



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



October 8, 2009

VPR Operating, LLC
Attn: Mr. James R. Huling
1406 Camp Craft Rd.
Suite 106
Austin, TX 78746

Administrative Order NSL-6099
Administrative Order SD-200907

Re: SFPRR Well No. 27
API No. 30-025
1330 feet FNL and 1310 feet FWL
Unit E, Section 34-9S-37E
Lea County, New Mexico

Dear Mr. Huling:

Reference is made to the following:

(a) your non-standard location application (**administrative application reference No. pTGW09-28056838**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on October 7, 2009,

(b) your simultaneous dedication application (**administrative application reference No. pTGW09-28138350**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on October 7, 2009, and

(c) the Division's records pertinent to this requests.

VPR Operating, LLC (VPR) has requested to drill the above-referenced well at an unorthodox oil well location, described above in the caption of this letter. The W/2 NW/4 of Section 34 will be dedicated to this well in order to form a standard 80-acre oil spacing and proration unit in the West Sawyer San Andres Pool (55490). Spacing in this pool is governed by the Special Rules and Regulations for the West Sawyer-San Andres Pool, as adopted by Order No. R-3850, issued on October 14, 1969, which provide for 80-acre units, with one well permitted in each quarter-quarter section, to be located within 200 feet of the center of the quarter-quarter section.



This location is more than 200 feet from the center of the quarter-quarter section.

In addition, the proposed well will be the second San Andres well in the SW/4 NW/4 (Unit E) of Section 34, which has heretofore been dedicated to the SFPRR Well No. 16 (API No. 30-025-23225), located 1980 feet from the North line and 660 feet from the West line of Section 34. Because the applicable pool rules allow only one well per quarter-quarter section, administrative approval is required for the simultaneous dedication of this unit to the proposed SFPRR Well No. 27 and to the existing SFPRR Well No. 16.

Your applications have been duly filed under the provisions of Division Rules 15.13, 15.11.C and 4.12.A.

It is our understanding that you are seeking location and density exceptions for this well as a pilot project to test the appropriateness of developing this pool at an average density of one well per 20 acres.

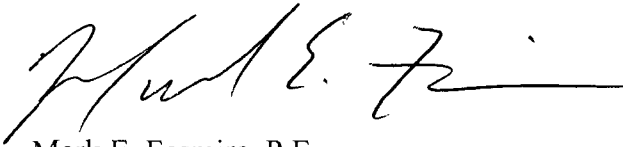
It is also understood that notice of this application to offsetting operators or owners is unnecessary because the only working interest owner in any offsetting unit other than the applicant has executed a waiver of objection, which was filed with this application.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved. Pursuant to the authority conferred by Division Rule 15.11.C, the above described simultaneous dedication 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.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a stylized flourish at the end.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs