

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>
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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

RECEIVED OGD

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

# AFFIDAVIT

STATE OF NEW MEXICO )  
 ) ss.  
COUNTY OF SANTA FE )

J. SCOTT HALL, attorney and authorized representative of Approach Operating, LLC, the Applicant herein, being first duly sworn, upon oath, states that the notice provisions of Rule 19.15.4.12 of the New Mexico Oil Conservation Division have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested persons entitled to receive notice, as shown by Exhibit "A" attached hereto, and that pursuant to Rule 19.15.4.12, notice has been given at the correct addresses or last known addresses provided by such rule.

7. I was there

J. SCOTT HALL

SUBSCRIBED AND SWORN to before me this 19<sup>th</sup> day of May, 2010.

Will McEwen

Notary Public

My Commission Expires: August 12, 2011

**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.

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**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

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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

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  $31.7 \pm$  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**

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

Form C-101

June 16, 2008

Submit to appropriate District Office

☒ AMENDED REPORT**APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE**

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

<sup>11</sup> Work Type Code N	<sup>12</sup> Well Type Code O	<sup>13</sup> Cable/Rotary ROTARY	<sup>14</sup> Lease Type Code P	<sup>15</sup> Ground Level Elevation 7715.60'
<sup>16</sup> Multiple	<sup>17</sup> Proposed Depth 2000' **	<sup>18</sup> Formation Graneros	<sup>19</sup> Contractor TBD	<sup>20</sup> 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

<sup>22</sup> 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) Koonsey 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*

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

NOV 30 2009

HOLD C104 FOR N5L

**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 Manganese 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. L	Section **21	Township **28N	Range **04E	Lot Idn	Feet from the 1662'	North/South line SOUTH	Feet from the 6'	East/West line WEST	County Rio Arriba
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## 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
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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

16 6' Sultemeier #2 1662'					<b>17 OPERATOR CERTIFICATION</b> 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 under heretofore entered by the division. Signature: <i>Brice A. Morgan</i> Date: 11-23-09 Printed Name: Brice A. Morgan
					<b>18 SURVEYOR CERTIFICATION</b> 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. Signature: <i>Gilberto Archuleta</i> Date: 10/15/09 Printed Name: Gilberto Archuleta Certificate Number:

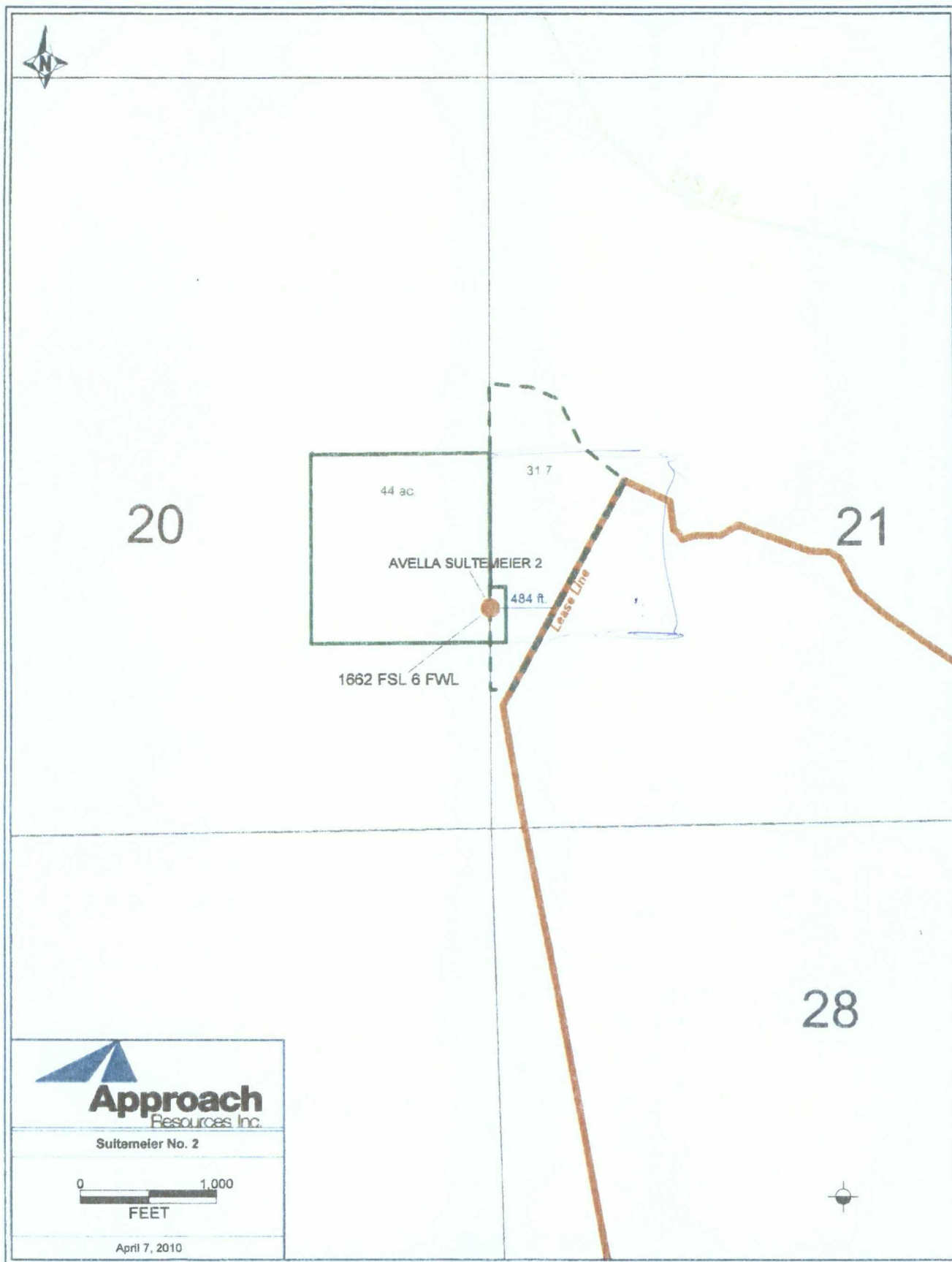
Latitude - 36.64231 North

Longitude - -106.52700 West

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



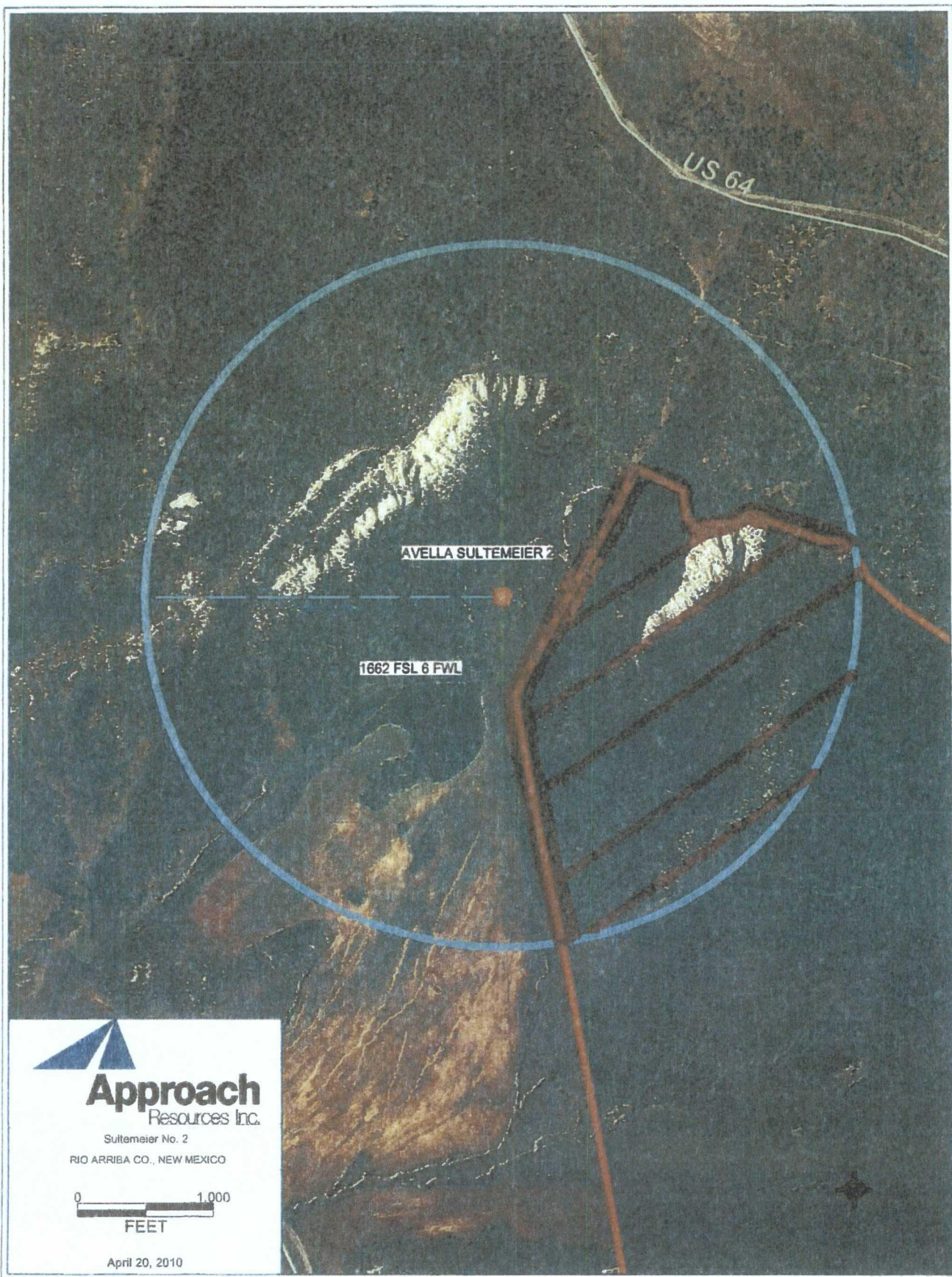
**PERMITTS WEST, INC.**  
**PROVIDING PERMITS FOR LAND USERS**  
 2700 W. 13th, Suite 100, Los Angeles, CA 90024  
 (213) 484-8128



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

EXHIBIT C





Notification  
Avella Sultemeier Well No. 2

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

Exhibit E