

DATE IN 7-15-10	SUSPENSE	ENGINEER TW DB	LOGGED IN 7-15-0	TYPE NSL NSP	APP NO. 101965-3068 1019653232
------------------------	----------	-----------------------	-------------------------	-------------------------------	---

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



Approach Op.
2483 43
Montano Well #1
30-039-30858

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 _____

Temp
NSL-6217
NSP-1942

[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	<i>J. Scott Hall</i>	Attorney	7-14-10
Print or Type Name	Signature	Title	Date
		<u>shall@montand.com</u>	
		e-mail Address	



**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 JUL 15 A 9:59

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. 1⁰
API No. 30-39-30858
939' FNL and 207' FWL (D)
Projected Section 3, T27N, R4E
Rio Arriba County, New Mexico

RECEIVED OCD
2010 JUL 15 A 9:59

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

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 Ida	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 Ida	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 unleased 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 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.</i> Signature: <i>[Signature]</i> Date: 4/06/2010 Certificate Number:

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



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

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

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

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



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jon Goldstein
Cabinet Secretary

Jim Noel
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



June 11, 2010

Mr. J. Scott Hall
Montgomery & Andrews, P.A.
P.O. Box 2307
Santa Fe, NM 87504-2307

Administrative Order NSL-6212
Administrative Order NSP-1942

Re: Approach Operating LLC
Avella Sultemeier Well No. 2
API No. 30-039-30857
1622 feet FSL and 6 feet FWL
Unit L, Projected Section 21-28N-4E
Rio Arriba County, New Mexico

Dear Mr. Hall:

Reference is made to the following:

(a) your administrative non-standard location application (**administrative application reference No. pTGW10-14038915**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Approach Operating LLC [OGRID 248343] (Approach), on May 20, 2010,

(b) your administrative non-standard proration unit application (**administrative application reference No. pTGW10-14039152**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Approach Operating LLC [OGRID 248343] (Approach), on May 20, 2010, and

(b) the Division's records pertinent to these requests.

Non-Standard Location (NSL) Application

Approach has requested to drill the above-referenced well at an unorthodox oil well location, described above in the caption of this letter. We understand that this land has not been



officially surveyed, and the location has been staked by Global Positioning Systems (GPS) at 36.64231 degrees North latitude and 106.52700 degrees West longitude.

This well is being drilled as an oil well to the Wildcat Tierra Amarilla Mancos Oil Pool (97767). This pool is governed by statewide Rule 15.9.A, which provides for wells to be located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the projected western unit boundary.

Your NSL application on behalf of Approach has been duly filed under the provisions of Division Rules 15.13 and 4.12.A(2).

It is our understanding that Approach is seeking this location in order to conform to the Design and Operational Standards for Oil and Gas Development of Rio Arriba County Ordinance No. 2009-01.

It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9.

Non-Standard Proration Unit (NSP) Application

You have also requested establishment of a non-standard, 31.7 acre, more or less, oil spacing and proration unit in the Wildcat Tierra Amarilla Mancos Oil Pool (97767), configured as depicted on Exhibit A to your application.

Your NSP Application cannot be granted administratively under the authority provided for administrative approval of non-standard units, as set forth in Division Rule 15.11.B(2), and is accordingly denied without prejudice to re-assertion of this request by application pursuant to Division Rule 4.8. Alternatively this well may be dedicated to a 40-acre unit comprising a quarter-quarter section based on projected surveys. **THIS WELL MAY NOT BE PRODUCED** until a non-standard unit is approved by hearing order, or a standard, 40-acre unit is dedicated to it.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/db