



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

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Mark Fesmire
Division Director
Oil Conservation Division



December 10, 2009

V-F Petroleum Inc.
P.O. Box 1889
Midland, TX 79702

DENIAL OF APPLICATION FOR PERMIT TO DRILL, DEEPEN, PLUG BACK or RE-ENTRY

Re: V-F Petroleum Inc. OGRID No. 24010

- Gross #2-F,15, T-10S, R-33E, 1980' FNL & 2130'FWL, Lea County, New Mexico

Dear Operator:

The Oil Conservation Division (OCD) **denies** your application(s) for permit(s) to drill, deepen, plug back or re-entry the well identified above because your company is out of compliance with 19.15.5.9(A) NMAC [Part 5.9(A)]. See 19.15.14.10(A) NMAC.

Your company is out of compliance with Part 5.9(A) on the following ground(s):

- _____ **Financial assurances.** Your company is in violation of the financial assurance requirements for well plugging set out in 19.15.8.9 NMAC. See 19.15.5.9(A)(1) NMAC. Specifically, your company [has not posted the required blanket financial assurance] [has not posted the single-well financial assurances required for state or fee wells which have been inactive for more than two years. The wells requiring single-well financial assurances are identified in the attached sheet.]
- _____ **Corrective action.** Order _____, issued on _____ after notice and hearing, found your company to be in violation of an order requiring corrective action. See 19.15.5.9(A)(2) NMAC.
- _____ **Unpaid penalties.** Your company has not paid the penalties assessed against your company in _____, issued on _____. More than 70 days have passed since the issuance of the order assessing the penalty. See 19.15.5.9(A)(3) NMAC.
- XX **Inactive wells.** According to the attached inactive well list, your company has too many wells in violation of the inactive well rule (19.15.25.8 NMAC) that are not subject to an inactive well agreed compliance order. See 19.15.5.9(A)(4) NMAC. As an operator of 70



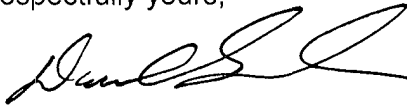
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wells, your company may have no more than 2 wells in violation of the inactive well rule. Your company has 3 wells in violation of the inactive well rule. In addition,

I have enclosed an information sheet explaining the requirements of Part 5.9. You may re-submit your request after your company has returned to compliance with Part 5.9.

Respectfully yours,



Daniel Sanchez, Compliance and Enforcement Manager

Ec: Mark Fesmire, Division Director, Santa Fe
Theresa Duran-Saenz, Legal Assistant, Santa Fe
Larry "Buddy" Hill, District 1 Supervisor
Randy Dade, District 2 Supervisor
Charlie Perrin, District 3 Supervisor
Ed Martin, District 4 Supervisor
Donna Mull, District 1 Compliance Officer

Inactive Well List

Total Well Count: 70 Inactive Well Count: 3 Since: 9/17/2008

Printed On: Friday, December 11 2009

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
2	30-015-30366	GUERRERO 34 STATE #001	M-34-18S-28E	M	24010	V-F PETROLEUM INC	S	O	03/2004	PENN	T	9/13/2007
2	30-015-27068	PANTHER FEDERAL #002	J-33-17S-31E	J	24010	V-F PETROLEUM INC	F	O	12/1994	SHUGART BONE SPRING, N	P	
2	30-015-22625	STATE 19 COM #002	N-19-19S-28E	N	24010	V-F PETROLEUM INC	S	G	04/1990		T	10/19/2009

WHERE Ogrid:24010, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period