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RECEIVED

2009 APR 20 AM 11 24

April 20, 2009

Hand delivered

David K. Brooks
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Case No. 14271/Vanguard Permian, LLC

Dear Mr. Brooks:

At the end of Thursday's hearing I said I would look into two things: (1) Division orders regarding Techsys' well unit (the NW $\frac{1}{4}$ of Section 32); and (2) information on a Queen gas well in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 32. This letter sets forth the results of those searches, and additional data which affects this application.

Techsys' well unit contains two wells, both of which are at unorthodox well locations. Attached as **Exhibit 1** is Administrative Order NSL-527, approving the location for the W.D. Grimes NCT-A Well No. 1. This was apparently the only Queen well on the well unit. **Exhibit 2**. I could not find an unorthodox location order for the W.D. Grimes NCT-A Well No. 4 (in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 32), nor a simultaneous dedication order for the well unit.

With respect to additional Queen gas wells, please first refer to Techsys' Exhibit B at hearing (copy enclosed), which shows six existing Queen wells, and Texland's proposed well, in Sections 29 and 32. The Division's well files (which were incorporated into the record at hearing) show the following:

1. The well in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 29, the Bowers A Federal Well No. 28, is dedicated to a non-standard unit comprising the W $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 29 under Administrative Order NSP-1746(L). **Exhibit 3**.

2. The well in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 29, the State A-29 Well No. 8, is dedicated to a non-standard unit comprising the E $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 29 under Administrative Order NSP-1746-A(L). **Exhibit 4.**

3. The well in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 32, the North Hobbs Grayburg-San Andres Unit Well No. 532 (f/k/a the State A Well No. 1), is dedicated to a non-standard unit comprising the S $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 32 under an unnumbered Administrative Order. **Exhibit 5.**

This data, together with data on the Techsys' well, is summarized on **Exhibit 6.** Please note that all wells are at unorthodox locations, and all wells are being produced on a leasehold basis. Attached as **Exhibit 7** is the same plat, without notations, showing the lease outlines (the W.D. Grimes NCT-A Lease actually covers the entire W $\frac{1}{2}$ of Section 32).

This data affects Vanguard's application in the following respects:

A. The only acreage available for Vanguard's well unit is the N $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 32. In addition, the interest owners in the N $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 32 have never shared in production from the S $\frac{1}{2}$ NE $\frac{1}{4}$ well unit. Therefore, the non-standard unit portion of the application must be approved to protect Vanguard's correlative rights.

B. Vanguard's unorthodox location is due to a recompletion from a deeper zone. No one has objected, and that portion of the application must be approved.

C. The reservoir has been developed and produced on an 80-acre basis, with all wells at unorthodox locations, including those on Techsys' acreage. Therefore, Techsys' claim that operators must strictly comply with the statewide spacing rules is without merit.

I have just received Division Order No. R-13113, requiring Vanguard to shut in its well. Vanguard will do so. However, because the only acreage available to Vanguard for its well unit is the N $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 32, Vanguard requests that the shut-in order be rescinded.

Vanguard requests that the Division promptly approve its application. In addition, if Techsys cannot provide NSL and NSP orders for the W.D. Grimes NCT-A Well No. 4, it must be shut-in.

Very truly yours,



James Bruce

Attorney for Vanguard Permian, LLC

cc: Terry G. Warnell (via hand delivery)
Techsys Resources, LLC (via USPS Express Mail)

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

November 30, 1971

Gulf Oil Company
P. O. Box 670
Hobbs, New Mexico 88240

Attention: Mr. C. D. Borland

Administrative Order HSL-527

Gentlemen:

Reference is made to your application for approval of an unorthodox gas well location for your W. D. Grimes (NCT-A) Well No. 1, located 330 feet from the North line and 330 feet from the West line of Section 32, Township 18 South, Range 38 East, NMPM, Byers-Queen Gas Pool, Lea County, New Mexico.

By authority granted me under the provisions of Rule 104 F of the Commission Rules and Regulations, the above-described unorthodox location is hereby approved.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/GME/dr

cc: Oil Conservation Commission - Hobbs
Oil & Gas Engineering Committee - Hobbs

COPY
EXHIBIT 1

MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

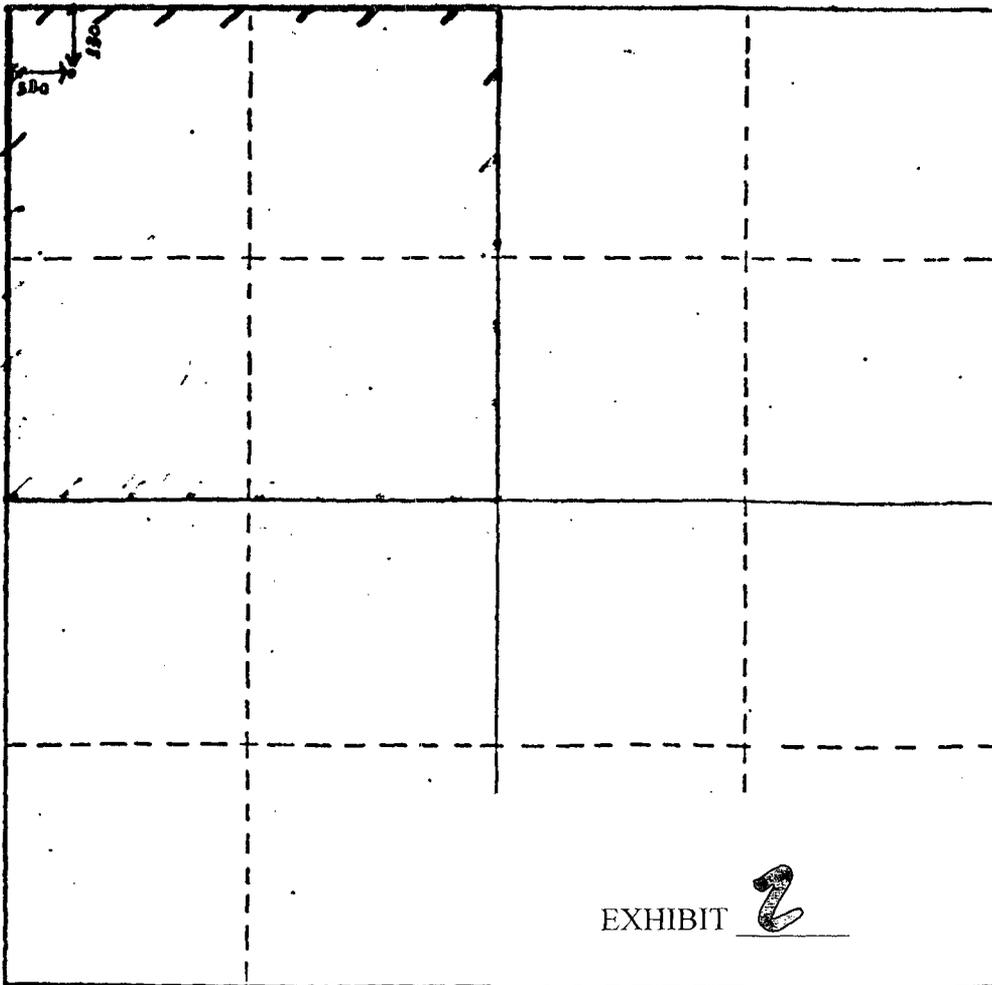
Operator Chevron U.S.A. Inc.		Lease W.D. GRIMES NCT -A			Well No. 1
Unit Letter D	Section 32	Township 18S	Range 38E	County Lea	
Actual Footage Location of Well: 330 feet from the North line and 330 feet from the West line					
Ground Level Elev. 3642	Producing Formation Byers Yates Gas		Pool Byers Yates Gas	Dedicated Acreage: 160 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

M. E. Akins

Name

M. E. AKINS

Position

STAFF DRILLING ENGINEER

Company

Chevron U.S.A. Inc.

Date

SEPTEMBER 16, 1988

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 knowledge and belief.

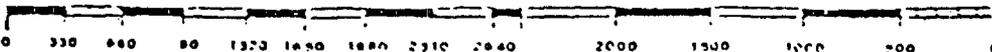
Date Surveyed

Registered Professional Engineer and/or Land Surveyor

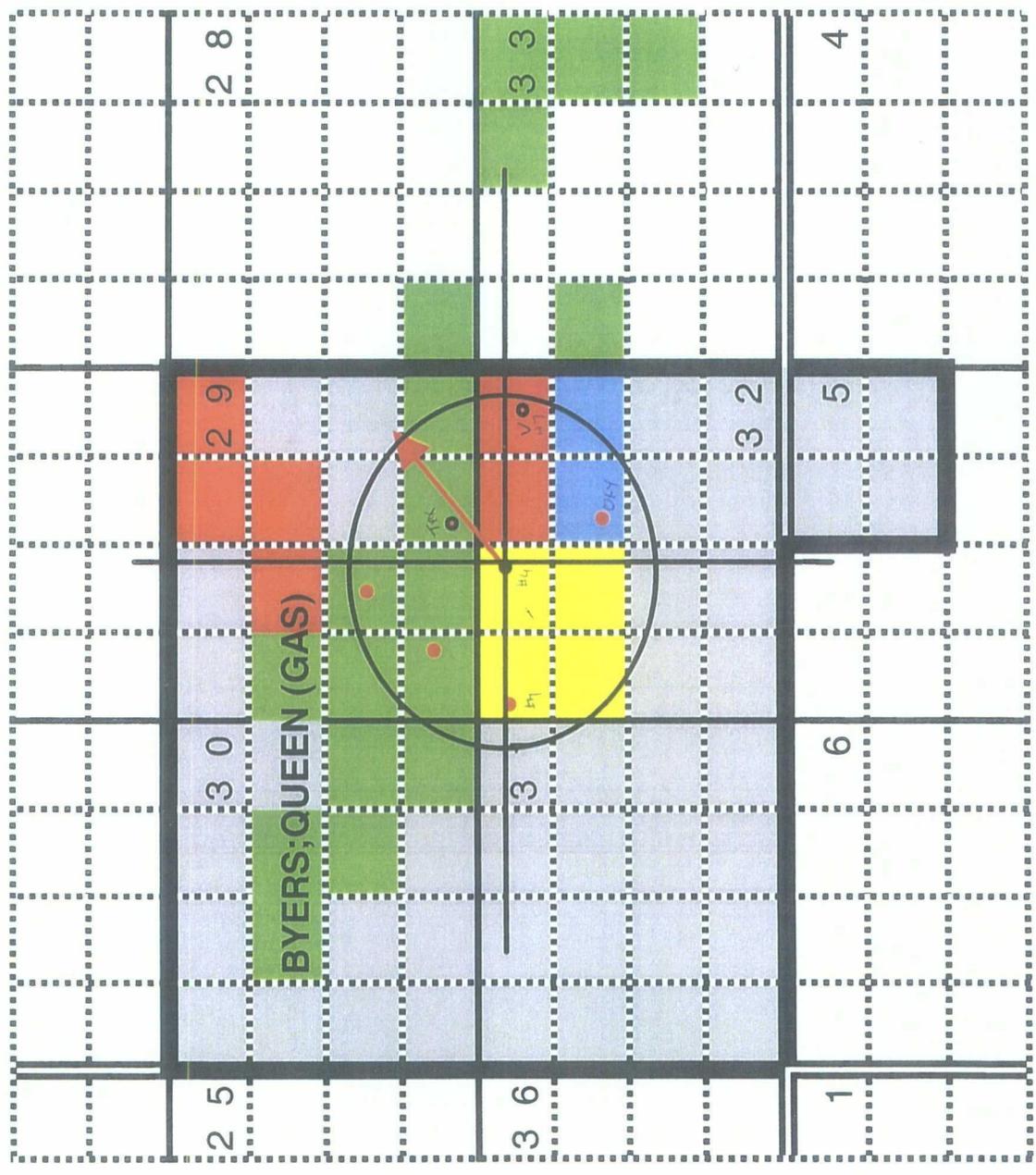
Certificate No.

EXHIBIT

2



CASE 14271
 (Techs) Exhibit B



*In effect SA
 base spacing*

LEGEND:
 GREEN - TRAIL
 Red - Vanguard
 Blue - 02-1
 Yellow - Techs



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

November 16, 1995

Exxon Corporation
P. O. Box 1600
Midland, Texas 79702-1600

Attention: Alex M. Correa

Administrative Order NSP-1746(L)

Dear Mr. Correa:

Reference is made to your application dated September 26, 1995 for an 80-acre non-standard gas spacing and proration unit consisting of the following acreage in both the Byers-Queen Gas Pool and the Undesignated Byers-Yates Gas Pool:

LEA COUNTY, NEW MEXICO
TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM
Section 29: W/2 SW/4

It is our understanding that this unit is to be dedicated to your existing Bowers "A" Federal Well No. 28 (API No. 30-025-23022), located at an unorthodox gas well location for the aforementioned unit 660 feet from the South line and 990 feet from the West line (Unit M) of said Section 29.

By the authority granted me under the provisions of Division General Rules 104.F(1) and 104.D(2), the above-described unorthodox gas well location and non-standard gas spacing and proration unit are hereby approved.

Sincerely,

William J. LeMay
Director

WJL/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad
James Bruce - Hinkle, Cox, Eaton, Coffield & Hensley P.L.L.C., Santa Fe

EXHIBIT

3

NGPA Permits

NOV 22 1995



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

November 16, 1998

Conoco, Inc.
10 Desta Drive - Suite 100W
Midland, Texas 79705-4500
Attn: Kay Maddox

Administrative Order NSP-1746-A(L)

Dear Ms. Maddox:

Reference is made to your application dated October 21, 1998 for a non-standard 80-acre gas spacing and proration unit consisting of the following acreage in the Byers-Queen Gas Pool:

LEA COUNTY, NEW MEXICO
TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM
Section 29: E/2 SW/4.

It is our understanding that this unit is to be dedicated Conoco, Inc.'s existing State "A-29" Well No. 8 (API No. 30-025-23048), located 2150 feet from the South line and 1800 feet from the West line (Unit K) of Section 29.

The application has been duly filed under the provisions of Rules 104.F and 104.D(2) of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division").

By the authority granted me under the provisions of Division General Rules 104.F(2) 104.D(2)(b), the above-described unorthodox gas well location and 80-acre non-standard gas spacing and proration unit are hereby approved.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
W. Thomas Kellahin, Counsel for Conoco, Inc. - Santa Fe
Jimmy D. Carlile, Conoco, Inc. - Midland, Texas ←

EXHIBIT

4

DUPLICATE

OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

January 25, 1954

C
O
P
Y

Shell Oil Company
Box 1957
Hobbs, New Mexico

Subject: Unorthodox location - Shell
State A-1 2310' from the NW
and 1650' from the SW Section
32, Township 1 South, Range
20 East - Myers-Queen Gas Pool.

Gentlemen:

Reference is made to your letter of January 13, 1954 pertaining to the unorthodox location for the above captioned well.

Pursuant to authority granted to me by the provisions of Order No. 1-378-A, rule 4, permission is hereby granted to produce this well in compliance with pool rules.

Very truly yours,
R. K. Bourrier
Secretary and Director

RRS: c

- cc: Shell File
- Unorthodox File
- Amerada Petroleum Corp., P. O. Drawer 11, Monument, N.M.
- C. H. Oil Corp., P. O. Box 2107, Hobbs, N.M.
- Shell Oil Company, P. O. Box 2107, Hobbs, N.M.
- Hobbs, N.M.

EXHIBIT 5

DUPLICATE

NEW MEXICO OIL CONSERVATION COMMISSION
BOX 2045
HOBBS, NEW MEXICO

DATE December 29, 1953

TO: Shell Oil Company
Box 1957, Hobbs, New Mexico

GENTLEMEN:

Form C-104 for your State A 1 32-13-38 Byers-Queen
LEASE WELL S.T.R. POOL

has been approved, however, since this well is:

- (X) An unorthodox location,
- (X) Located on an unorthodox proration unit,
- () Outside the boundaries of a designated pool,

it will be necessary for you to;

- (X) Comply with the provisions of Rule 4 of Commission Order R 376 A
- (X) Comply with the provisions of Rule 7 of Commission Order R 376 A
- () File Form C-123

Pending further Commission action this unit will be assigned an 80 acre allowable.

Stanley J. Stanley
A. L. Porter, Jr.
Proration Manager

ALP/pb

cc/ Transporter Shell Oil Co.

NEW MEXICO
OIL CONSERVATION COMMISSION

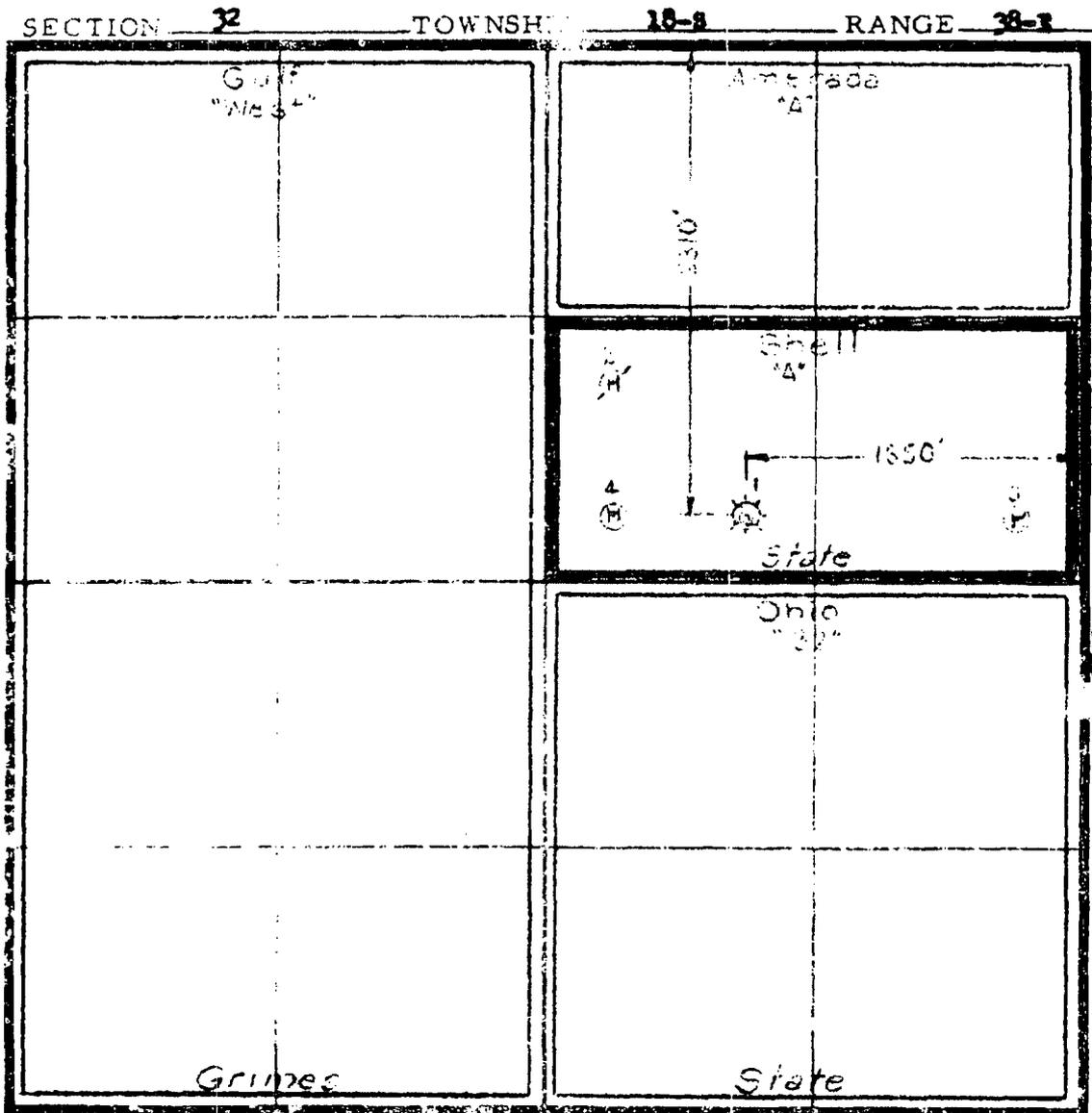
Gas Well Plat

Date November 24, 1953

Shell Oil Company State A Well No. 1
Operator Lease

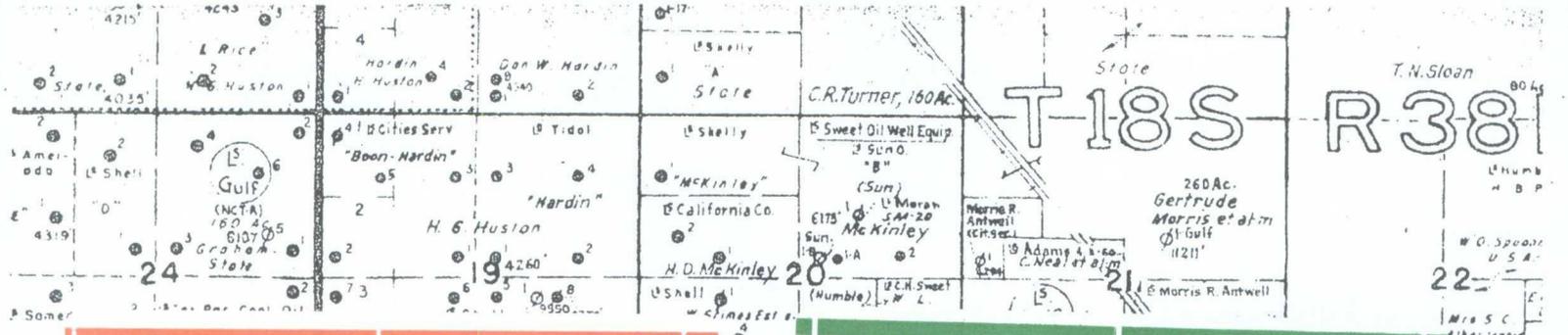
Name of Producing Formation Byers Pool Byers-Queen

Acres Dedicated to the Well 80



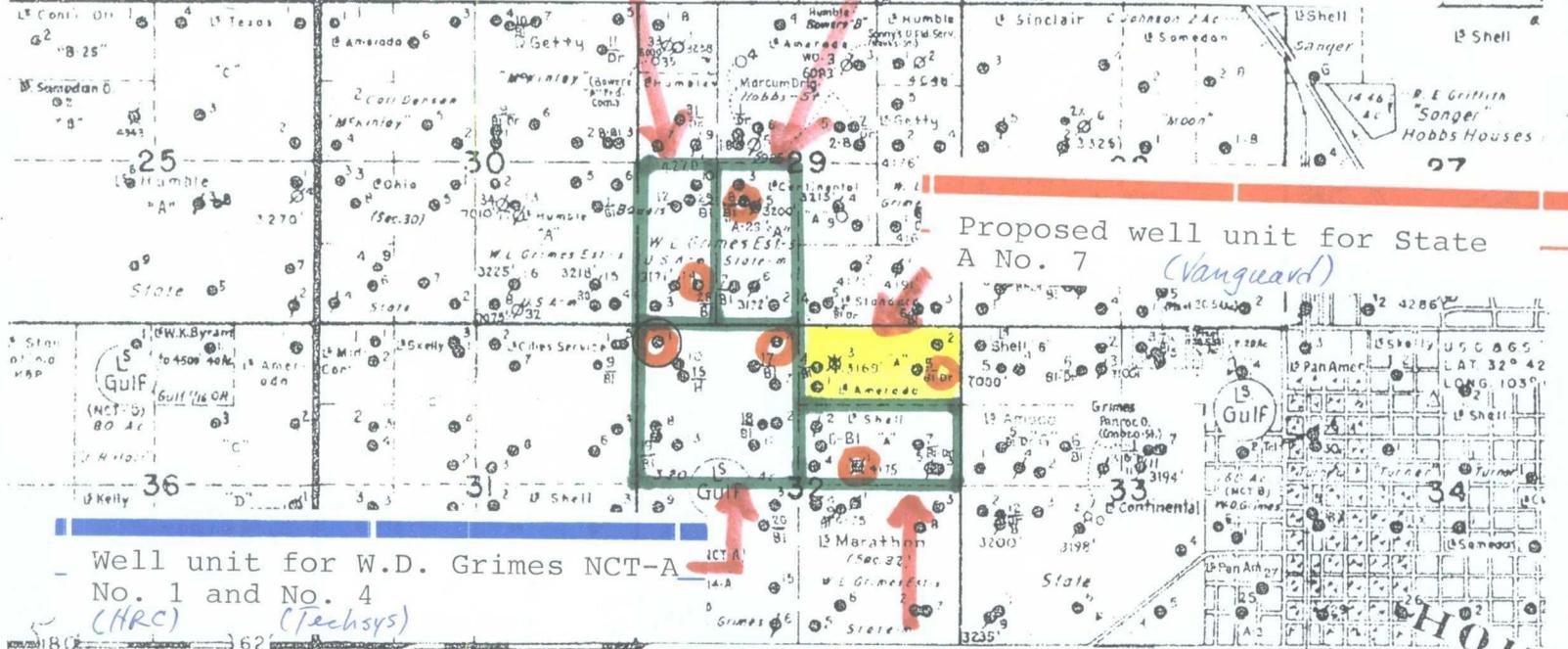
I hereby certify that the information given above is true and complete to the best of my knowledge.

Name J. D. Savage
 Position Division Exploitation Engineer
 Representing Shell Oil Company
 Address Box 1957, Hobbs, New Mexico



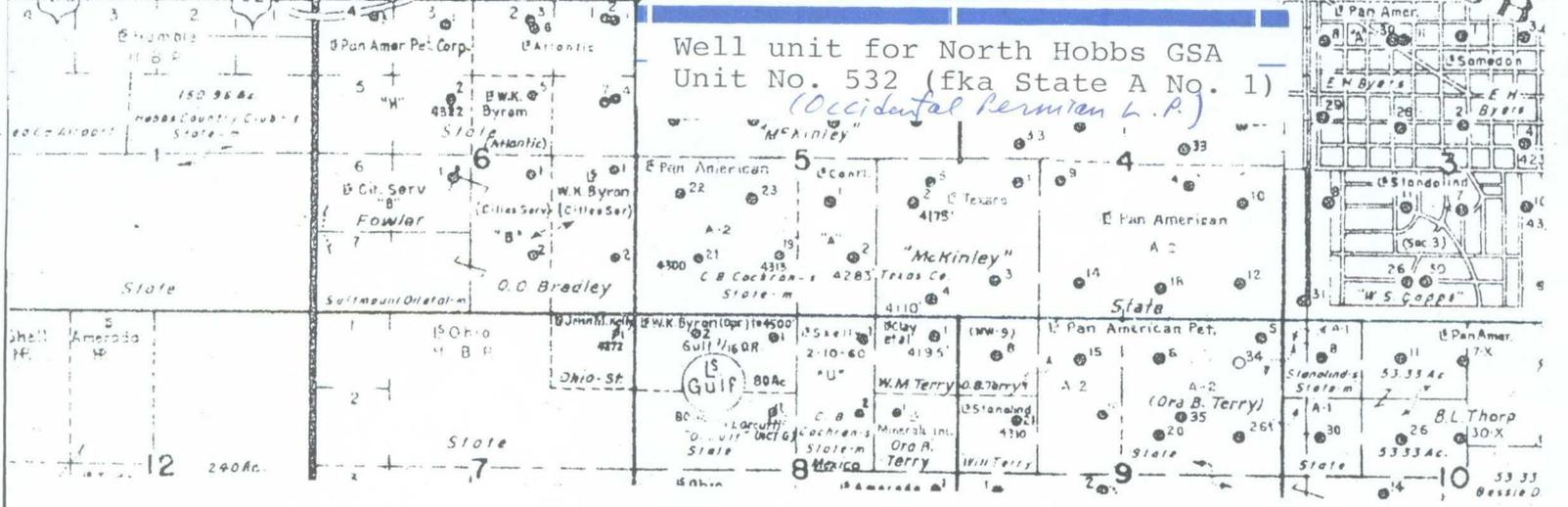
Well Unit for Bowers A Federal No. 28 (Textland)

Well Unit for State A-29 No. 8 (Textland)



Proposed well unit for State A No. 7 (Vanguard)

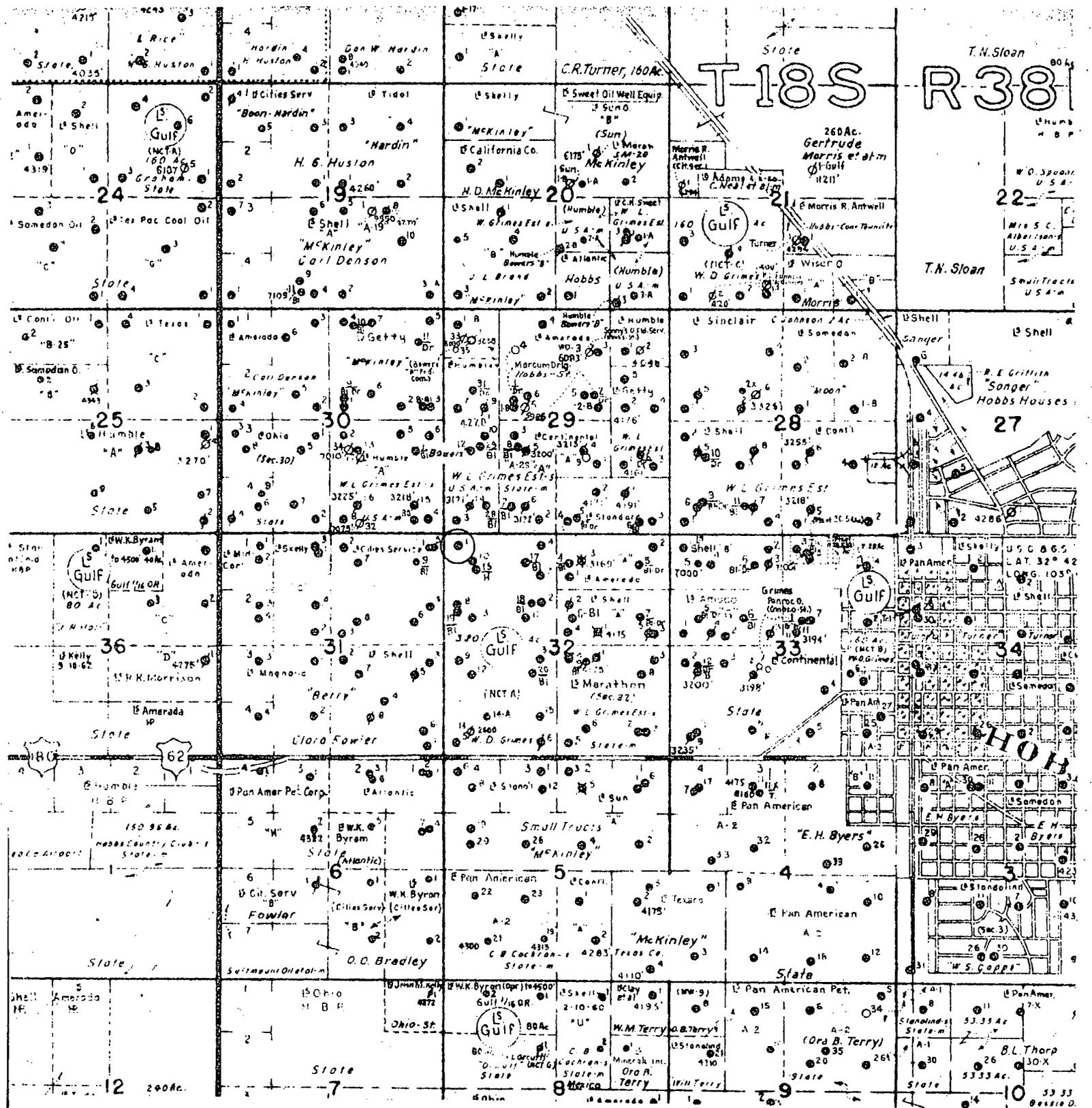
Well unit for W.D. Grimes NCT-A No. 1 and No. 4 (HRC) (Techsys)



Well unit for North Hobbs GSA Unit No. 532 (fka State A No. 1) (Occidental Permian L.P.)

W.D. Grimes Lease
Well No. 1, NCT-A
Lea County, New Mexico

Located 330' from North and West Lines
Section 32, T18S, R38E



W.D. Grimes Lease
 Well No. 1, NCT-A
 Lea County, New Mexico

Located 330' from North and West Lines
 Section 32, T18S, R38E