

| | | | | | |
|------------------------|----------|------------------------|--------------------------|-----------------|---------------------------|
| DATE IN <u>10/7/09</u> | SUSPENSE | ENGINEER <u>Brooks</u> | LOGGED IN <u>10/7/09</u> | TYPE <u>NSL</u> | APP NO. <u>0928056696</u> |
|------------------------|----------|------------------------|--------------------------|-----------------|---------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



UPR Operating
(266091)

SFPRR #26

ADMINISTRATIVE APPLICATION CHECKLIST

6098

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] *SFPRR #26 Vertical Producer*

- [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 (offset working Interest Owners)

RECEIVED OCD
 2009 OCT -7 P 1:14

[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.

James R. Huling

Print or Type Name

Signature

James R. Huling

Agent

Title

Agent

10/05/2009

Date

James@vproperating.com
 e-mail Address

VPR OPERATING, LLC

October 6, 2009

Mr. David Brooks
Environmental and Geological Services Bureau
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: SFPRR #26
1,310' FSL & 1,330' FWL; Sec. 27, T9S-R37E; Lea County, NM

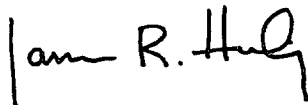
Dear Mr. Brooks:

Please find attached an administrative application to drill an infill location in the West Sawyer San Andres Pool. The SFPRR #26 is a third well proposed in the 80-acre spacing unit that is currently drilled on 40-acres. This well is proposed as a non-standard and simultaneous dedication location.

The West Sawyer San Andres Pool is currently developed on 40-acre spacing and has only produced primary reserves. VPR Operating, LLC has studied this field including a 3-D simulation model. We have plans to test remaining primary on 20-acre development followed by pilot testing patterns by converting some of the existing producers to injection. The SFPRR #26 is one of the initially proposed locations of this plan. If the infill locations and pilot are successful we will ultimately unitize the field for secondary operations. Additionally we plan to commence with changing the spacing/acreage dedication to allow drilling of four wells on 80-acres. However, we have an opportunity to commence drilling with a viable rig as soon as permits are approved. Since the process of changing the spacing will take approximately 30-days, we hope to obtain an administratively approved permit this week to allow us to spud on or about October 15, 2009. Please find attached a map illustrating the proposed location with respect to existing locations.

If you have any questions or would like to discuss VPR Operating's plans or the attached please feel welcome to call me at (817) 923-8323, or via e-mail at james@vproperating.com

Respectfully,



James R. Huling
VPR Operating, LLC

District I
1625 N. French Dr., Hobbs, NM 88240
Phone:(505) 393-6161 Fax:(505) 393-0720

Form C-101
Permit 103016

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

| | | |
|--|---------------------------|---------------------------|
| 1. Operator Name and Address VPR OPERATING, LLC 1406 CAMP CRAFT ROAD AUSTIN, TX 78746 | | 2. OGRID Number 266091 |
| | | 3. API Number |
| 4. Property Code 306681 | 5. Property Name SFPRR | 6. Well No. 026 |

7. Surface Location

| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| K | 27 | 09S | 37E | K | 1310 | S | 1330 | W | LEA |

8. Pool Information

| | |
|-------------------------|-------|
| SAWYER;SAN ANDRES, WEST | 55490 |
|-------------------------|-------|

Additional Well Information

| | | | | |
|--|----------------------------|--|-------------------------|------------------------------------|
| 9. Work Type New Well | 10. Well Type OIL | 11. Cable/Rotary | 12. Lease Type State | 13. Ground Level Elevation 3969 |
| 14. Multiple N | 15. Proposed Depth 5100 | 16. Formation San Andres Formation | 17. Contractor | 18. Spud Date 10/15/2009 |
| Depth to Ground water | | Distance from nearest fresh water well | | Distance to nearest surface water |
| Pit: Liner: Synthetic <input type="checkbox"/> mls thick Clay <input type="checkbox"/> Pit Volume: bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/> | | | | |

19. Proposed Casing and Cement Program

| Type | Hole Size | Casing Type | Casing Weight/ft | Setting Depth | Sacks of Cement | Estimated TOC |
|------|-----------|-------------|------------------|---------------|-----------------|---------------|
| Surf | 12.25 | 8.625 | 20 | 450 | 400 | 0 |
| Prod | 7.875 | 4.5 | 10.5 | 5100 | 800 | 0 |

Casing/Cement Program: Additional Comments

| |
|--|
| May set 5-1/2" Casing in place of 4-1/2". Plan to run DV Tool +/- 50' Below Rustler @ approx. 2420'. |
|--|

Proposed Blowout Prevention Program

| Type | Working Pressure | Test Pressure | Manufacturer |
|-----------|------------------|---------------|--------------|
| Annular | 3000 | 3000 | hydrill |
| DoubleRam | 3000 | 3000 | hydrill |
| Pipe | 3000 | 3000 | hydrill |

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.
 I further certify that the drilling pit will be constructed according to NMOCD guidelines ☐, a general permit ☐, or an (attached) alternative OCD-approved plan ☒.

Printed Name: JAMES R. HULING
 Title: Agent
 Email Address: James@vproperating.com
 Date: 10-6-2009 Phone: 817.923.8323

OIL CONSERVATION DIVISION

Approved By:

Title:

Approved Date:

Expiration Date:



SFPRR #26

1,310' FSL & 1,330' FWL

Sec. 27 T9S-R37E

Administrative Application

NSL and SD

"Add 3rd Well to Existing 80-Acre Spacing"

- ACTIVE PRODUCER
- SI PRODUCER
- P&A'd PRODUCER
- ACTIVE SWD
- SI SWD
- P&A'd SWD

MAR Oil & Gas corp.

P. O. Box 5155

Santa Fe, NM 87502

(505) 989-1977

October 5, 2009

Re: Non standard locations west Sawyer field.

Gentlemen:

MAR Oil & Gas Corp. owns 12.5% working interest in the SFPRR and costal Santa Fe leases located in sections 27, 28, 33, and 34 or T9S-R37E of Lea county, NM and herewith consents to the application VPR Operating, LLC is making for Simultaneous Density and Non Standard locations on the SFPRR #25, #26, #27, and #28 proposed wells.

If you have any questions, please contact me at (505) 989-1977.

Sincerely,

A handwritten signature in black ink, appearing to read "Leon A. Romero", with a stylized flourish at the end.

Leon A. Romero, President

MAR Oil & Gas Corp.

Continued October 5, 1971
A.L.P.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 4222
Order No. R-3850-B

IN THE MATTER OF CASE 4222 BEING
REOPENED PURSUANT TO THE PROVISIONS
OF ORDER NO. R-3850-A, WHICH ORDER
CONTINUED 80-ACRE SPACING UNITS FOR
THE WEST SAWYER-SAN ANDRES POOL, LEA
COUNTY, NEW MEXICO, FOR AN ADDITIONAL
ONE-YEAR PERIOD.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 15, 1971, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 5th day of October, 1971, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That by Order No. R-3850-A, dated October 6, 1970, the temporary Special Rules and Regulations promulgated by Order No. R-3850 for the West Sawyer-San Andres Pool, Lea County, New Mexico, establishing 80-acre spacing units were continued for an additional period of one year.

(3) That pursuant to the provisions of Order No. R-3850-A, this case was reopened to allow the operators in the subject pool to appear and show cause why the West Sawyer-San Andres Pool should not be developed on 40-acre spacing units and present evidence as to whether or not the subject pool is in fact an associated reservoir.

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CASE NO. 4222

Order No. R-3850-B

(4) That the evidence establishes that one well in the West Sawyer-San Andres Pool can efficiently and economically drain and develop 80 acres.

(5) That the Special Rules and Regulations promulgated by Order No. R-3850 and continued in effect by Order No. R-3850-A have afforded and will afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the oil in the pool.

(6) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, the Special Rules and Regulations promulgated by Order No. R-3850, and continued in effect by Order No. R-3850-A, should be continued in full force and effect until further order of the Commission.

IT IS THEREFORE ORDERED:

(1) That the Special Rules and Regulations governing the West Sawyer-San Andres Pool, Lea County, New Mexico, promulgated by Order No. 3850, and continued in effect by Order No. R-3850-A, are hereby continued in full force and effect until further order of the Commission.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


BRUCE KING, Chairman


ALEX J. ARMIJO, Member


A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

Entered October 6, 1970
A. L. P.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 4222
Order No. R-3850-A

APPLICATION OF COASTAL STATES GAS
PRODUCING COMPANY FOR SPECIAL POOL
RULES, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 30, 1970, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 6th day of October, 1970, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That by Order No. R-3850, dated October 14, 1969, temporary Special Rules and Regulations were promulgated for the West Sawyer-San Andres Pool, Lea County, New Mexico, including a provision for 80-acre spacing and proration units.

(3) That pursuant to the provisions of Order No. R-3850, this case was reopened to allow the operators in the subject pool to appear and show cause why the West Sawyer-San Andres Pool should not be developed on 40-acre spacing units and present evidence as to whether or not the subject pool is in fact an associated reservoir.

(4) That the evidence presently available is insufficient to establish that the provision for 80-acre spacing and proration units should be continued permanently.

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CASE No. 4222

Order No. R-3850-A

(5) That the evidence presently available is insufficient to establish whether or not the subject pool is in fact an associated reservoir.

(6) That the temporary Special Rules and Regulations for the West Sawyer-San Andres Pool, promulgated by Order No. R-3850, should be continued in effect for an additional one-year period in order to allow the operators in the pool time to gather additional information concerning reservoir characteristics of the pool.

(7) That this case should be reopened at an examiner hearing in September, 1971, at which time the operators in the pool should appear and show cause why the West Sawyer-San Andres Pool should not be developed on 40-acre spacing units and present evidence as to whether or not the subject pool is in fact an associated reservoir.

IT IS THEREFORE ORDERED:

(1) That the temporary Special Rules and Regulations for the West Sawyer-San Andres Pool, promulgated by Order No. R-3850, are hereby continued in full force and effect for an additional one-year period.

(2) That this case shall be reopened at an examiner hearing in September, 1971, at which time the operators in the subject pool shall appear and show cause why the West Sawyer-San Andres Pool should not be developed on 40-acre spacing units and present evidence as to whether or not the subject pool is in fact an associated reservoir.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


DAVID F. CARGO, Chairman


ALEX J. ARMLJO, Member


A. L. PORTER, Jr., Member & Secretary

S E A L

esr/

Entered October 14, 1969
R.P.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 4222
Order No. R-3850

APPLICATION OF COASTAL STATES GAS
PRODUCING COMPANY FOR SPECIAL POOL
RULES, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 8, 1969, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 14th day of October, 1969, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Coastal States Gas Producing Company, seeks the promulgation of special rules and regulations for the West Sawyer-San Andres Pool, Lea County, New Mexico, including a provision for 80-acre spacing and proration units.
- (3) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for the West Sawyer-San Andres Pool.

(4) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(5) That the temporary special rules and regulations should be established for a one-year period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well and to determine whether or not the subject pool is in fact an associated reservoir.

(6) That this case should be reopened at an examiner hearing in October, 1970, at which time the operators in the subject pool should be prepared to appear and show cause why the West Sawyer-San Andres Pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED:

That temporary Special Rules and Regulations for the West Sawyer-San Andres Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
WEST SAWYER-SAN ANDRES POOL

RULE 1. Each well completed or recompleted in the West Sawyer-San Andres Pool or in the San Andres formation within one mile thereof, and not nearer to or within the limits of another designated San Andres oil pool, shall be spaced, drilled, operated, and produced in accordance with the special rules and regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental quarter section; provided, however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit

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CASE No. 4222

Order No. R-3850

comprising a governmental quarter-quarter section or lot, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. The first well drilled on every standard or non-standard unit in the West Sawyer-San Andres Pool shall be drilled in the NW/4 or the SE/4 of a governmental quarter section. All wells shall be located within 200 feet of the center of a governmental quarter-quarter section.

RULE 5. The Secretary-Director may grant an exception to the footage requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon, provided the well will be located no nearer than 330 feet to the outer boundary of the unit. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

RULE 6. A standard proration unit (79 through 81 acres) shall be assigned an 80-acre proportional factor of 2.00 for allowable purposes, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

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CASE No. 4222

Order No. R-3850

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the West Sawyer-San Andres Pool or in the San Andres formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before November 1, 1969.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the West Sawyer-San Andres Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 80 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the West Sawyer-San Andres Pool or in the San Andres formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) That this case shall be reopened at an examiner hearing in October, 1970, at which time the operators in the subject pool may appear and show cause why the West Sawyer-San Andres Pool should not be developed on 40-acre spacing units and present evidence as to whether or not the subject pool is in fact an associated reservoir.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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CASE No. 4222


Order No. R-3850

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


DAVID F. CARGO, Chairman


ALEX J. ARMILLO, Member


A. L. PORTER, Jr., Member & Secretary

S E A L

esr/

Brooks, David K., EMNRD

To: James@vproperating.com
Subject: SFPR Wells ## 25,26,27 and 28; NSL and SD applications

Dear Mr. Huling

I have examined the referenced applications. There is no ownership information included to enable us to determine if the appropriate parties have been notified.

Per OCD records, it appears that VPR is the operator of all of the offsetting spacing units. Hence under OCD Rule 19.15.4.12, notice of your non standard location application is required to all working interest owners in the affected units if the working interest ownership in the affected units is different from the unit where the proposed non-standard location is situated. You have not advised us of the working interest ownership beyond the statement in the waivers furnished from Mar Oil & Gas that Mar owns a 12.5% working interest in certain leases in these sections. The waiver does not indicate what specific tracts are covered by those leases, and there is no information as to whether there are any other working interest owners other than VPR and Mar in any of those tracts. If there are any such other working interest owners there is no information as to whether those owners have been notified of these applications.

The units for which notice to affected parties would be required in connection for the NSL applications are as follows:

SFPRR #25 W/2 SW/4 Section 27
SFPRR #26 W/2 SW/4 Section 27
SFPRR #27 E/2 NW/4 Section 34
SFPRR #28 W/2 SW/4 Section 27, W/2 NW/4 Section 34 and E/2 NE/4 Section 33

For the SD applications, affected person in all adjoining units must be notified because the increase in well density potentially affects all such units. Therefore notices to owners in the following additional units would be required:

SFPRR #25 & 28 S/2 NE/4 Section 28, W/2 SE/4 Section 28
SFPRR #26 NW/4: W/2 or S/2 NE/4; and W/2 SE/4 Section 27; NW/4 and W/2 NE/4 of Section 34
SFPRR #27 SW/4 Section 34; E/2 NE and E/2 of N/2 SE/4 of Section 33, E/2 SW/4 of Section 28 and SW/4 of Section 27

Please advise whether or not there are working interest owners other than VPR and Mar in any of the units for which notice is required, and, if so, please furnish the requisite proof of notice.

Sincerely,

David K. Brooks
Legal Examiner
505-476-3450

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Thursday, October 08, 2009 3:28 PM
To: 'James Huling'
Subject: RE: SFPR Wells ## 25,26,27 and 28; NSL and SD applications

Dear Mr. Huling

The payment decs that you sent are for the Coastal Santa Fe #3 and the SFPRR #1. Are we to understand that these also apply to all of the Coastal Santa Fe units and SFPRR units shown on the four section map attached to your applications?

Sincerely

David K. Brooks
Legal Examiner
505-476-3450

From: James Huling [mailto:james@vproperating.com]
Sent: Thursday, October 08, 2009 3:07 PM
To: Brooks, David K., EMNRD
Subject: RE: SFPR Wells ## 25,26,27 and 28; NSL and SD applications

Mr. Brooks:
Please find attached WI Owner decks for the SFPRR, Coastal Santa Fe and Rich Unit Leases. Each lease contains only two WI Owners which are VPR and Mar Oil & Gas. Also, the WI Owner Split on each lease is the same which is 87.5% for VPR and 12.5% for Mar Oil & Gas. Please let me know if you have any questions or need additional information.

Thanks!

James R. Huling
VPR Operating, LLC

Dir: (817) 923-8323
Cel: (817) 253-1276
Fax: (817) 887-3382

VPR Operating, LLC
Main: (512) 327-8776
1406 Camp Craft Road, Suite 106
Austin, Texas 78746

James@vproperating.com

----- Original Message -----

Subject: SFPR Wells ## 25,26,27 and 28; NSL and SD applications
From: "Brooks, David K., EMNRD" <david.brooks@state.nm.us>
Date: Thu, October 08, 2009 10:41 am
To: <James@vproperating.com>

Dear Mr. Huling

I have examined the referenced applications. There is no ownership information included to enable us to determine if the appropriate parties have been notified.

Per OCD records, it appears that VPR is the operator of all of the offsetting spacing units. Hence under OCD Rule 19.15.4.12, notice of your non standard location application is required to all working interest owners in the affected units if the working interest ownership in the affected units is different from the unit where the proposed non-standard location is situated. You have not advised us of the working interest ownership beyond the statement in the waivers furnished from Mar Oil & Gas that Mar owns a 12.5% working interest in certain leases in these sections. The waiver does not indicate what specific tracts are covered by those leases, and there is no information as to whether there are any other working interest owners other than VPR and Mar in any of those tracts. If there are any such other working interest owners there is no information as to whether those owners have been notified of these applications.

The units for which notice to affected parties would be required in connection for the NSL applications are as follows:

| | |
|-----------|--|
| SFPRR #25 | W/2 SW/4 Section 27 |
| SFPRR #26 | W/2 SW/4 Section 27 |
| SFPRR #27 | E/2 NW/4 Section 34 |
| SFPRR #28 | W/2 SW/4 Section 27, W/2 NW/4 Section 34 and E/2 NE/4 Section 33 |

For the SD applications, affected person in all adjoining units must be notified because the increase in well density potentially affects all such units. Therefore notices to owners in the following additional units would be required:

| | |
|----------------|--|
| SFPRR #25 & 28 | S/2 NE/4 Section 28, W/2 SE/4 Section 28 |
| SFPRR #26 | NW/4: W/2 or S/2 NE/4; and W/2 SE/4 Section 27; NW/4 and W/2 NE/4 of Section 34 |
| SFPRR #27 | SW/4 Section 34; E/2 NE and E/2 of N/2 SE/4 of Section 33, E/2 SW/4 of Section 28 and SW/4 of Section 27 |

Please advise whether or not there are working interest owners other than VPR and Mar in any of the units for which notice is required, and, if so, please furnish the requisite proof of notice.

Sincerely,

David K. Brooks
Legal Examiner
505-476-3450

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Brooks, David K., EMNRD

From: James VPR [james@vproperating.com]
Sent: Thursday, October 08, 2009 3:32 PM
To: Brooks, David K., EMNRD
Subject: Re: SFPR Wells ## 25,26,27 and 28; NSL and SD applications

Yes

On Oct 8, 2009, at 4:28 PM, "Brooks, David K., EMNRD" <david.brooks@state.nm.us> wrote:

Dear Mr. Huling

The payment decs that you sent are for the Coastal Santa Fe #3 and the SFPRR #1. Are we to understand that these also apply to all of the Coastal Santa Fe units and SFPRR units shown on the four section map attached to your applications?

Sincerely

David K. Brooks

Legal Examiner

505-476-3450

From: James Huling [mailto:james@vproperating.com]
Sent: Thursday, October 08, 2009 3:07 PM
To: Brooks, David K., EMNRD
Subject: RE: SFPR Wells ## 25,26,27 and 28; NSL and SD applications

Mr. Brooks:

Please find attached WI Owner decks for the SFPRR, Coastal Santa Fe and Rich Unit Leases. Each lease contains only two WI Owners which are VPR and Mar Oil & Gas. Also, the WI Owner Split on each lease is the same which is 87.5% for VPR and 12.5% for Mar Oil & Gas. Please let me know if you have any questions or need additional information.

Thanks!

James R. Huling
VPR Operating, LLC

Dir: (817) 923-8323
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VPR Operating, LLC
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1406 Camp Craft Road, Suite 106
Austin, Texas 78746

James@vproperating.com

----- Original Message -----

Subject: SFPR Wells ## 25,26,27 and 28; NSL and SD applications
From: "Brooks, David K., EMNRD" <david.brooks@state.nm.us>
Date: Thu, October 08, 2009 10:41 am
To: <James@vproperating.com>

Dear Mr. Huling

I have examined the referenced applications. There is no ownership information included to enable us to determine if the appropriate parties have been notified.

Per OCD records, it appears that VPR is the operator of all of the offsetting spacing units. Hence under OCD Rule 19.15.4.12, notice of your non standard location application is required to all working interest owners in the affected units if the working interest ownership in the affected units is different from the unit where the proposed non-standard location is situated. You have not advised us of the working interest ownership beyond the statement in the waivers furnished from Mar Oil & Gas that Mar owns a 12.5% working interest in certain leases in these sections. The waiver does not indicate what specific tracts are covered by those leases, and there is no information as to whether there are any other working interest owners other than VPR and Mar in any of those tracts. If there are any such other working interest owners there is no information as to whether those owners have been notified of these applications.