

New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Acting Division Director
Oil Conservation Division



April 7, 2011

Nadel and Gussman HEYCO, LLC
Attn: Tammy Link
P.O. Box 1936
Roswell, NM 88202

Email: tlink@heycoenergy.com

Rebuttal of presumption of inactivity as to the

Young Deep Unit #009 (30-025-28400)

Expires May 17, 2011

Re: Nadel and Gussman HEYCO, LLC (OGRID #258462)
Wells: Young Deep Unit #009, API #30-025-28400

Dear Operator:

Subsection (F)(2) of Oil Conservation Division (OCD) Rule 19.15.5.9 NMAC provides that the listing of a well on the OCD's inactive well list as a well inactive for more than one year plus 90 days creates a "rebuttable presumption" that the well is out of compliance with OCD Rule 19.15.25.8 NMAC (the inactive well rule).

An operator may rebut that presumption by providing evidence that the well is in compliance with OCD Rule 19.15.25.8 NMAC.

The Young Deep Unit #009 currently appears on the OCD's inactive well list as a well operated by Nadel and Gussman HEYCO, LLC (hereinafter, "Operator") that has been inactive for more than one year plus 90 days. Operator has provided me with documentation indicating that the Young Deep Unit #009 was returned to production in March 2011.



Operator has satisfactorily rebutted the presumption created by OCD Rule 19.15.5.9.F.2 that the Young Deep Unit #009 is in violation of OCD Rule 19.15.25.8 NMAC because the well has been "active" as defined by OCD rules within the past year plus 90 days.

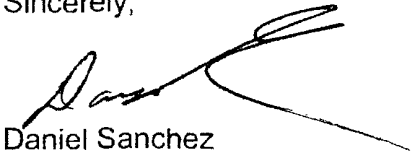
Although the Young Deep Unit #009 appears on Operator's inactive well list, the OCD should not consider the well as out of compliance with OCD Rule 19.15.5.9.A.4.d NMAC or include it in calculating Operator's compliance with OCD Rule 19.15.5.9 NMAC.

The presumption that the Young Deep Unit #009 is not inactive will remain until the date when Operator is required to file C-115 production reports for the wells. Division Rule 19.15.7.24 requires operators to file C-115 reports on or before the 15th day of the second month following the month of injection, or if such day falls on a weekend or holiday, the first workday following the 15th. Since Operator has indicated that the Young Deep Unit #009 was returned to production in March 2011, **the C-115 reports for the Young Deep Unit #009 must be filed by Monday May 16, 2011.** If Operator fails to file the C-115 report for the Young Deep Unit #009 by May 16, 2011, the presumption that the well is inactive will return.

As stated above, the OCD should not consider the Young Deep Unit #009 as out of compliance with OCD Rule 19.15.5.9.A.4.d NMAC or include it in calculating Operator's compliance with OCD Rule 19.15.5.9 NMAC. However, until Operator files C-115 reports for the well, the well will remain on the inactive well list.

Operator should attach a copy of this letter to any applications for a drilling permit (APD's), requests for allowable and authorization to transport, change of operator, or injection permits that Operator might file with the OCD so that the OCD knows that it should not count the Young Deep Unit #009 towards Operator's compliance with OCD Rule 19.15.5.9 NMAC.

Sincerely,



Daniel Sanchez
Division Compliance and Enforcement Manager

Ec: Jami Bailey, OCD Director
Larry Hill, OCD District I
Randy Dade, OCD District II
Charlie Perrin, OCD District III
Theresa Duran-Saenz, OCD Administrative Assistant
Sonny Swazo, OCD General Counsel