

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

ORIGINAL

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF APPROACH OPERATING LLC.
FOR AN UNORTHODOX WELL LOCATION AND
NON-STANDARD SPACING AND PROPRATION
UNIT, RIO ARRIBA, NEW MEXICO.

CASE NO: 14576

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REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: TERRY WARNELL, Technical Examiner
DAVID K. BROOKS, Legal Examiner

April 28, 2011

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, TERRY WARNELL, Technical Examiner, and DAVID K. BROOKS, Legal Examiner, on April 28, 2011, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South St. Francis, Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Irene Delgado, NM CCR 253
Paul Baca Professional Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico 87102

1 FOR THE APPLICANT:
MONTGOMERY & ANDREWS
2 J. SCOTT HALL, ESQ
325 Paseo de Peralta
3 Santa Fe, NM 87501
(505) 982-3873
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5 I N D E X

6 EXHIBITS

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8 EXHIBITS 1, 2 AND 3 ADMITTED

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1 EXAMINER BROOKS: We'll call Case Number 14576,
2 which is also styled, "Application of Approach Operating for
3 an unorthodox well location and non-standard spacing and
4 proration unit, Rio Arriba County, New Mexico."

5 MR. HALL: Mr. Examiner, Scott Hall, Montgomery and
6 Andrews on behalf of Approach Resources and Approach
7 Operating LLC. And I would ask that the evidence from Case
8 14522 be incorporated into the record for this case as well.
9 The basic underlying facts outlined in the affidavit are the
10 same with respect to the non-standard unit.

11 In this case, there's also requests for an
12 unorthodox well location. The well is located 939 feet from
13 the north line and 207 feet from the west line of projected
14 Section 3 in Township 27 North, Range 4 East. This is laid
15 out in the affidavit of Landman Brice Morgan.

16 Again, the -- this is the Wolfcamp -- I'm sorry --
17 the WC, Wildcat, Tierra Amarilla Mancos Oil Pool, and
18 statewide rules apply. In this case, the well is not closer
19 than 330 feet to the outer boundary of what would be a
20 standard 40-acre spacing unit, and that is reflected on
21 Exhibit A.

22 And, again, because we are in the unsurveyed
23 portions of the TA Land Grant, that's requiring us to apply
24 for the non-standard location, as well as the 52-acre
25 non-standard unit. The location encroaches only towards

1 acreage and supposed spacing units which are owned or
2 controlled by the applicant Approach, and it is not located
3 in closer proximity than 660 feet to any other well in the
4 area.

5 The reason -- if you will look at the Exhibit B,
6 again -- I'm sorry that the aerial photograph didn't
7 reproduce well -- but the well was located for terrain
8 consideration, and after consultation with the Rio Arriba
9 county planning and zoning staff, under the County's oil and
10 gas drilling ordinance, if you will look at Exhibit C, it
11 will show you a better depiction of the size and the shape of
12 the 52-acre unit.

13 It was thought, once again, to structure the unit so
14 it takes into consideration lease boundaries. It does result
15 in a unit that -- that its furthest width is 954 feet wide
16 east to west. And given the lack of survey and actual
17 section on the ground in this part of the world, we thought
18 it better to configure the unit in a line with the existing
19 boundaries on the surface rather than the fictionalized
20 section lines. But results there is not a 1320 acre -- a
21 1320 foot square unit that takes to this well had we done
22 that otherwise.

23 But we believe that because of the existing
24 ownership lines out there, those existing lines will
25 determine the development pattern out there more than should

1 the non-existing projected section line. That's the reason
2 for that request. Again, the 52-acre unit is within the
3 tolerance and would have qualified for administrative
4 approval under the Division's rules.

5 This application, too, was submitted for
6 administrative approval, and while it was pending, the order
7 came out in the prior case which granted non-standard
8 location in that case, denied without prejudice the
9 non-standard unit case. So I made a decision to pull back on
10 that administrative application and file for adjudicatory
11 hearing in this matter as well. Otherwise, they are
12 virtually identical applications in the nature of the relief
13 they ask.

14 We have provided you, along with the administrative
15 application itself, Exhibit D to that that shows all of the
16 interest owners to whom we provided notice of the
17 administrative application. Copies of the letters who went
18 out to those interest owners of record are provided to those
19 interest owners, Arthur Esquibel on behalf of the Estate of
20 Lucy Esquibel. Pete A. Esquibel and Alfredo Esquibel signed
21 a consent and waiver of objection, as did Mr. Alfredo
22 Esquibel, and those waivers are attached.

23 EXAMINER BROOKS: Okay.

24 MR. HALL: We also provided notice of the hearing
25 application that's shown by my affidavit, the very last

1 exhibit, Exhibit Number 3, and we had notified the same
2 individuals. We managed to get green cards back on all of
3 them except for one, Patricia Ann Burns Hickam, did not have
4 a good address for that individual. And I will have to
5 supplement the record with copies of the certified notices
6 for the most recent mailing.

7 EXAMINER BROOKS: Very good.

8 MR. HALL: Exhibit 2, again, is the affidavit of
9 Theodore Oldham, the geologist for Approach, and he provides
10 us with the same explanation, same exhibits as from the other
11 case explaining why he believes that the Mancos will be
12 productive in a non-standard unit.

13 So with that, I would move the admissions of
14 Exhibits 1, 2 and 3, and that concludes my case.

15 EXAMINER BROOKS: Very good. Exhibits 1, 2 and 3
16 are admitted.

17 (Exhibits 1, 2 and 3 admitted.)

18 EXAMINER BROOKS: On the land to the west that the
19 location encroaches toward, Approach, you said, was the owner
20 of the working interest?

21 MR. HALL: That's correct.

22 EXAMINER BROOKS: 100 percent?

23 MR. HALL: Yes.

24 EXAMINER BROOKS: Okay. Very good. Case Number
25 14576 will be taken under advisement.

I hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14576,
heard by me on 8-28-11

David K. Beatty
Examiner

REPORTER'S CERTIFICATE

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I, IRENE DELGADO, New Mexico CCR 253, DO HEREBY CERTIFY THAT ON April 28, 2011, proceedings in the above-captioned case were taken before me and that I did report in stenographic shorthand the proceedings set forth herein, and the foregoing pages are a true and correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by nor related to nor contracted with any of the parties or attorneys in this case and that I have no interest whatsoever in the final disposition of this case in any court.

WITNESS MY HAND this 28th day of April 2011.

Irene Delgado
Irene Delgado, CCR 253
Expires: 12-31-2011