



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jon Goldstein
Cabinet Secretary

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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