



**MONTGOMERY  
& ANDREWS**  
LAW FIRM

J. SCOTT HALL

Cell: (505) 670-7362

Email: shall@montand.com

Reply To: Santa Fe Office

www.montand.com

April 28, 2011

David Brooks, Esq.  
NM Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

**Hand Delivered**

RECEIVED OOD  
2011 APR 28 P 3:12

**Re: NMOCD Case No. 14522: Application of Approach Operating LLC For A Non-Standard Oil Spacing And Proration Unit, Rio Arriba County, New Mexico.**

**NMOCD Case No. 14576: Application of Approach Operating LLC For an Unorthodox Well Location and Non-Standard Oil Spacing And Proration Unit, Rio Arriba County, New Mexico.**

Dear Mr. Brooks:

At the hearing today on both of the Applications in the referenced cases, we introduced color copies of the Affidavits of landman Brice A. Morgan and geologist Theodore Oldham.

Enclosed are two original, notarized affidavits from each of these individuals, one for each case. These originals may be substituted for the copies in each case.

Thank you.

Very truly yours,

J. Scott Hall

JSH:kw  
Enclosures

cc: Brice Morgan, Approach Resources

00275742

**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

**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**

RECEIVED OCD  
2011 APR 28 P 3:12

**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.

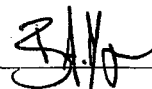
5. On June 11, 2010 the Division issued Administrative Order NSP-1942 which denied the administrative application for the non-standard unit without prejudice for the reason that the Division's rule did not authorize administrative approvals for NSP's except in areas with variations in subdivisions in 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.

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.

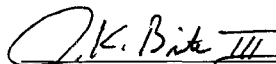
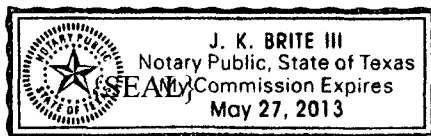
9. Exhibits A, B, C, D, E and F, and the attachments thereto were prepared or compiled by me or at my direction and control.



BRICE A. MORGAN

State of Texas            )  
                                  ) ss.  
County of Tarrant        )

The foregoing instrument was acknowledged before me the 11<sup>th</sup> day of April, 2011 by Brice A. Morgan.



Notary Public in and for the State of Texas

**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 Sulzemeier 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.

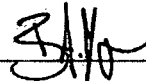
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6. As indicated above, this well and spacing unit are located in un-surveyed areas within the Tierra Amarilla Land Grant. Therefore, the location of section lines and quarter-quarter subdivisions are only projected estimates, but the longitudinal and 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.

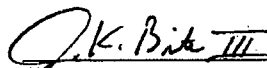
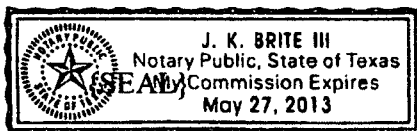
9. Exhibits A, B, C, D, E and F, and the attachments thereto were prepared or compiled by me or at my direction and control.



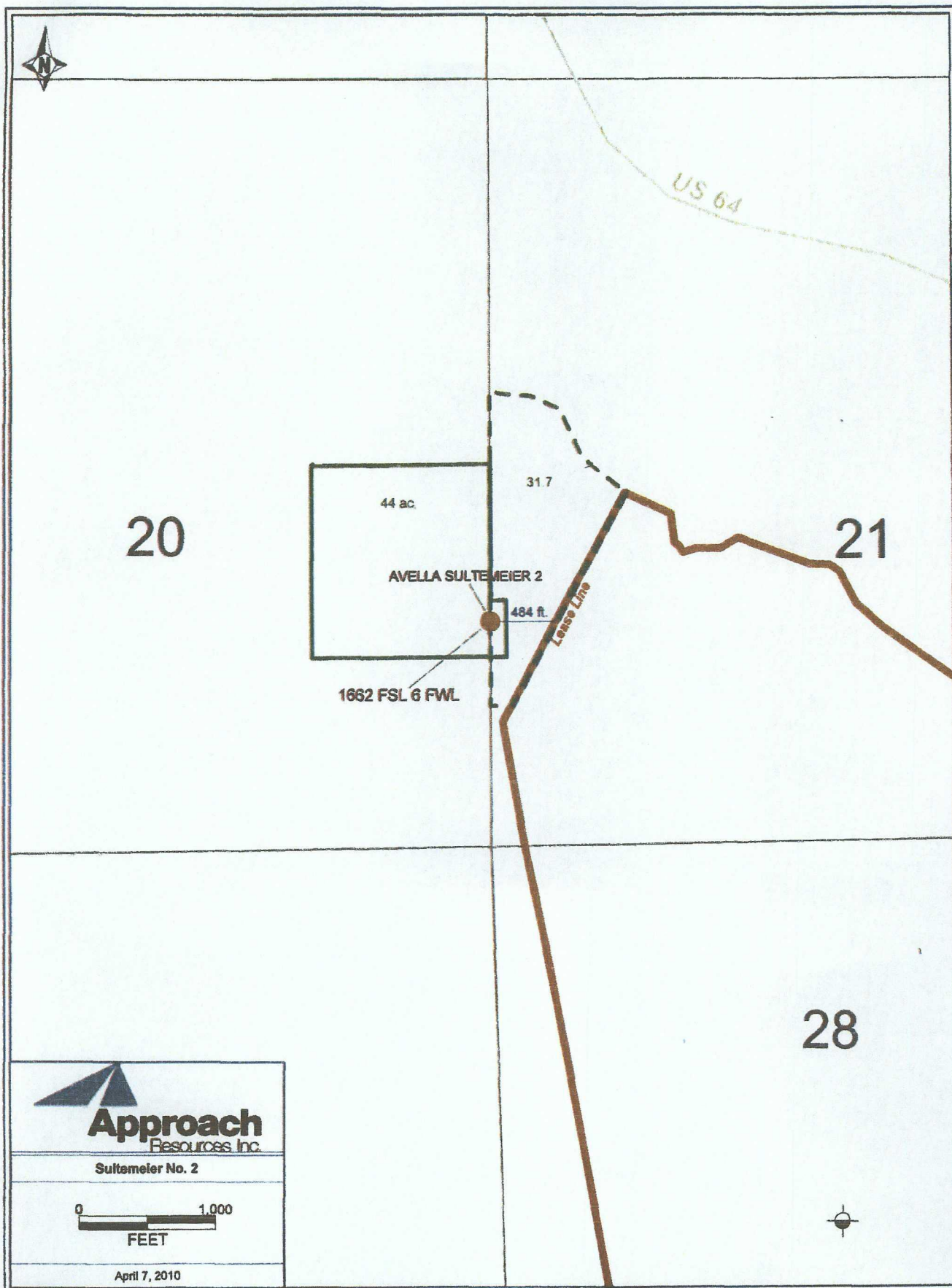
BRICE A. MORGAN

State of Texas            )  
                                  ) ss.  
County of Tarrant        )

The foregoing instrument was acknowledged before me the 11<sup>th</sup> 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 $\pm$  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

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

<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 Sulzemeier	<sup>5</sup> Well No. 30-39-30857 Avella Sulzemeier No. 2
<sup>6</sup> Proposed Pool 1 WC; Mancos		<sup>7</sup> Proposed Pool 2

<sup>7</sup> 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

<sup>8</sup> 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

<sup>21</sup> 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

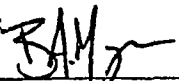
<sup>22</sup> Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

- (1) Shafco 11" Double Ram 3000# LWS
- (1) Grant 11" rotating head, 3000#
- (1) 5000# choke manifold
- (1) Koomey 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.

Signature:   
Printed name: Brice A. Morgan

Title: Landman

E-mail Address: bmorgan@approachresources.com

Date: 11-23-09

Phone: 817-989-9000

OIL CONSERVATION DIVISION

Approved by:

Title: DEPUTY OIL & GAS INSPECTOR, DIST. 4

Approval Date: NOV 30 2009

Expiration Date: 11-30-2011

Conditions of Approval Attached ☒

NOV 30 2009

HOLD C104 FOR N56

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

API Number 30-039-30857	Pool Code 77767	Pool Name W.C. Tierra Amarilla Mena oil Pool
Property Code 37136	Property Name Avella Sultemeier	Well Number Sultemeier #2
GRID No. 248343	Operator Name Approach Operating LLC	Elevation 7715.60'

## 10 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

## 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
Dedicated Acres 40		Joint or Infill		Consolidation Code		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 Grant provided by Approach Operating, LLC

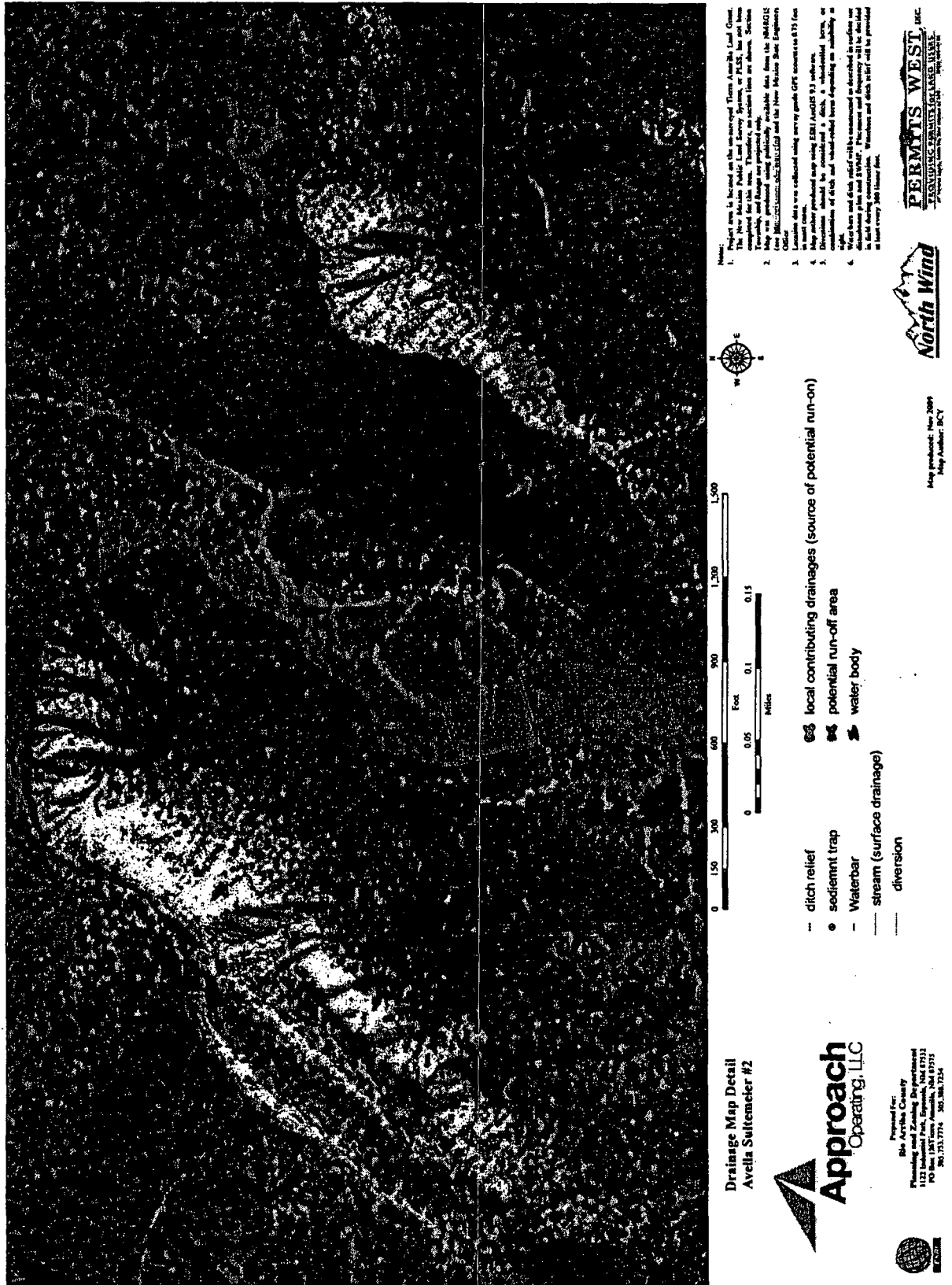
16 11 6' Sultemeier #2 1662'					<b>11 OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or selected mineral interest in the land including the proposed bottom hole location or has a right to drill the 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. Signature: <i>Brice A. Morgan</i> Date: 11-23-09 Printed Name: Brice A. Morgan
					<b>12 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 Certificate Number: 13976

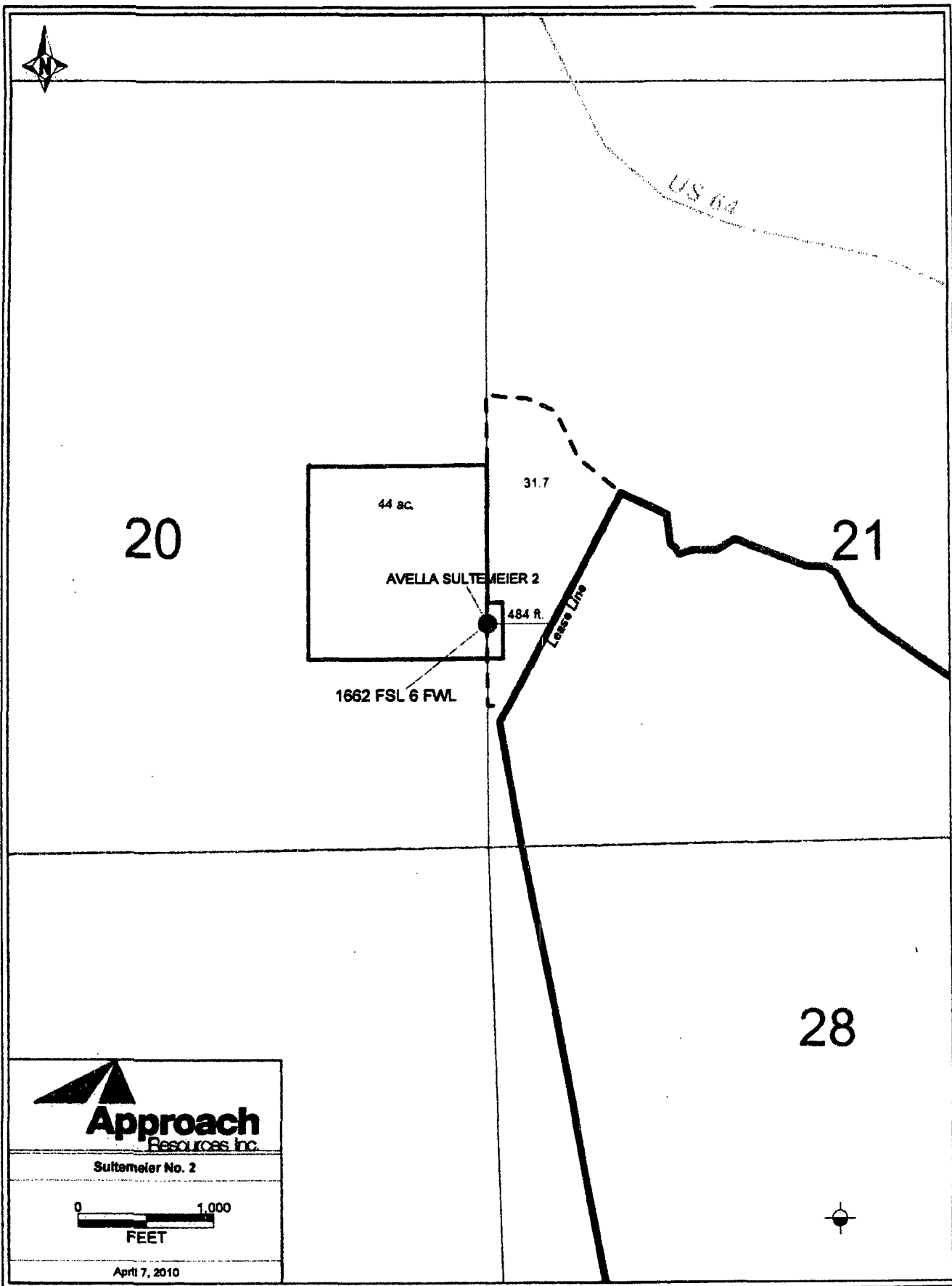
Latitude - 36.64231 North


Longitude - -106.52700 West

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

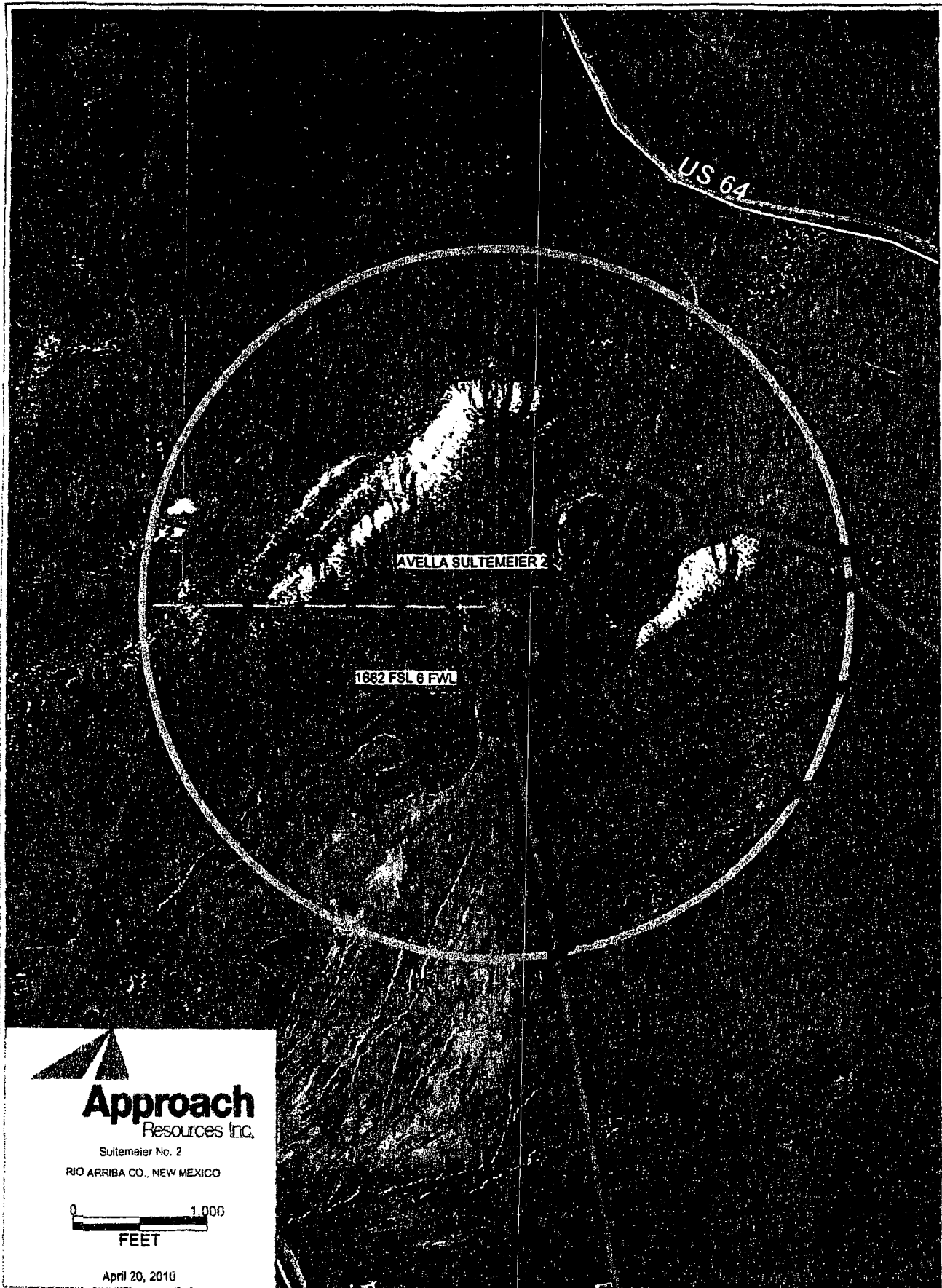
Figure D-4





  
**Approach**  
Resources Inc.  
Sultemeier No. 2  
0 1,000  
FEET  
April 7, 2010

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**Approach**  
Resources Inc.

Sultemeier No. 2  
RIO ARRIBA CO., NEW MEXICO

0 1,000  
FEET

April 20, 2010

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Notification  
Avella Sultemeier Well No. 2

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

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

## RECEIVED OCD

**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.

J. Scott Hall  
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



# 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



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 $\pm$  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

**EXHIBIT F**

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 87176-6210



Ms. Ana Padilla, Trustee

May 19, 2010

Page 2

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

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> <li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>Print your name and address on the reverse so that we can return the card to you.</li> <li>Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>		<p>A. Signature  X <i>[Signature]</i> <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee</p>	
<p>1. Article Addressed to:</p> <p><i>Ms. Ana Padilla, Trustee  Juan R. Montano Trust  10405 Calle Contento  Albuquerque NM  87114</i></p>		<p>B. Received by (Printed Name)  <i>SEAN PADILLA</i></p> <p>C. Date of Delivery  <i>5/2/10</i></p>	
<p>2. Article Number  (Transfer from service label)</p> <p><i>7008 3230 0000 2319 1137</i></p>		<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  If YES, enter delivery address below:</p>	
<p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail  <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise  <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p>		<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	

PS Form 3811, February 2004 Domestic Return Receipt *013314-901* 102595-02-M-1540

U.S. Postal Service<sup>TM</sup>  
**CERTIFIED MAIL<sup>TM</sup> RECEIPT**  
(Domestic Mail Only; No Insurance Coverage Provided)  
For delivery information visit our website at [www.usps.com](http://www.usps.com)

**OFFICIAL USE**

Postage	\$ <i>1.39</i>
Certified Fee	<i>2.80</i>
Return Receipt Fee (Endorsement Required)	<i>2.30</i>
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$ <i>6.49</i></b>

Sent To: *Ana Padilla, Montano Trust*  
Street, Apt. No., or PO Box No.: *10405 Calle Contento*  
City, State, ZIP+4: *Albuquerque NM 87114*

PS Form 3800, August 2006 See Reverse for Instructions

**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 THEODORE OLDHAM**

THEODORE OLDHAM, being duly sworn, state:

1. I am a Senior Geologist for Approach Resources Inc. and Approach Operating, LLC in the Company's Fort Worth, Texas, office. I am familiar with the geologic interpretation of 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.

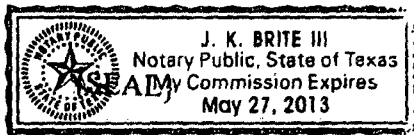
3. The Avella Sultemeier Well No. 2 will encounter the Mancos and other potential reservoir formations as indicated on the attached Structure Map (Exhibit B), Isopach Map (Exhibit C) and Type Log (Exhibit D) attached as exhibits to this affidavit. The unit is anticipated to be prospective for oil production from the Mancos formation as well as other encountered formations.

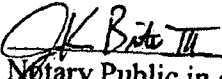
4. The Exhibits attached hereto were prepared or compiled by me or at my direction and control.

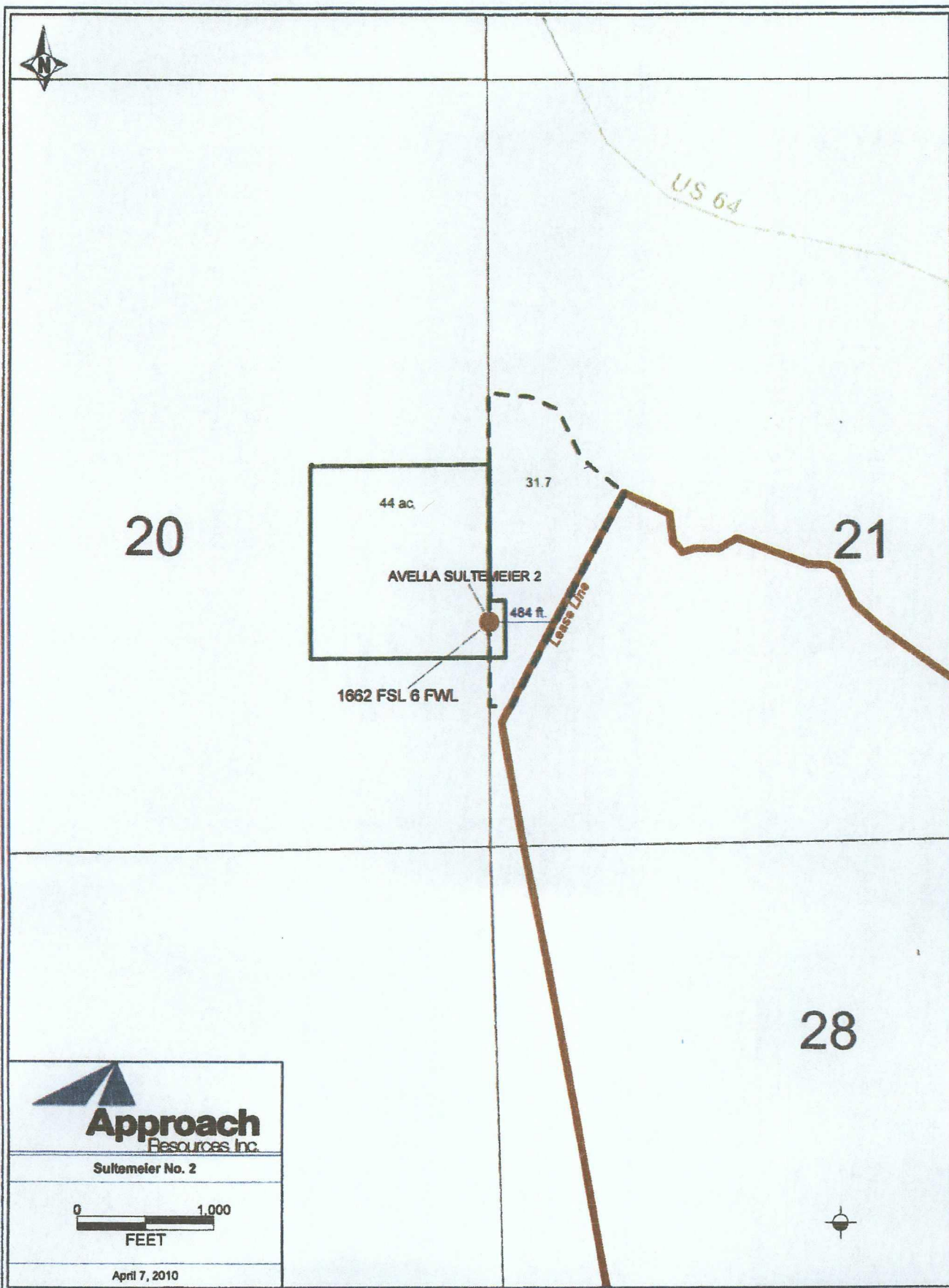
  
THEODORE OLDHAM

State of Texas            )  
                                  ) ss.  
County of Tarrant        )

The foregoing instrument was acknowledged before me the 26<sup>th</sup> day of April, 2011 by Theodore Oldham.



  
\_\_\_\_\_  
Notary Public in and for the State of Texas



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

EXHIBIT A



**Top of Greenhorn Structure (Cl: 100')**

**Esquibel - 1**

**Ayella Sultemeier 2**

**RIO ARRIBA**

**0 15,835 FEET**

**Top of Greenhorne Structure (Cl: 100')**



## Exhibit C



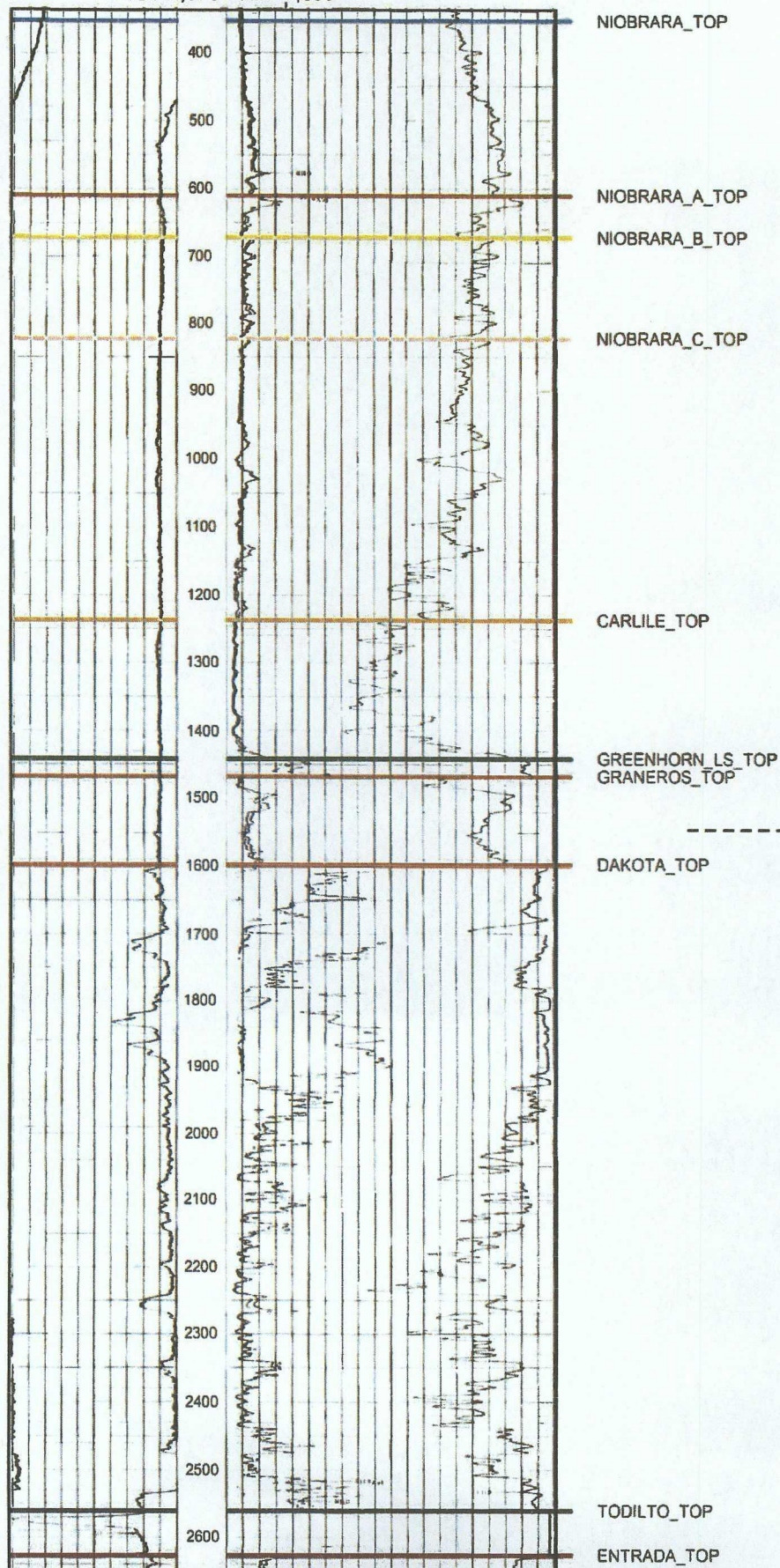


# Exhibit D

TYPE LOG: COQUINA OIL CORP

Esquibel - 1

TD: 2,676' KB: 7,659'



MANCOS





## EXHIBIT A

Anna Padilla, Trustee  
10405 Calle Conento  
Albuquerque, NM 87114

203318



**MONTGOMERY  
& ANDREWS**  
LAW FIRM

**J. SCOTT HALL**

Cell: (505) 670-7362

Email: shall@montand.com

Reply To: Santa Fe Office

www.montand.com

April 8, 2011

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

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

**Re: NMOCD Case No. 14522: Application of Approach Operating LLC for a Non-Standard Oil Spacing and Proration Unit, Rio Arriba County, New Mexico**

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:

Please be advised the Approach Operating LLC has filed an application with the New Mexico Oil Conservation Division for approval of a 31.7± acre its non-standard spacing unit to be dedicated to 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. A copy of the application is enclosed.

This Application will be set for hearing before a Division Examiner on April 28, 2011, at 8:15 a.m. at the New Mexico Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, New Mexico. You are not required to attend this hearing, but as an owner of an interest that may be affected, you may appear and present

**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

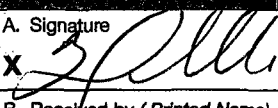

Ms. Ana Padilla, Trustee  
April 8, 2011  
Page 2

testimony. Failure to appear at that time and become a party of record will preclude you from challenging this application at a later time. If you intend to attend the hearing and present testimony or evidence, you must enter your appearance and serve the Division, counsel for the Applicant, and other parties with a pre-hearing statement at least four business days before the scheduled hearing date in accordance with Division Rule 19.15.4.13.

Very truly yours,  
Montgomery and Andrews, P.A.

J. Scott Hall  
Attorneys for Approach Operating LLC

JSH:kw

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY											
<ul style="list-style-type: none"><li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li><li>Print your name and address on the reverse so that we can return the card to you.</li><li>Attach this card to the back of the mailpiece, or on the front if space permits.</li></ul>		<p>A. Signature </p> <p>B. Received by (Printed Name) BRIAN PADILLA</p> <p>C. Date of Delivery 4/14/11</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p>											
1. Article Addressed to: Ana Padilla, Trustee Juan R. montano Rev. Trust 10405 Calle Contento Albuquerque NM		3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.											
U.S. Postal Service CERTIFIED MAIL RECEIPT (Domestic Mail Only; No Insurance Coverage Provided) For delivery information visit our website at www.usps.com		Delivery? (Extra Fee) <input type="checkbox"/> Yes 535 2030											
OFFICIAL USE		102595-02-M-1540											
<table border="1"><tr><td>Postage</td><td>\$ 0.61</td></tr><tr><td>Certified Fee</td><td>2.80</td></tr><tr><td>Return Receipt Fee (Endorsement Required)</td><td>2.30</td></tr><tr><td>Restricted Delivery Fee (Endorsement Required)</td><td></td></tr><tr><td>Total Postage &amp; Fees</td><td>\$ 5.71</td></tr></table>		Postage	\$ 0.61	Certified Fee	2.80	Return Receipt Fee (Endorsement Required)	2.30	Restricted Delivery Fee (Endorsement Required)		Total Postage & Fees	\$ 5.71		
Postage	\$ 0.61												
Certified Fee	2.80												
Return Receipt Fee (Endorsement Required)	2.30												
Restricted Delivery Fee (Endorsement Required)													
Total Postage & Fees	\$ 5.71												
Sent To Ana Padilla Trustee Street, Apt. No., or PO Box No. 10405 Calle Contento City, State, ZIP+4 Albuquerque NM 87114													

PS Form 3800, August 2005 See Reverse for Instructions