



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



April 20, 2009

Techsys, Inc.
Attn: Mr. Brad Bliss
P.O. Box 19465
Houston, TX 77224
FAX No. 713-984-8319

Re: Case No. 14271: Application of Vanguard Permian, LLC for a Non-Standard Spacing Unit, etc.

Dear Mr. Bliss:

The Division is in receipt of Mr. Bruce's letter of April 20 concerning the above case.

According to Mr. Bruce's letter, he has been unable to find a non-standard location order authorizing the non-standard gas well location of Techsys's W.D. Grimes NCT-A Well No. 4 (API No. 30-025-07522), located 330 feet from the North line and 2310 feet from the West line of Section 32-18S-38E. This location of the well per Division records, which is in accordance with your testimony at the April 16 hearing, is non-standard because spacing in the Byers-Queen Gas Pool is governed by statewide Rule 15.10.C, which requires that wells be setback at least 660 feet from the section lines.

Additionally, Rule 15.10.C allows only one well on a 160-acre gas unit. You testified that the W.T. Grimes NCT-A Well No. 4 is dedicated to a 160-acre unit comprising the NW/4 of Section 32. If that is true, then the simultaneous dedication of the W.T. Grimes No. 4 well and the W.T. Grimes #1 well to that unit violates Rule 15.10.C unless there is in effect a Division order authorizing the simultaneous dedication.

Please furnish this office as soon as possible evidence that the location and simultaneous dedication of the W.T. Grimes NCT-Well No. 4 have been approved by the Division.

I am setting this case for hearing Thursday, May 14, 2009, at 8:15 a.m. to afford Techsys, Inc. an opportunity to show cause why the W.T. Grimes NCT-A Well No. 4 should not be shut in due to unapproved unorthodox location and unit dedication. This hearing will be cancelled if (1) we are furnished with copies of, or reference to, appropriate division orders authorizing the well's location and dedication, or (2) Techsys applies for appropriate non-standard location (NSL) and



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simultaneous dedication (SD) orders and voluntarily shuts in the W.T. Grimes NCT-A Well No. 4 until appropriate orders are issued.

The purpose of the hearing on May 14 will be solely to address the status of the W.T. Grimes NCT-A Well No. 4. An order on Vanguard's application may be issued prior to that date.

If you have questions or other concerns, please feel free to contact the undersigned by letter or email, with copy to Mr. Bruce.

Very truly yours,

David K. Brooks
Legal Examiner
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cc: James Bruce
jbruc@aol.com