

State of New Mexico
Energy, Minerals and Natural Resources Department

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July 27, 2012

Sheridan Production Company LLC
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Houston, TX 77046

Email: sshoemaker@sheridanproduction.com

Rebuttal of Presumption of Inactivity
as to the North Vacuum ABO North Unit #1 (30-025-24487)
Expiring on September 18, 2012

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 well identified above currently appears on the OCD's inactive well list as a well operated by Sheridan Production Company LLC (OGRID #252496) (Sheridan) that has been inactive for more than one year plus 90 days.

Sheridan has provided the OCD with documentation indicating that the well was returned to injection on July 13, 2012.

Sheridan has satisfactorily rebutted the presumption created by OCD Rule 19.15.5.9.F.2 NMAC that the well identified above 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 well identified above appears on Sheridan'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 Sheridan's compliance with OCD Rule 19.15.5.9 NMAC.

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The presumption that the well is not inactive will remain until the date when Sheridan is required to file C-115 injection reports for the well. 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.

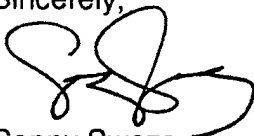
As operator of record of the well, Sheridan is responsible for filing the July 2012 C-115 injection reports for the well on or before September 17, 2012. If Sheridan fails to file C-115 reports for the well on or before September 17, 2012, the presumption that the well is inactive will return.

On September 18, 2012, if the above identified well appears on the inactive well list the presumption that the well is inactive will return.

As stated above, the OCD should not consider the well identified above as out of compliance with OCD Rule 19.15.5.9.A.4.d NMAC or include it in calculating Sheridan's compliance with OCD Rule 19.15.5.9 NMAC, until September 18, 2012. However, until Sheridan files C-115 reports for the well, the well will remain on the inactive well list.

Sheridan should attach a copy of this letter to any applications for a drilling permit, requests for allowable and authorization to transport, change of operator, or injection permits that Sheridan might file with the OCD so that the OCD knows that it should not count the well identified above towards Sheridan's compliance with OCD Rule 19.15.5.9 NMAC.

Sincerely,



Sonny Swazo

OCD Assistant General Counsel

ec: Daniel Sanchez, OCD Compliance and Enforcement Manager
E.L. Gonzales, District I
Randy Dade, District II
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