

**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
DESIGNATION OF A NON-STANDARD
SPACING AND PRORATION UNIT,
RIO ARRIBA COUNTY, NEW MEXICO.**

CASE NO. 14522

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 a 31.7± acre non-standard spacing and proration unit to be dedicated to the Avella Sultemeier Well No. 2, comprised of that acreage located generally in the NW/SW of projected Section 21 as indicated on the attached survey plat (Exhibit A). Approach owns the oil and gas lease on these lands and has the right to drill there.

3. The statewide oil well location and acreage dedication rules that would otherwise be applicable to the pool in this area, 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 the administrative approval of non-standard units when necessitated by "a variation in the legal subdivision of the United States public land surveys...". A copy of this rule is attached as Exhibit B.

4. In this case, the well is located in an un-surveyed area within the Tierra Amarilla Land Grant and the variation in this circumstance results from the application of a less than certain *projected* survey. It was our view that the exception for administrative approvals provided for under the rule should apply, and Approach made application for administrative approval on May 19, 2010. The administrative application is attached as Exhibit C.

5. On June 11, 2010 the Division issued Administrative Order NSP-1942 which denied the administrative application for the non-standard unit without prejudice for the reason that the Division's rule did not authorize administrative approvals for NSP's except in areas with variations in subdivisions in United States public land surveys. Order NSP-1942 is attached as Exhibit D. Order NSL-6212 approving the non-standard location for the well was made part of Order NSP-1942.

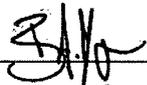
EXHIBIT 1

6. 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, but the longitudinal and latitudinal surveyed location of the well is definite. In this case, the proposed unit is bounded on the east by Approach's lease boundary. The 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.

7. 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 would otherwise qualify for administrative approval under Rule 19.15.15.11 B(1) of the Divisions rules.

8. As directed by the Division, notice of this Application was provided 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 E and F.) We received no objections to the application or the proposed non-standard unit.

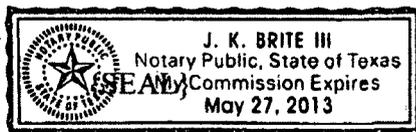
9. Exhibits A, B, C, D, E and F, and the attachments thereto were prepared or compiled by me or at my direction and control.

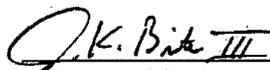


BRICE A. MORGAN

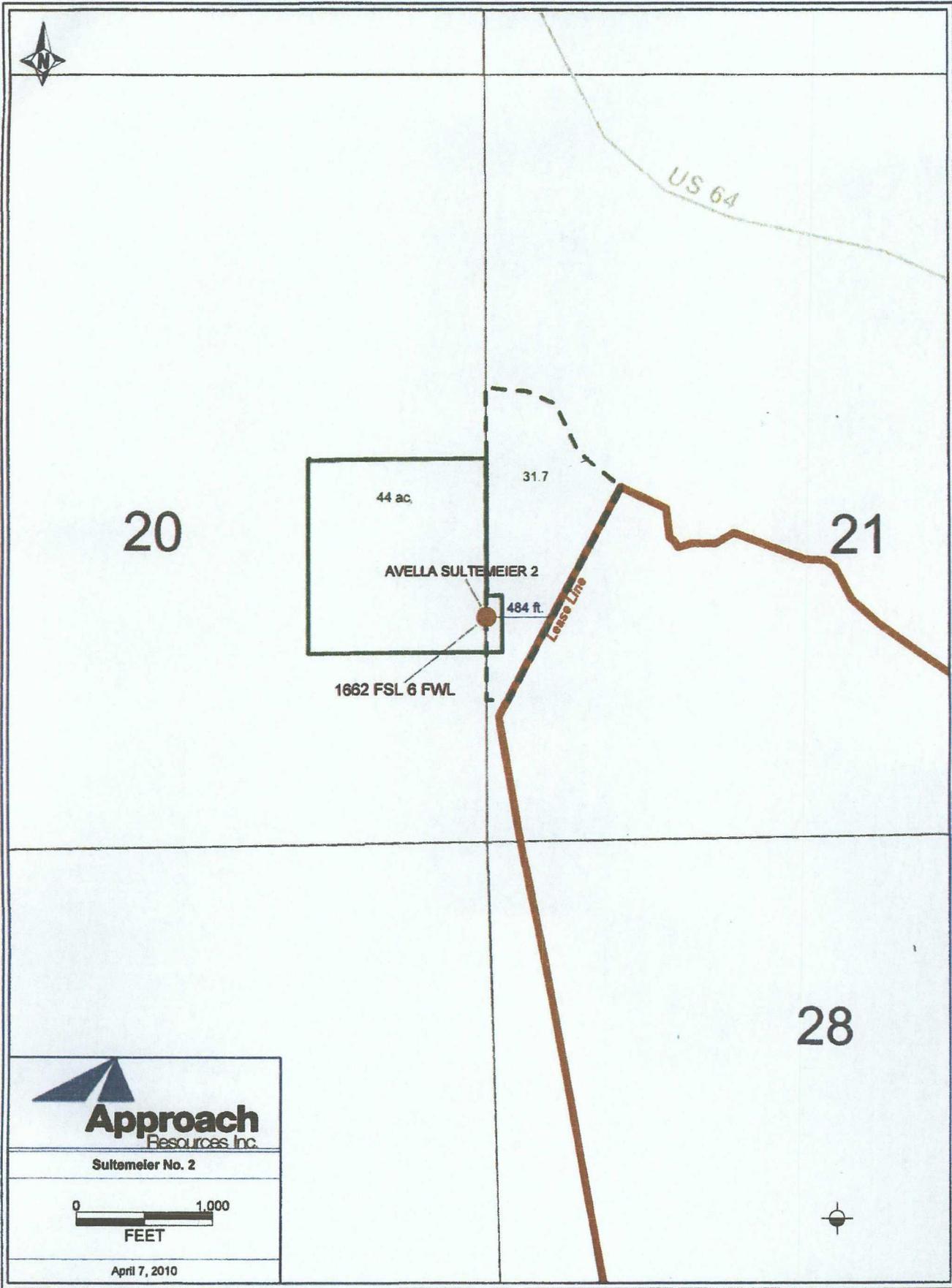
State of Texas)
) ss.
County of Tarrant)

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



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

EXHIBIT A

19.15.15.11 ACREAGE ASSIGNMENT:

A. Well tests and classification. The operator of a wildcat or development gas well to which more than 40 acres has been dedicated shall conduct a potential test within 30 days following the well's completion and file the test with the division within 10 days following the test's completion. (See 19.15.19.8 NMAC)

(1) The completion date for a gas well is the date of the conclusion of active completion work on the well.

(2) If the division determines that a well should not be classified as a gas well, the division shall reduce the acreage dedicated to the well to the standard acreage for an oil well.

(3) The operator's failure to file the test within the specified time subjects the well to the acreage reduction.

B. Non-standard spacing units. An operator shall not produce a well that does not have the required amount of acreage dedicated to it for the pool or formation in which it is completed until the division has formed and dedicated a standard spacing unit for the well or approved a non-standard spacing unit.

(1) Division district offices may approve non-standard spacing units without notice when the unorthodox size or shape is necessitated by a variation in the legal subdivision of the United States public land surveys or consists of an entire governmental section, and the non-standard spacing unit is not less than 70 percent or more than 130 percent of a standard spacing unit. The operator shall obtain division approval of form C-102 showing the proposed non-standard spacing unit and the acreage contained in the unit.

(2) The director may approve administratively an application for non-standard spacing units after notice and opportunity for hearing when the unorthodox size or shape is necessitated by a variation in the legal subdivision of the United States public land surveys or the following facts exist:

(a) the non-standard spacing unit consists of a single quarter-quarter section or lot or quarter-quarter sections or lots joined by a common side; and

(b) the non-standard spacing unit lies wholly within a single quarter section if the well is completed in a pool or formation for which 40, 80 or 160 acres is the standard spacing unit size; a single half section if the well is completed in a pool or formation for which 320 acres is the standard spacing unit size; or a single section if the well is completed in a pool or formation for which 640 acres is the standard spacing unit size.

(3) An operator shall file an application for administrative approval of non-standard spacing units pursuant to Paragraph (2) of Subsection B of 19.15.15.11 NMAC with the division's Santa Fe office that is accompanied by:

(a) a plat showing the spacing unit and an applicable standard spacing unit for that pool or formation, the proposed well dedications and all adjoining spacing units;

(b) a list of affected persons as defined in Paragraph (2) of Subsection A of 19.15.4.12 NMAC; and

(c) a statement discussing the reasons for the formation of the non-standard spacing unit.

(4) The applicant shall submit a statement attesting that the applicant, on or before the date the applicant submitted the application to the division, notified the affected persons by sending a copy of the application, including a copy of the plat described in Paragraph (3) of Subsection B of 19.15.15.11 NMAC, by certified mail, return receipt requested, advising them that if they have an objection they must

file the objection in writing with the division within 20 days from the date the division receives the application. The director may approve the application without hearing upon receipt of waivers from all the notified persons or if no person has filed an objection within the 20-day period.

(5) The director may set for hearing an application for administrative approval.

C. Exceptions to number of wells per spacing unit. The director may permit exceptions to 19.15.15 NMAC or special pool orders concerning the number of wells allowed per spacing unit only after notice and opportunity for hearing. An applicant for an exception shall notify all affected persons defined in Paragraph (2) of Subsection A of 19.15.4.12 NMAC.

[19.15.15.11 NMAC - Rp, 19.15.3.104 NMAC, 12/1/08]



**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: 24

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
(505) 884-4200 • Fax (505) 888-8929

EXHIBIT C

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 1/2"	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) Kooimey 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	
Signature: <i>BAM</i>	Approved by: <i>[Signature]</i>	
Printed name: Brice A. Morgan	Title: DEPUTY OIL & GAS INSPECTOR, DIST. #3	
Title: Landman	Approval Date: NOV 30 2009	Expiration Date: 11-30-2011
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 N/S/L

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., Artec, 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

API Number 30-039-30857		Pool Code 97767		Pool Name W.C. Tierra Amarilla Morgan oil Pool	
Property Code 37136		Property Name Avella Sultemeier			Well Number Sultemeier #2
OGRID No. 248343		Operator Name Approach Operating LLC			Elevation 7715.60'

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

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

Dedicated Acres 40	Joint or Infill	Consolidation Code	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>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>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from the original 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, P.E. 19976 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 Sulfemelter #2

Approach
Operating, LLC

Prepared For:
Bilco
Planting and Zoning Department
112 Industrial Park, Exton, PA 19341
PO Box 1847 Exton, PA 19341
610.381.7774 302.386.7234

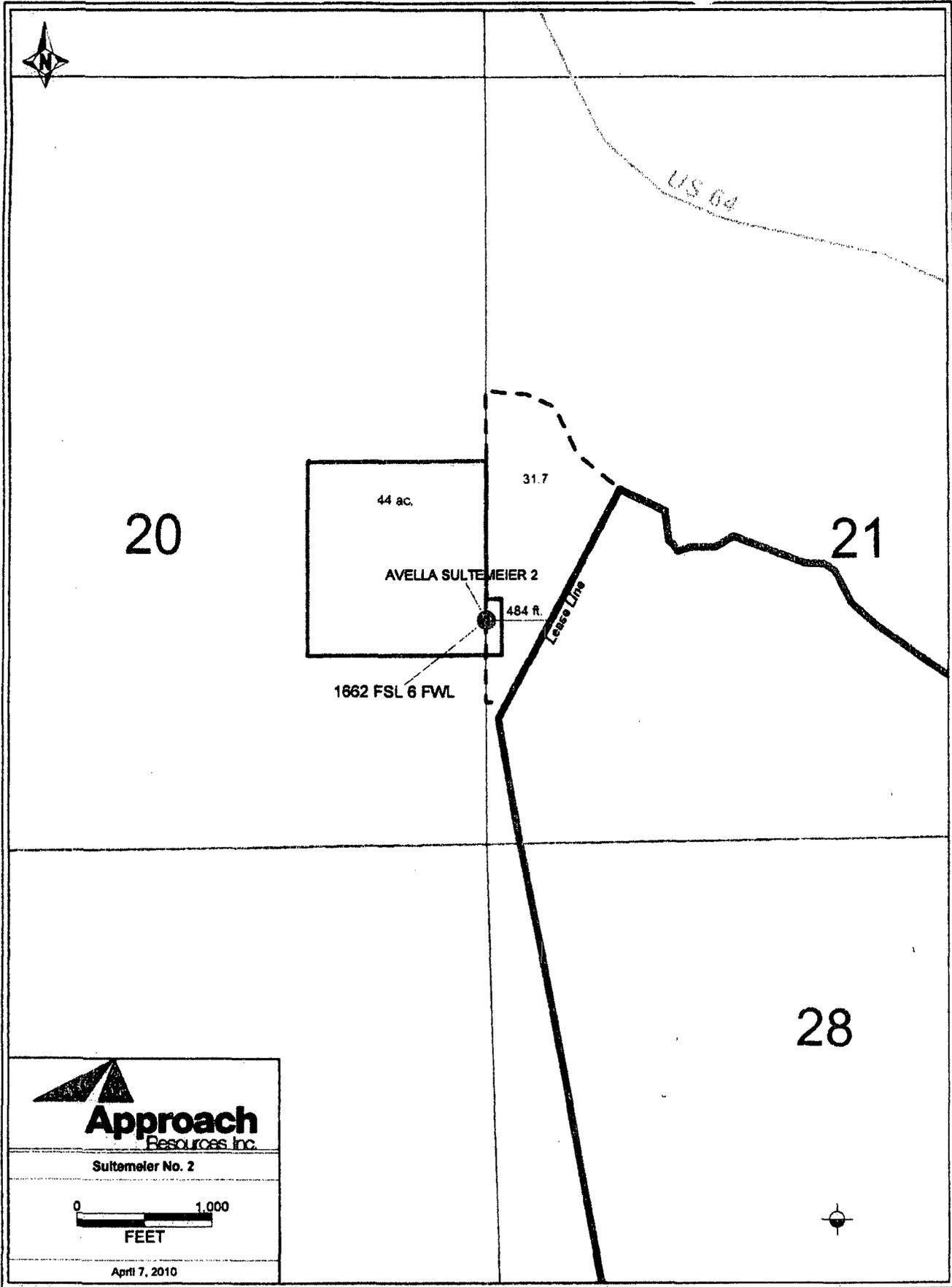


Map produced: Nov 2009
Map Author: BCY

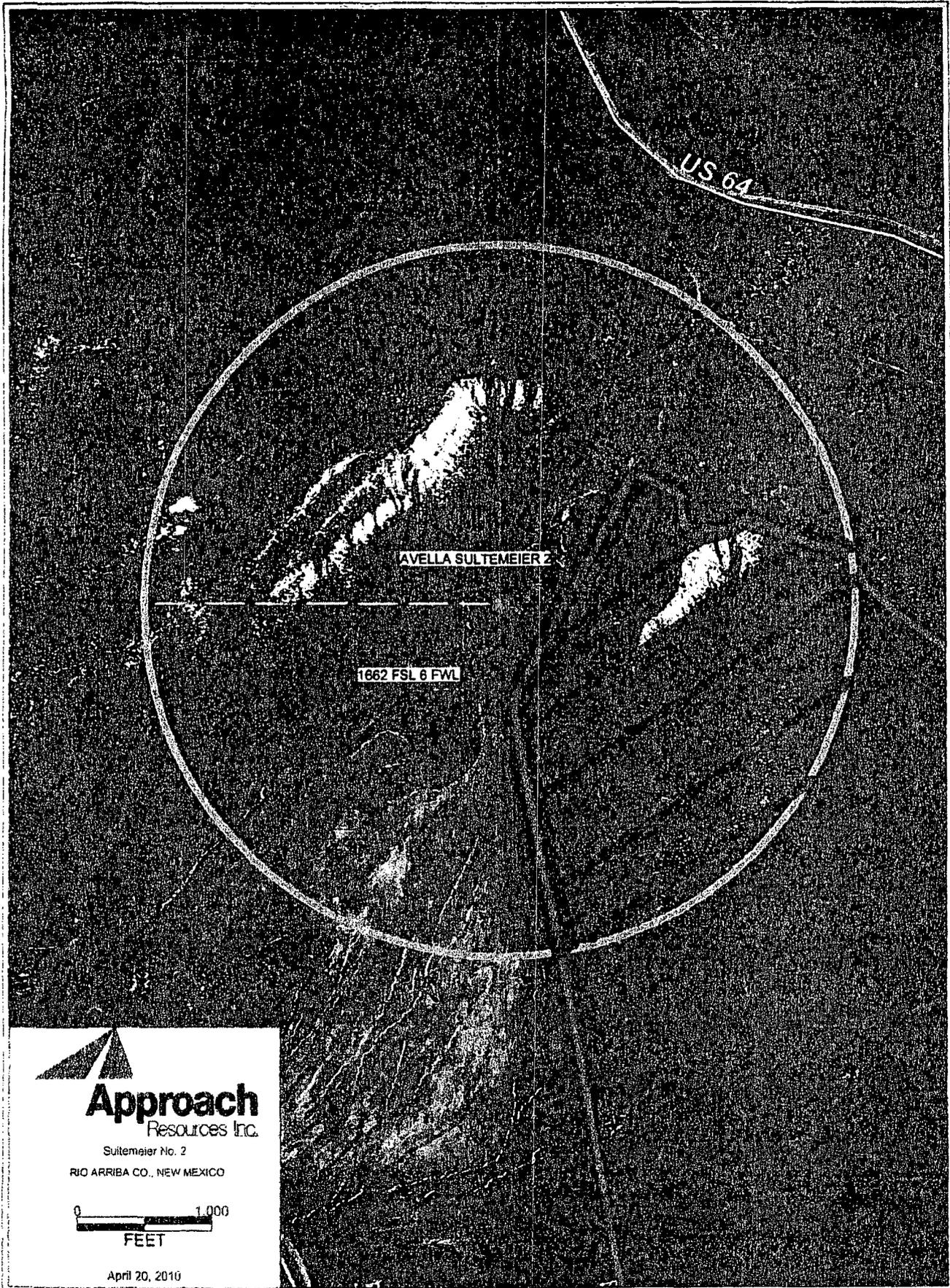
North Wind

PERMITS WEST, INC.
FOUNDING PARTNER OF LAME LINES

- Notes:
1. Project area is located on the unincorporated Town of Avella, Luzerne County, PA. The project area is located on the unincorporated Town of Avella, Luzerne County, PA. The project area is located on the unincorporated Town of Avella, Luzerne County, PA.
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Approach
Resources Inc.

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

Exhibit E

DATE IN	SUSPENSE	LEASER	LOGGED IN	TYPE	APP NO.
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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



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

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



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

Oil Conservation Division * 1220 South St. Francis Drive
* Santa Fe, New Mexico 87505

* Phone: (505) 476-3440 * www.emnrd.state.nm.us

EXHIBIT D



June 14, 2010

Page 2

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

Notification
Avella Sultemeier Well No. 2

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

EXHIBIT E



**MONTGOMERY
& ANDREWS**
LAW FIRM

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

May 19, 2010

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

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

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)

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 Ms. Padilla:

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 Avella Sultemeier Well No. 2 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, WC Tierra Amarilla Mancos Oil Pool. Approach also seeks approval of a 31.7+ 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
phone (505) 884-4200 • Fax (505) 888-8929
Office Box 36210
Albuquerque, New Mexico 87176-8210

EXHIBIT F

Ms. Ana Padilla, Trustee

May 19, 2010

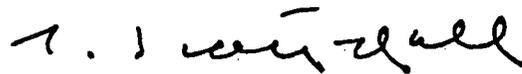
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As the owner of an interest that may be affected, you have the right to object to the application. To do so, you must file a written protest with the NMOCD within twenty days. Failure to do so will prevent you from challenging the matter at a later 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:

Juan R. Montano Revocable Trust

By: _____

Ana Padilla, Trustee

00188333

