

DATE IN <u>5-20-10</u>	SUSPENSE	ENGINEER <u>DB.</u>	LOGGED IN <u>5-20-10</u>	TYPE <u>NSL</u>	APP NO. <u>1014038915 (6212)</u> <u>1014039152 (1942)</u>
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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



Approach DP.
(248343)
Avella S. #2

ADMINISTRATIVE APPLICATION CHECKLIST 30-39-30857

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

5-19-2010

Print or Type Name

Signature

Title

Date

shall@montand.com
 e-mail Address

EXHIBIT A

Ana Padilla, Trustee
Juan R. Montano Revocable Trust
10405 Calle Contento
Albuquerque, NM 87114

00188357



**MONTGOMERY
& ANDREWS**
LAW FIRM

J. SCOTT HALL

Cell: (505) 670-7362

Email: shall@montand.com

Reply To: Santa Fe Office

www.montand.com

RECEIVED OCD

2010 MAY 19 P 3:23

May 19, 2010

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

Hand Delivered

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)

Avella Sultemeier No. 2
API No. 30-39-30857
1662' FSL and 6' FWL (L)
Projected Section 21, T28N, 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 Avella Sultemeier No. 2 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/SW spacing unit and the proposed unorthodox surface and bottom hole locations for the Avella Sultemeier No. 2 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

Post Office Box 36210
Albuquerque, New Mexico 87176-6210

Mr. Mark E. Fesmire, Director
May 19, 2010
Page 2

Approach seeks an exception from the applicable well location rules for the Avella Sultemeier No. 2 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 Avella Sultemeier 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 proposed unit within projected Section 21 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 31.7± acre non-standard spacing and proration unit to be dedicated to the referenced well, comprised of that acreage located generally in the NW/SW of projected Section 21 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
May 19, 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 approximately 484' from the lease boundary, so correlative rights should not be a concern. Further, designation of the non-standard unit will permit future development patterns in the surrounding projected units to remain consistent with the projected section subdivision boundaries.

Finally, the size of the proposed unit, 31.7 acres \pm , does not exceed the permissible 70% deviation from a standard 40-acre unit and therefore qualifies for administrative approval under Rule 19.15.15.11 B(1) of the Divisions rules.

As directed by the Division, we are providing notice of this application to those mineral interest owners (in this case, unleased) within a one-half mile radius of the well location and whose interests are situated outside the proposed non-standard unit. (See Exhibits D and E.)

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-101 and C-102

Exhibit B Aerial Photo

Exhibit C Plat

Exhibit D One-half mile ownership

Exhibit E Notification

Administrative Application Checklist

Notice Affidavit

cc: Steve Hayden, NMOCD-Aztec

Rio Arriba County Planning and Zoning Department

Approach Operating LLC

00188280

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
June 16, 2008

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to appropriate District Office

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Approach Operating, LLC 6500 West Freeway, Suite 800 Fort Worth, TX 76116		² OGRID Number 248343
³ Property Code 37136	⁴ Property Name Avella Sultemeier	⁵ Well No. 30-39-30857 Avella Sultemeier No. 2
⁹ Proposed Pool 1 WC; Mancos		¹⁰ Proposed Pool 2

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	21	28N	04E		1662	SOUTH	6	WEST	RIO ARRIBA

⁸ Proposed 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

Additional Well Information

¹¹ Work Type Code N	¹² Well Type Code O	¹³ Cable/Rotary ROTARY	¹⁴ Lease Type Code P	¹⁵ Ground Level Elevation 7715.60'
¹⁶ Multiple	¹⁷ Proposed Depth 2000' **	¹⁸ Formation Graneros	¹⁹ Contractor TBD	²⁰ Spud Date On receipt of all required approvals

²¹ Proposed Casing and Cement Program

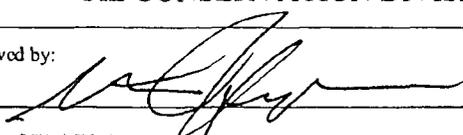
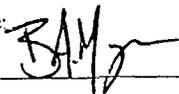
Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12 1/4"	9 5/8"	36.0 #	350'	210	Surface
8 3/4"	4 1/2"	10.5 #	2000'	500	Surface

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

- (1) Shafco 11" Double Ram 3000# LWS
- (1) Grant 11" rotating head, 3000#
- (1) 5000# choke manifold
- (1) Koomey 3 station 3000# w/air hydraulic pump
- (4) 10 gallon bottles

** The proposed depth is 100' below the base of the Mancos Shale or 2000', whichever depth is achieved first.

See Attached Conditions of Approval

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.	OIL CONSERVATION DIVISION	
	Approved by: 	
Signature: 	Title: DEPUTY OIL & GAS INSPECTOR, DIST. #3	
Printed name: Brice A. Morgan	Approval Date: NOV 30 2009	Expiration Date: 11-30-2011
Title: Landman		
E-mail Address: bmorgan@approachresources.com		
Date: 11-23-09	Phone: 817-989-9000	Conditions of Approval Attached <input checked="" type="checkbox"/>

NOV 30 2009

HOLD C104 FOR NSL

EXHIBIT A

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 30-039-30857		2 Pool Code 97767		3 Well Name W.C. Tierra Amarilla Munoz oil pool	
4 Property Code 37136		5 Property Name Avella Sultemeier			6 Well Number Sultemeier #2
7 OGRID No. 248343		8 Operator Name Approach Operating LLC			9 Elevation 7715.60'

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
L	**21	**28N	**04E		1662'	SOUTH	6'	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

12 Dedicated Acres 40	13 Joint or Infill	14 Consolidation Code	15 Order No.
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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 Grant provided by Approach Operating, LLC

<p>16</p> <p>6'</p> <p>Sultemeier #2</p> <p>1662'</p>									
	<p>17 OPERATOR CERTIFICATION</p> <p>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 retained 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.</p> <p><i>[Signature]</i> 11-23-09 Signature Date</p> <p>Brice A. Morgan Printed name</p>								
	<p>18 SURVEYOR CERTIFICATION</p> <p>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.</p> <p><i>[Signature]</i> 10/15/09 Gilberto Archuleta, Surveyor 13976 Date</p> <p>Certificate Number</p>								

Latitude - 36.64231 North

Longitude - -106.52700 West

Latitude, longitude & distances from projected section lines provided by Approach Operating LLC.

Figure D-8



Drainage Map Detail
Avella Sultemeier #2



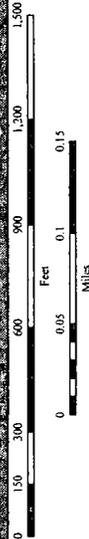
Prepared for:
Rio Arriba County
Planning and Zoning Department
100 Westwood Park, Espanola, NM 87532
PO Box 1007, Espanola, NM 87532
505.333.7774 505.338.7254



- ... ditch relief
- o sediment trap
- Waterbar
- stream (surface drainage)
- diversion
- local contributing drainages (source of potential run-on)
- potential run-off area
- water body

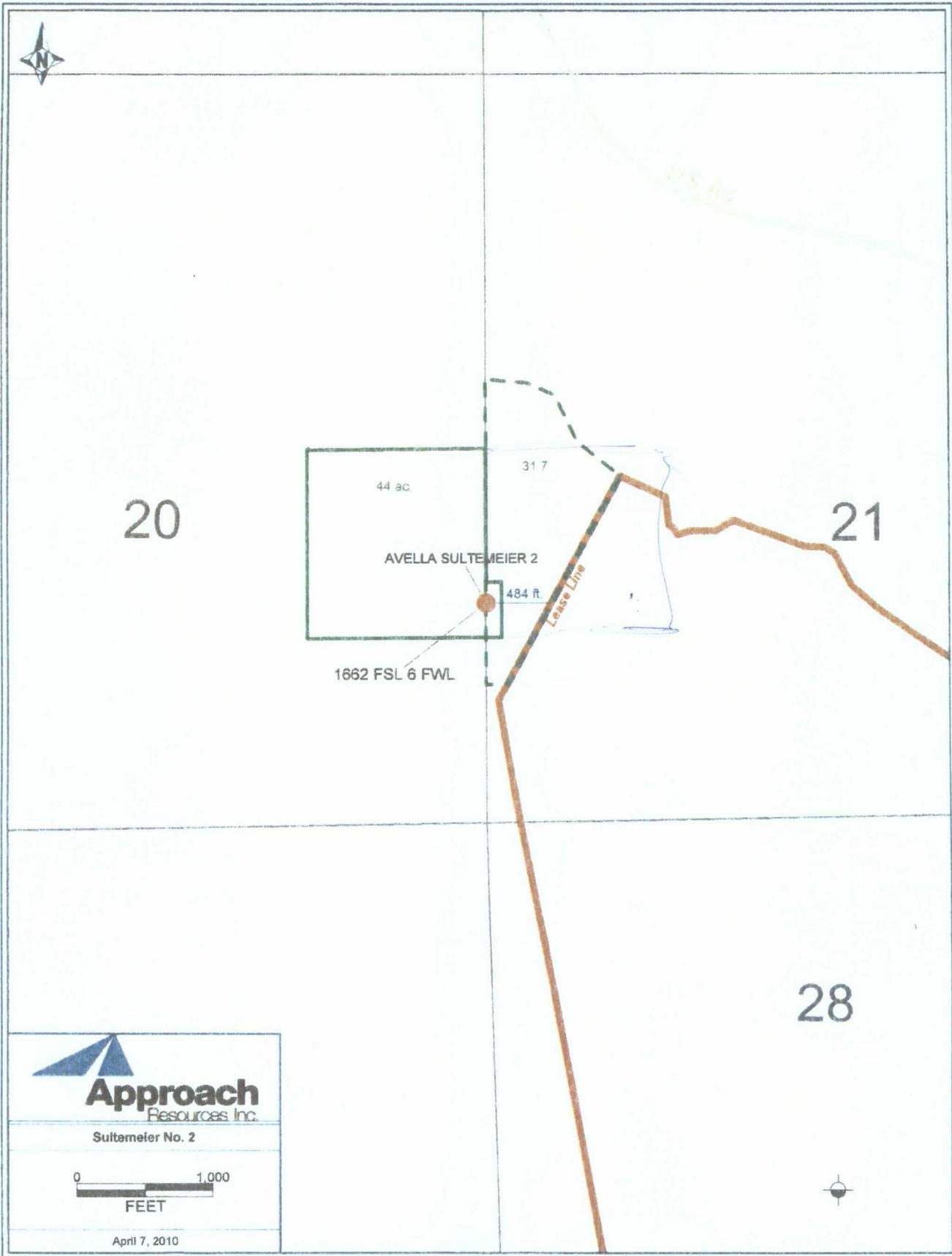
Notes:

1. Project area is located on the un-surveyed Tierra Amarilla Land Grant. The New Mexico Public Land Survey System, or PLS, has not been completed for the area. The location of the section lines are shown. Section corners are shown where they are known.
2. Map was produced using publicly available data from the NMRGIS (see <http://www.nmr.gov>) and the New Mexico State Engineers (see <http://www.nmstateengineers.com>).
3. Location data was collected using survey grade GPS accurate to 0.07 feet in most cases.
4. Map author produced map using ESRI ArcGIS 9.3 software.
5. Map author used a combination of aerial photography, field work, or a combination of data and watershed data depending on availability at the time.
6. Water bars and ditch relief will be constructed as described in the plan for the project. Water bars will be installed in the field during construction. Waterbars and ditch relief will be provided at least every 300 linear feet.



Map produced: Nov 2009
Map Author: BCY



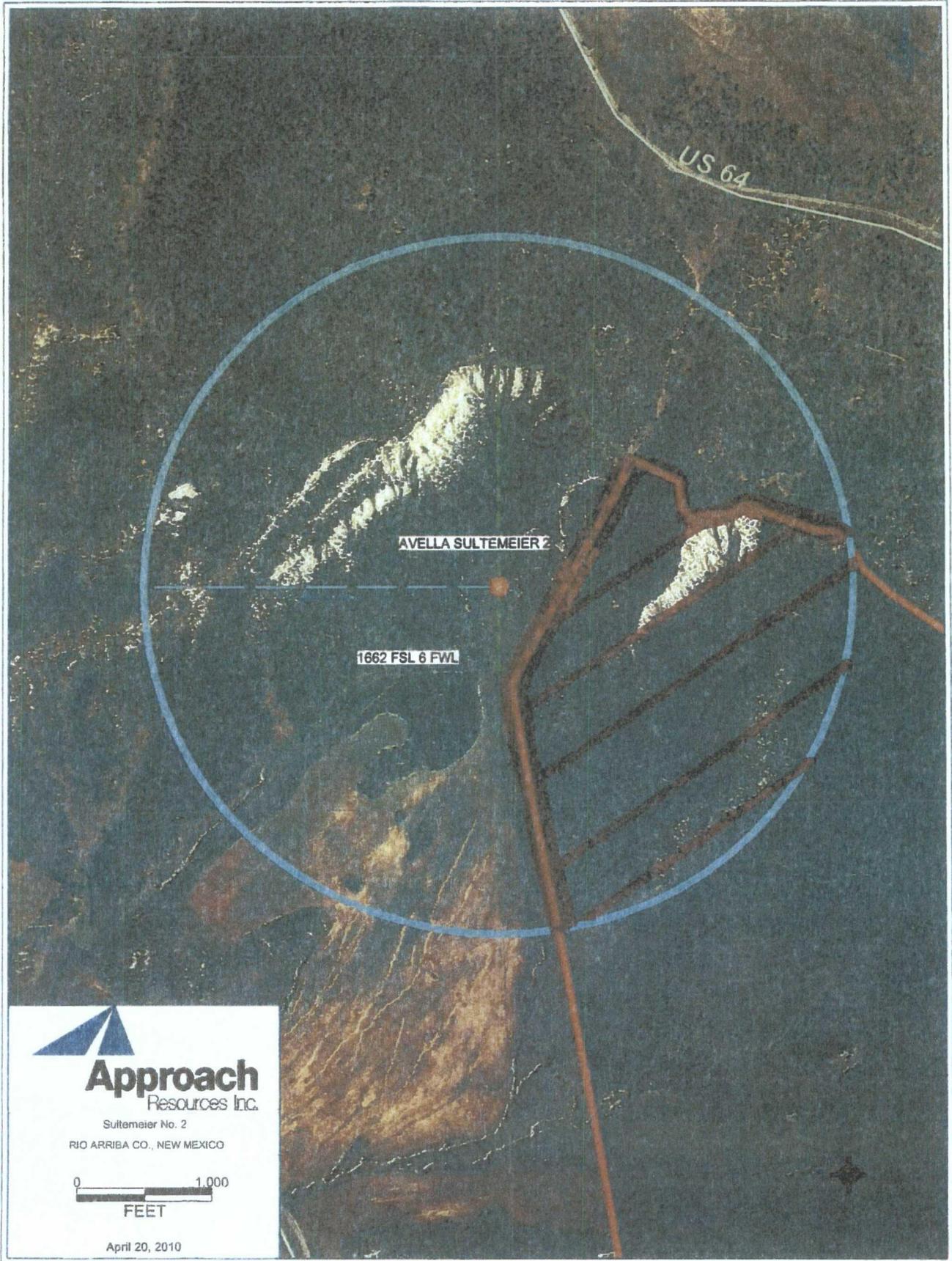



Approach
Resources Inc.
Sultemeier No. 2

0 1,000
FEET

April 7, 2010

PETRA 4/7/2010 3:23:00 PM



Sultemeier No. 2
RIO ARRIBA CO., NEW MEXICO



April 20, 2010

PETRA 4/20/2010 4:01:24 PM

Notification
Avella Sultemeier Well No. 2

Ana Padilla, Trustee
Juan R. Montano Revocable Trust
10405 Calle Contento
Albuquerque, NM 87114