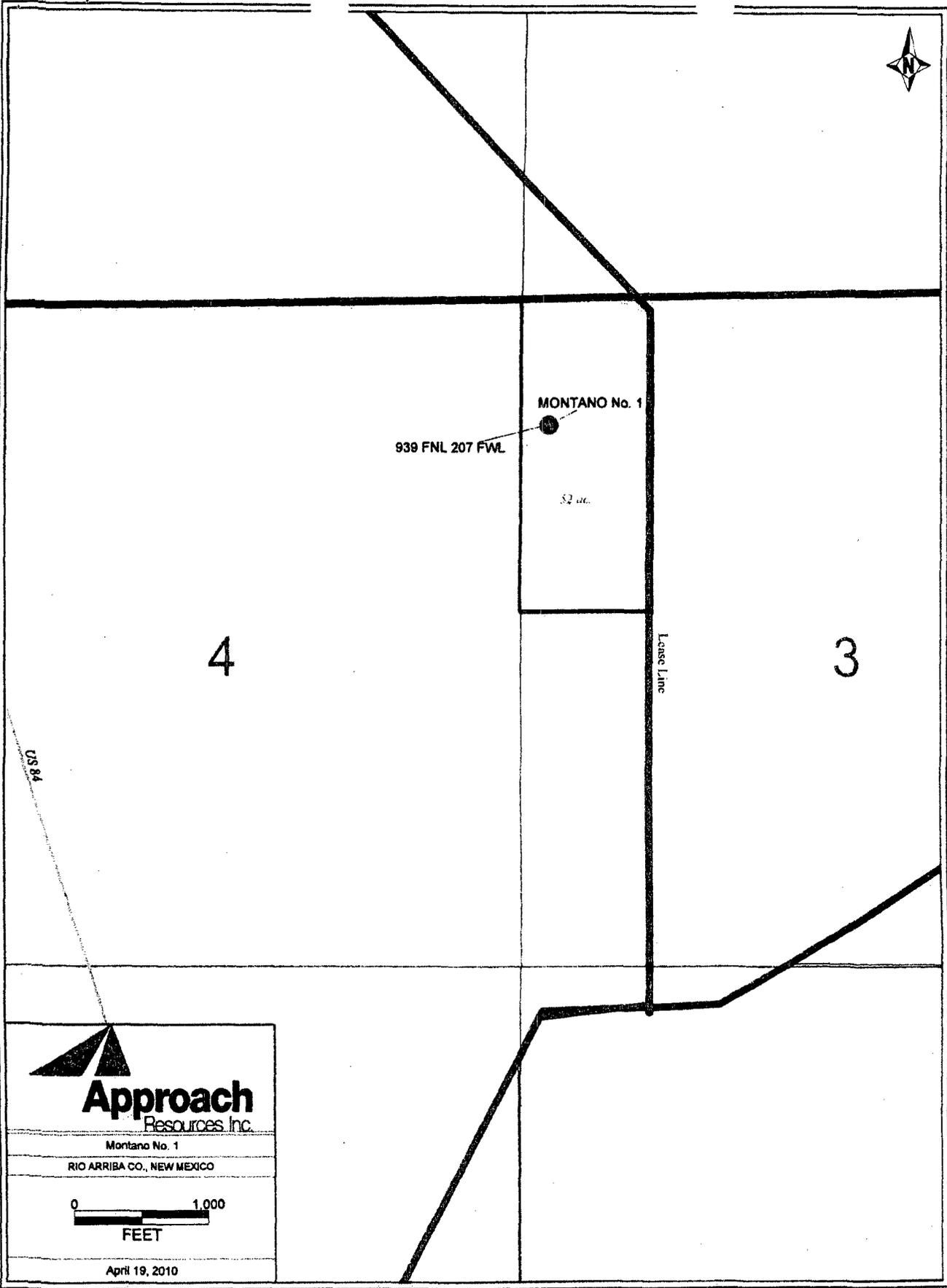
4

3


Approach
Resources, Inc.
Rio Arriba Co., New Mexico
Montano No. 1
PRELIMINARY LOCATION
By: O. MELENDEZ FOR: B. MORGAN
MAP PROJECTION
Datum: North American Datum 1927 (NAD27)
State Plane: New Mexico Central (NAD27)
XY Units : US FEET



September 18, 2009



MONTANO No. 1
939 FNL 207 FWL
52 ac.

4

3

Lense Line

US 84


Approach
Resources Inc.
Montano No. 1
RIO ARRIBA CO., NEW MEXICO
0 1,000
FEET
April 19, 2010

PETRA 4/19/2010 1:48:20 PM

Mary Ellen Burns Gonzales
2806 Calle Campeon
Santa Fe, NM 87505

Patricia Ann Burns Hickam
5036 Arroyo Chamisa NE
Albuquerque, NM 87111

Estate of Lucy Esquibel, Pete A. Esquibel,
Arturo E. Esquibel and Alfredo Esquibel Sr.
632 Stagecoach Road SE
Albuquerque, NM 87132

Robert J. and Lucia A. Montoya
P.O. Box 244
Tierra Amarilla, NM 87575

Arturo E. Esquibel, II
632 Stagecoach Road SE
Albuquerque, NM 87132

Alfredo Esquibel
5105 Pebble Road NW
Albuquerque, NM 87114

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
---------	----------	----------	-----------	------	---------

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
 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 Does Not Apply**

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] 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

7-14-10

Print or Type Name

Signature

Title

Date

shall@montand.com
e-mail Address

EXHIBIT A

Mary Ellen Burns Gonxales
2806 Calle Campeon
Santa Fe, NM 87505

Robert J. and Lucia A. Montoya
P.O. Box 244
Tierra Amarilla, NM 87575

Patricia Ann Burns Hickam
5036 Arroyo Chamisa NE
Albuquerque, NM 87111

Arturo E. Esquibel, II
632 Stagecoach Road SE
Albuquerque, NM 87132

Estate of Lucy Esquibel, Pete A. Esquibel,
Arturo E. Esquibel and Alfredo Esquibel
Sr.
632 Statecoach Road SE
Albuquerque, NM 87132

Alfredo Esquibel
5105 Pebble Road NW
Albuquerque, NM 87114

00203318

7



**MONTGOMERY
& ANDREWS**
LAW FIRM

J. SCOTT HALL

Cell: (505) 670-7362

Email: shall@montand.com

Reply To: Santa Fe Office

www.montand.com

July 14, 2010

CERTIFIED MAIL

RETURN RECEIPT REQUESTED

Estate of Lucy Esquibel, Pete A.
Esquibel, Arturo E. Esquibel and
Alfredo Esquibel Sr.
632 Stagecoach Road S.E.
Albuquerque, NM 87132

Re: Notification of Request for Administrative Approval for Unorthodox Well
Location and for Non-Standard Oil Spacing and Proration Unit

Approach Operating LLC
WC Tierra Amarilla Mancos Oil Pool (97767)

Montano No. 1
API No. 30-39-30858
939' FNL and 207' FWL (D)
Projected Section 3, T27N, R4E
Rio Arriba County, New Mexico

To Whom it May Concern:

This firm represents Approach Operating LLC. Pursuant to New Mexico Oil Conservation Division (NMOCD) Rule 19.15.4.12 A and B, you are hereby notified that Approach Operating LLC has made application to the NMOCD for administrative approval for an unorthodox well location for its Montano Well No. 1 at the surface and bottom-hole locations reflected above for a straight-hole well to be drilled to a depth sufficient to test the Mancos Shale formation within the boundaries of the WC Tierra Amarilla Mancos Oil Pool. Approach also seeks approval of a 52 ± acre non-standard spacing unit to be dedicated to the well. A copy of the application is enclosed.

REPLY TO:

325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307
Santa Fe, New Mexico 87504-2307

6301 Indian School Road NE, Suite 400
Albuquerque, New Mexico 87110
Telephone (505) 884-4200 • Fax (505) 888-8929

EXHIBIT E

Post Office Box 36210
Albuquerque, New Mexico 87176-6210

Estate of Lucy Esquibel

July 14, 2010

Page 3

As the owner of an interest that may be affected, you have the right to object to the application. To do so, you must file a written protest with the NMOCD within twenty days. Failure to do so will prevent you from challenging the matter at a later time. A letter of protest may be sent to the NMOCD at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505.

Should you consent to the application, you are requested to indicate your waiver of objection by signing where indicated on the enclosed copy of this letter and then returning the signed copy to me. A return envelope is enclosed for your convenience.

Very truly yours,

Montgomery and Andrews, P.A.



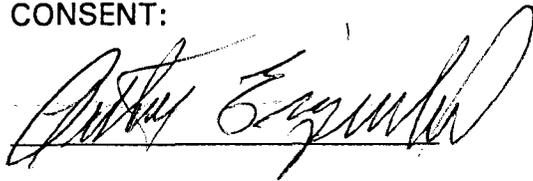
J. Scott Hall

Attorneys for Approach Operating LLC

JSH:kw

Enclosures

CONSENT:





**MONTGOMERY
& ANDREWS**
LAW FIRM

J. SCOTT HALL
Cell: (505) 670-7362
Email: shall@montand.com
Reply To: Santa Fe Office
www.montand.com

July 14, 2010

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Alfredo Esquibel
5105 Pebble Road N.W.
Albuquerque, NM

Re: Notification of Request for Administrative Approval for Unorthodox Well Location and for Non-Standard Oil Spacing and Proration Unit

Approach Operating LLC
WC Tierra Amarilla Mancos Oil Pool (97767)

Montano No. 1
API No. 30-39-30858
939' FNL and 207' FWL (D)
Projected Section 3, T27N, R4E
Rio Arriba County, New Mexico

Dear Mr. Esquibel:

This firm represents Approach Operating LLC. Pursuant to New Mexico Oil Conservation Division (NMOCD) Rule 19.15.4.12 A and B, you are hereby notified that Approach Operating LLC has made application to the NMOCD for administrative approval for an unorthodox well location for its Montano Well No. 1 at the surface and bottom-hole locations reflected above for a straight-hole well to be drilled to a depth sufficient to test the Mancos Shale formation within the boundaries of the WC Tierra Amarilla Mancos Oil Pool. Approach also seeks approval of a 52 ± acre non-standard spacing unit to be dedicated to the well. A copy of the application is enclosed.

REPLY TO:

325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307
Santa Fe, New Mexico 87504-2307

6301 Indian School Road NE, Suite 400
Albuquerque, New Mexico 87110
Telephone (505) 884-4200 • Fax (505) 888-8929

Post Office Box 36210
Albuquerque, New Mexico 87176-6210

July 14, 2010

Page 3

As the owner of an interest that may be affected, you have the right to object to the application. To do so, you must file a written protest with the NMOCD within twenty days. Failure to do so will prevent you from challenging the matter at a later time. A letter of protest may be sent to the NMOCD at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505.

Should you consent to the application, you are requested to indicate your waiver of objection by signing where indicated on the enclosed copy of this letter and then returning the signed copy to me. A return envelope is enclosed for your convenience.

Very truly yours,

Montgomery and Andrews, P.A.



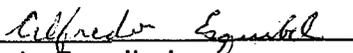
J. Scott Hall

Attorneys for Approach Operating LLC

JSH:kw

Enclosures

CONSENT:


Alfredo Esquibel