

Mull, Donna, EMNRD

From: Phillips, Dorothy, EMNRD
Sent: Monday, November 21, 2011 7:37 AM
To: Mull, Donna, EMNRD
Subject: FW: Change of Operator - Vanguard Permian LLC OGRID 258350

Donna, you may approve the permit even though they are not okay on Rule 5.9. Sonny Swazo gave the okay below.
Thanks

From: Swazo, Sonny, EMNRD
Sent: Friday, November 18, 2011 4:45 PM
To: Phillips, Dorothy, EMNRD
Cc: Sanchez, Daniel J., EMNRD
Subject: RE: Change of Operator - Vanguard Permian LLC OGRID 258350

Yes, you may approve.

From: Phillips, Dorothy, EMNRD
Sent: Friday, November 18, 2011 3:46 PM
To: Swazo, Sonny, EMNRD
Subject: FW: Change of Operator - Vanguard Permian LLC OGRID 258350

They have just submitted the change of operator. May I approve based on your email below?

From Operator BLUE RIDGE RESOURCES, LLC OGRID 219244
To Operator VANGUARD PERMIAN, LLC OGRID 258350
Wells Selected for Transfer, Permit 134953
Permit Status: REVIEW

OCD District Hobbs

| Property Well | Lease Type | BLSTR | OCD Unit | API | Well Type | Pool ID Pool Name | Last Prod/Inj | Additional Bonding |
|-----------------------|------------|-------------|----------|--------------|-----------|-----------------------|---------------|--------------------|
| 300276 MEXICO F #001 | S | 3-2-15S-371 | C | 30-025-05246 | O | 16910 DENTON DEVONIAN | 07/11 | 0 |
| MEXICO F #002 | S | 6-2-15S-371 | G | 30-025-05247 | S | 96134 SWD UPPER PENN | 07/11 | 0 |
| MEXICO F #003 | S | 7-2-15S-371 | E | 30-025-05248 | O | 16910 DENTON DEVONIAN | 07/11 | 0 |
| MEXICO F #004 | S | 4-2-15S-371 | D | 30-025-05249 | S | 96101 SWD DEVONIAN | 07/11 | 0 |
| MEXICO F #005 | S | 2-2-15S-371 | B | 30-025-05250 | O | 16910 DENTON DEVONIAN | 07/11 | 0 |
| MEXICO F #010 | S | 1-2-15S-371 | A | 30-025-05255 | O | 16910 DENTON DEVONIAN | 07/11 | 0 |
| Total Additional bond | | | | | | | | 0 |

From: Swazo, Sonny, EMNRD
Sent: Tuesday, October 11, 2011 4:12 PM
To: hdonaldson@vnrllc.com
Cc: Sanchez, Daniel J., EMNRD; Phillips, Dorothy, EMNRD; Gonzales, Elidio L, EMNRD
Subject: Change of Operator - Vanguard Permian LLC OGRID 258350

Hi Heather:

You recently contacted me about a change of operator for your company, Vanguard Permian LLC. According to you, Vanguard is trying to acquire several wells from Blue Ridge Resources LLC. Your concern was about Vanguard's inactive wells and OCD approving the change of operator.

According to OCD online, Vanguard and Blue Ridge have a change of operator application in draft status (draft status means that Vanguard and Blue Ridge have not submitted the change of operator application to OCD for approval). The

application is permit identification number 134953. The wells identified for the change of operator are the Mexico F #001 (30-025-05246); Mexico F #002 (30-025-05247); Mexico F #003 (30-025-05248); Mexico F #004 (30-025-05249); Mexico F #005 (30-025-05250); and Mexico F #010 (30-025-05255).

Rule 19.15.9.9C(1) provides that the OCD may deny a change of operator if the new operator is out of compliance with Part 5.9. Vanguard is currently out of compliance with 19.15.5.9 NMAC (Part 5.9) due to inactive wells. As the operator of 50 wells, Vanguard may have no more than 2 wells on the inactive well list. See Part 5.9A(4)(a) NMAC). Vanguard has 4 wells on the inactive well list.

Although Vanguard is out of compliance with Part 5.9 due to inactive wells, the OCD has decided to exercise its discretion and approve the above change of operator. Please be advised that this approval may be withdrawn if Vanguard's compliance with Part 5.9 changes before the change of operator is submitted.

Please be advised that Vanguard has some compliance issues that it needs to correct. Please contact the OCD's Hobbs office to correct those problems. Although this is not a complete list of the compliance issues, some of the major compliance issues include release cleanup at the HT Montieth A #1 (30-025-05336) and HT Montieth #2 (30-025-29656); obtaining NSL approval for the Skelly Q State #4 (30-025-03784) (and also correcting information on remedial work that was performed on the well); and obtaining DHC for the State SEC 1LA #22 (30-025-38962). Again, please contact the OCD Hobbs office to resolve these issues.

Vanguard also needs to provide the OCD with a correct mailing address. The OCD's Hobbs office mailed items to Vanguard's address of record but the post office returned those items due to an invalid address.

Thanks in advance for your cooperation.

Sonny