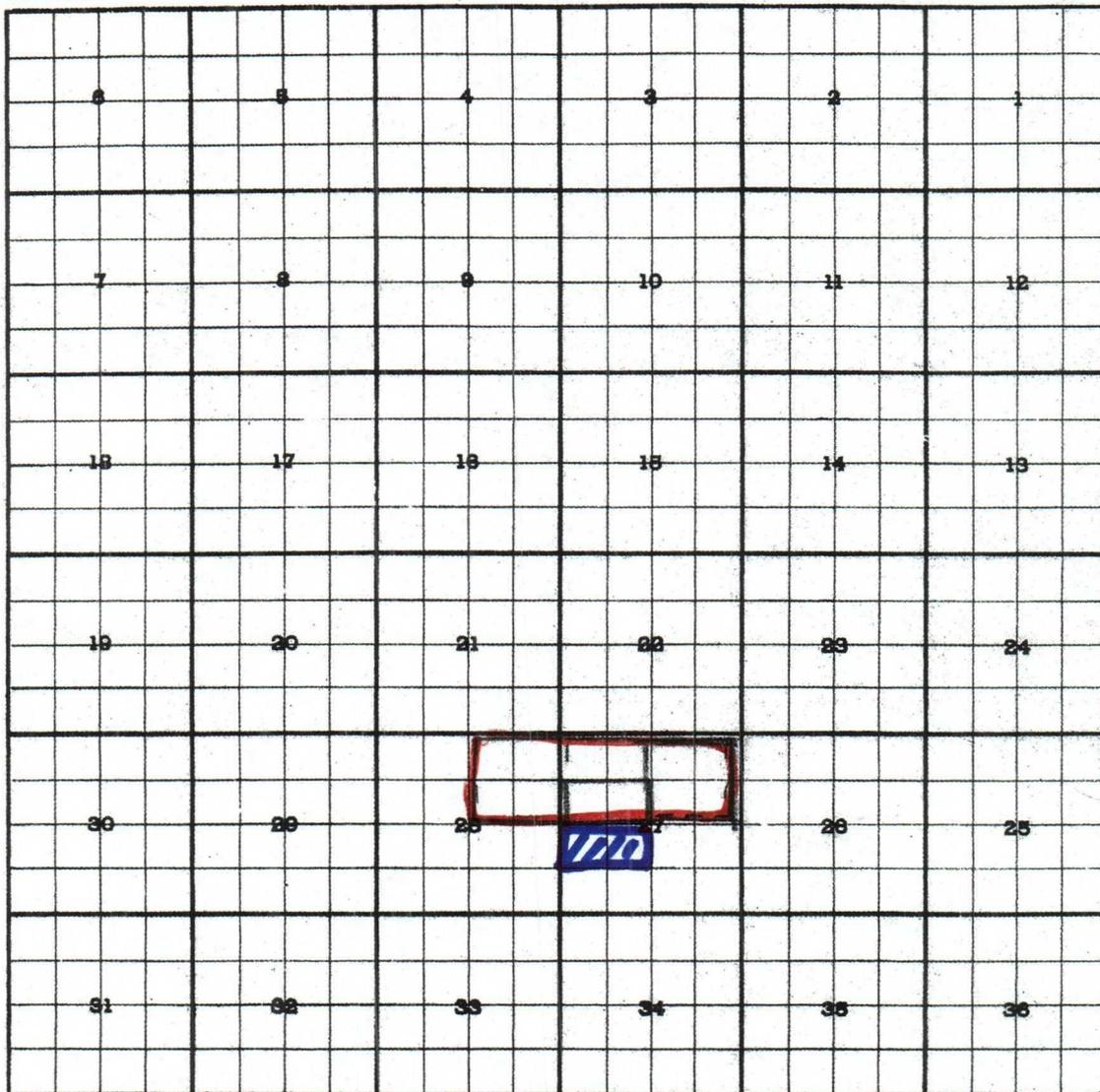


County ROOSEVELT

Pool NORTH BLUITT SILURO-DEVONIAN

TOWNSHIP 7 South, RANGE 37 East, NEW MEXICO PRINCIPAL MERIDIAN



DESC: $\frac{1}{2}$ NW $\frac{1}{4}$ SEC. 27 (R-8586, 1/19/88) EXT: $\frac{1}{2}$ NW $\frac{1}{4}$ SEC. 27, NE $\frac{1}{4}$ SEC. 28 (R-8626, 1/1/88)

EXT: NE $\frac{1}{4}$ SEC. 27 (R-11116, 1-7-89)

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10769
Order No. R-9935

APPLICATION OF H. L. BROWN FOR
AN UNORTHODOX OIL WELL LOCATION,
ROOSEVELT COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 15, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 9th day of August, 1993, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, H. L. Brown, seeks authority to drill its Federal "27" Well No. 2 at an unorthodox oil well location 2590 feet from the South line and 330 feet from the West line (Unit L) of Section 27, Township 7 South, Range 37 East, NMPM, Roosevelt County, New Mexico, to test the North Bluitt Siluro-Devonian Pool.
- (3) The applicant proposes to dedicate the N/2 SW/4 to the subject well forming a standard 80-acre oil spacing and proration unit for said pool.
- (4) The subject well is located within one mile of the outer boundary of the North Bluitt Siluro-Devonian Pool and is therefore subject to the Special Rules and Regulations for said pool as promulgated by Division Order No. R-8586 which require 80-acre oil spacing and proration units with wells to be located within 150 feet of the center of a governmental quarter-quarter section or lot.

(5) In support of its application, the applicant presented geologic evidence and testimony based upon well control and geophysical data.

(6) Applicant's geologic evidence indicates that the subject reservoir is bounded on the north and south by faults. The fault located in the southern portion of the reservoir traverses the NW/4 SW/4 of Section 27 just north of a standard well location within said quarter-quarter section.

(7) The geologic evidence further indicates that a well at the proposed unorthodox location should penetrate the subject reservoir at a location safely north of the fault and at a structurally higher position above the oil-water contact in the reservoir than would be encountered by drilling at a standard well location thereon.

(8) Applicant testified that a well at the proposed location should ultimately recover approximately 150-160 MBO, and due to its up-structure location, should recover a significant amount of oil which will not otherwise be recovered by existing wells in the reservoir.

(9) The affected offset acreage to the north, being the S/2 NW/4 of Section 27, is operated by the applicant and the interest ownership between said acreage and the proposed proration unit is identical.

(10) The affected offset acreage to the west, being the SE/4 NE/4 and the E/2 SE/4 of Section 28, is operated by the applicant. The only difference in ownership between said acreage and the proposed proration unit is the overriding royalty interest.

(11) No offset operator and/or interest owner appeared at the hearing in opposition to the application.

(12) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

(13) Due to the well's close proximity to the outer boundary of the proposed proration unit, the applicant should be required to conduct an accurate wellbore survey from the surface to total depth to determine its actual position and course.

(14) Subsequent to conducting said wellbore survey, should it be determined that the well's producing interval is located in a proration unit other than the proposed proration unit, the operator should be required to meet any subsequent applicable Division requirements prior to producing the well.

(15) The applicant should submit copies of the directional survey to both the Santa Fe and Hobbs offices of the Division.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, H. L. Brown, is hereby authorized to drill its Federal "27" Well No. 2 at an unorthodox oil well location 2590 feet from the South line and 330 feet from the West line (Unit L) of Section 27, Township 7 South, Range 37 East, NMPM, North Bluit Siluro-Devonian Pool, Roosevelt County, New Mexico.

(2) The N/2 SW/4 of Section 27 shall be dedicated to the above-described well forming a standard 80-acre oil spacing and proration unit for said pool.

(3) Subsequent to completion of drilling operations, the applicant shall conduct an accurate wellbore survey from the surface to total depth to determine its actual position and course.

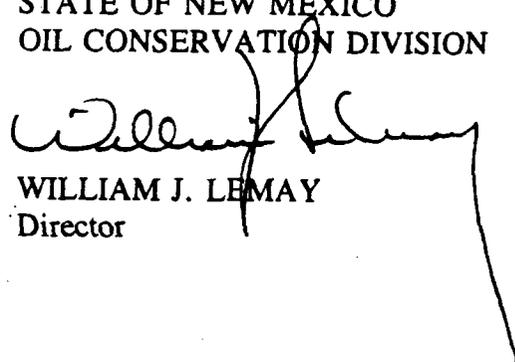
(4) Subsequent to conducting said wellbore survey, should it be determined that the well's producing interval is located in a proration unit other than the proposed proration unit, the operator shall be required to meet any subsequent applicable Division requirements prior to producing the well.

(5) The applicant shall submit copies of the directional survey to both the Santa Fe and Hobbs offices of the Division.

(6) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10900
ORDER NO. R-9935-A

APPLICATION OF H.L. BROWN JR. TO AMEND DIVISION ORDER NO. R-9935
TO APPROVE AN UNORTHODOX GAS WELL LOCATION, ROOSEVELT
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15a.m. on February 3, 1994, at Santa Fe, New Mexico, before Examiner Jim Morrow.

Now, on this 15th day of February, 1994, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, H.L. Brown Jr., seeks to amend Division Order No. R-9935, which authorized the applicant to drill his Federal No. 27-2 Well at an unorthodox oil well location in the Devonian formation, to now authorize applicant to produce said well from the Bluit-Wolfcamp Gas Pool, the top of said Wolfcamp formation in this well being an unorthodox gas well location of 2618 feet from the North line and 396 feet from the West line (Unit E), Section 27, Township 7 South, Range 37 East, NMPM, Roosevelt County, New Mexico. The W/2 of said Section 27 is to be dedicated to the well forming a standard 320-acre gas spacing and proration unit.
- (3) The applicant drilled his Federal No. 27-2 Well and tested the Devonian, but was unable to establish economic production in that formation.

(4) Said well was completed in the Bluit-Wolfcamp Gas Pool on January 5, 1994. Applicant's witness testified that the calculated open flow potential was 1,556 MCF gas per day with 22 bbls. of condensate. On a recent test the well produced 320 MCF gas with 2 bbls. of condensate.

(5) Applicant's Exhibit No. 3, which is based on directional survey information, shows that the down hole location of the well at the top of the Wolfcamp Formation is 2618 feet from the North line and 396 feet from the West line of said Section 27.

(6) A structure map and a cross-section submitted by the applicant show that the subject well is located in the North Pod of the Bluit-Wolfcamp Pool structure.

(7) Spacing Rules for the Bluit-Wolfcamp Gas Pool provide for 320-acre gas spacing and proration units and that wells shall be located not closer than 660 feet from the nearest side boundary nor closer than 1980 feet from the nearest end boundary nor closer than 330 feet to any quarter-quarter section boundary.

(8) Documents submitted by the applicant at the hearing show that offset operators were properly notified. No offset operator or interest owner appeared at the hearing in opposition to the application.

(9) Approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the hydrocarbons in the affected pool and will prevent waste and protect correlative rights.

-- **IT IS THEREFORE ORDERED THAT:**

(1) The applicant, H.L. Brown Jr., is hereby authorized to produce his Federal No. 27-2 Well from the Bluit-Wolfcamp Gas Pool, the top of said Wolfcamp formation in this well being an unorthodox gas well location of 2618 feet from the North line and 396 feet from the West line (Unit E), Section 27, Township 7 South, Range 37 East, NMPM, Roosevelt County New Mexico.

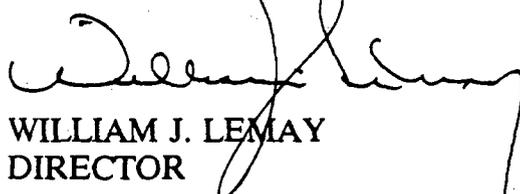
(2) The W/2 of said Section 27 is to be dedicated to the well forming a standard 320-acre gas spacing and proration unit.

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 10900
Order No. R-9935-A
Page 3

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
DIRECTOR

SEAL

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION
FOR THE PURPOSE OF CONSIDERING:

CASE NO. 9270
ORDER NO. R-8586

NOMENCLATURE

APPLICATION OF H.L. BROWN, JR.
FOR POOL CREATION, SPECIAL POOL
RULES AND AN UNORTHODOX OIL WELL
LOCATION, ROOSEVELT COUNTY,
NEW MEXICO

See Also R-8586-A

ORDER OF THE DIVISION

BY THE DIVISION

This cause came on for hearing at 8:15 a.m. on December 2, 1987, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 19th day of January, 1988, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, H.L. Brown, Jr., is the owner and operator of the Federal "27" Com Well No. 1 located 1650 feet from the North line and 660 feet from the West line (Unit E) of Section 27, Township 7 South, Range 37 East, NMPM, Roosevelt County, New Mexico.

(3) The applicant seeks the creation of a new oil pool for Siluro-Devonian production comprising the NW/4 of Section 27 and the NE/4 of Section 28, Township 7 South, Range 37 East, NMPM, Roosevelt County, New Mexico, and the promulgation of temporary special pool rules and regulations therefor including a provision for 80-acre spacing and proration units and designated well location requirements.

(4) The evidence presently available indicates that the aforementioned well has discovered a separate common source of supply in the Siluro-Devonian formation from 8,845 feet to 8,892 feet.

(5) The evidence presently available indicates that the Siluro-Devonian formation encountered in the above-described well is of high permeability, and that the drainage area of the well will be in excess of 40 acres.

(6) In order to prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells and to otherwise protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units should be promulgated for the proposed pool.

(7) The temporary special rules and regulations should also provide for restrictive well locations in order to assure orderly development of the pool and protect correlative rights.

(8) At the request of the applicant temporary special rules and regulations for the proposed pool should be established for a one-year period in order to allow the operators in the subject pool to gather sufficient reservoir information to show that an 80-acre unit in the area can be efficiently and economically drained and developed by one well.

(9) A new pool classified as an oil pool for Siluro-Devonian production should be created and designated the North Bluit Siluro-Devonian Pool, with vertical limits to include the Siluro-Devonian formation.

(10) There is insufficient geological data at this time that properly shows the horizontal extent of the productive interval of the Siluro-Devonian formation in this area.

(11) The horizontal extent of the proposed pool boundaries should therefore be limited to the 80-acre spacing and proration unit to be dedicated to said Federal "27" Com Well No. 1.

(12) Said well was originally drilled at a standard location for a statewide 40-acre oil spacing and proration unit; however, under the proposed Special Rules for the pool this location is unorthodox and an exception should therefore be approved.

(13) At the time of the hearing the applicant requested that the S/2 NW/4 of said Section 27 be dedicated to said well.

(14) This case should be reopened at an examiner hearing in January, 1989, at which time the operators in the subject pool should be prepared to appear and show cause why the temporary pool rules for the North Bluit Siluro-Devonian Pool should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) A new pool in Roosevelt County, New Mexico, classified as an oil pool for Siluro-Devonian production, is hereby created and designated the North Bluit Siluro-Devonian Pool, with vertical limits comprising the Siluro-Devonian formation, and the horizontal limits comprising the following described area:

TOWNSHIP 7 SOUTH, RANGE 37 EAST, NMPM
Section 27: S/2 NW/4

(2) Temporary Special Rules for said pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
NORTH BLUITT SILURO-DEVONIAN POOL

RULE 1. Each well completed or recompleted in the North Bluit Siluro-Devonian Pool or in the Siluro-Devonian formation within one mile thereof, and not nearer to or within the limits of another designated Siluro-Devonian oil pool, shall be spaced, drilled, operated and produced in accordance with the Special Rules hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2 or W/2 of a governmental quarter section being a legal subdivision of the United States Public Lands Survey, provided however, nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 3. The Director of the Oil Conservation Division, hereinafter referred to as the "Division", may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit comprising one or more governmental quarter-quarter sections or lots, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.

RULE 4. Each well shall be located within 150 feet of the center of a governmental quarter-quarter section or lot.

RULE 5. The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been filed

for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. The allowable for a standard proration unit (79 through 81 acres) shall be based on a depth bracket allowable of 310 barrels per day, and in the event there is more than one well on an 80-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

IT IS FURTHER ORDERED THAT:

(3) The H.L. Brown, Jr. Federal "27" Com Well No. 1 located at an unorthodox oil well location for the subject pool, 1650 feet from the North line and 660 feet from the West Line (Unit E) of Section 27, Township 7 South, Range 37 East, NMPM, Roosevelt County, New Mexico, the S/2 NW/4 of said Section 27 to be dedicated to said well, is hereby approved

(4) The locations of all wells presently drilling to or completed in the North Bluitt Siluro-Devonian Pool or in the Siluro-Devonian formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well within 30 days from the date of this order.

(5) Pursuant to Paragraph A. of Section 70-2-18, N.M.S.A. 1978 Comp., contained in Laws of 1969, Chapter 271, existing oil wells in the North Bluitt Siluro-Devonian Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable until a non-standard spacing unit has been approved and, subject to said 60-day limitation, each well presently drilling to or completed in the North Bluitt Siluro-Devonian Pool or in its corresponding vertical limits as described in Ordering Paragraph No. (1) above, within one mile thereof, shall receive no more than one-half of a standard allowable for said pool.

(6) This case shall be reopened at an examiner hearing in January, 1989 at which time the operators in the subject pool may appear and show

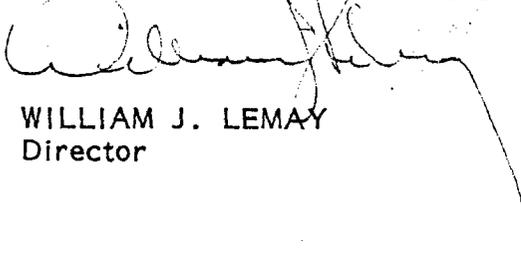
Page 5
Case No. 9270
Order No. R-8586

cause why the temporary rules for the North Bluitt Siluro-Devonian Pool promulgated hereby should not be rescinded.

(7) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF CASE NO. 9270
BEING REOPENED PURSUANT TO THE
PROVISIONS OF DIVISION ORDER
NO. R-8586

See Also R-8586

CASE NO. 9270
ORDER NO. R-8586-A

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on January 18, 1989, at Santa Fe, New Mexico, before Examiner Victor T. Lyon.

NOW, on this 8th day of February, 1989, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) Representatives of H.L. Brown, Jr., the only producer in the pool, appeared and presented evidence in support of continuing the temporary pool rules promulgated by Order No. R-8586 for the North Bluit Siluro-Devonian Pool in Roosevelt County, New Mexico.

(3) The testimony showed three wells have been completed in the pool and that the API gravity is high and relatively volatile.

(4) Bottom hole pressures measured in two of the wells show pressure communication at a distance of 990 feet such that drainage of at least 80 acres is strongly indicated.

(5) The temporary pool rules promulgated by Order No. R-8586 will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells, and otherwise protect correlative rights, and therefore should be made permanent.

IT IS THEREFORE ORDERED THAT:

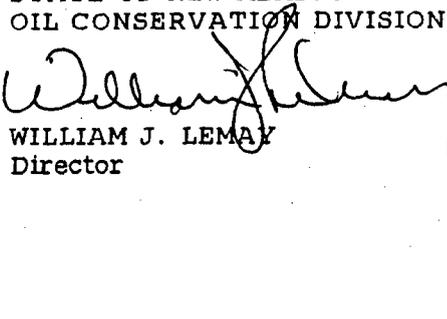
(1) The temporary pool rules promulgated by Order No. R-8586 for the North Bluit Siluro-Devonian Pool, Roosevelt County, New Mexico, are hereby made permanent.

Case No. 9270
Order No. R-8586-A
Page No. 2

(2) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

July 29, 2005

H. L. Brown Operating, L.L.C.
c/o **Holland & Hart, LLP**
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: William F. Carr

Administrative Order NSL-5248

Dear Mr. Carr:

Reference is made to the following: (i) your application that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on July 20, 2005 (**administrative application reference No. pSEM0-520328678**) on behalf of the operator, H. L. Brown Operating, L.L.C. ("HLB"); and (ii) the Division's records in Santa Fe, including the files in Division Cases No. 9270, 9281, 10769, and 10900 and Division Administrative Order NSL-5245: all concerning HLB's request for an exception to the well location requirements (**Rule 4**) provided within the "*Special Rules and Regulations for the North Bluit Siluro-Devonian Pool,*" as promulgated by Division Order No. R-8586, as amended, for its proposed Federal "28" Well No. 3 to be drilled 2310 feet from the South line and 660 feet from the East line (Unit I) of Section 28, Township 7 South, Range 37 East, NMPM, Undesignated North Bluit Siluro-Devonian Pool (6910), Roosevelt County, New Mexico.

The N/2 SE/4 (Units I and J) of Section 28 is to be dedicated to this well in order to form a standard 80-acre lay-down oil spacing and proration unit for this pool (as provided for by **Rule 2** of the special pool rules).

This application has been duly filed under the provisions of: (i) **Rule 5** of the special pool rules governing the North Bluit Siluro-Devonian Pool; and (ii) Division Rules 104.F and 1207.A (2).

It is the Division's understanding that HLB is seeking this location exception based on seismic, whereby it contends that a well drilled at this location, will be at a more favorable geologic position within the Devonian formation underlying the proposed 80-acre unit. Furthermore, topographic conditions further restricts placement of a drilling pad in Unit "I" of Section 28.

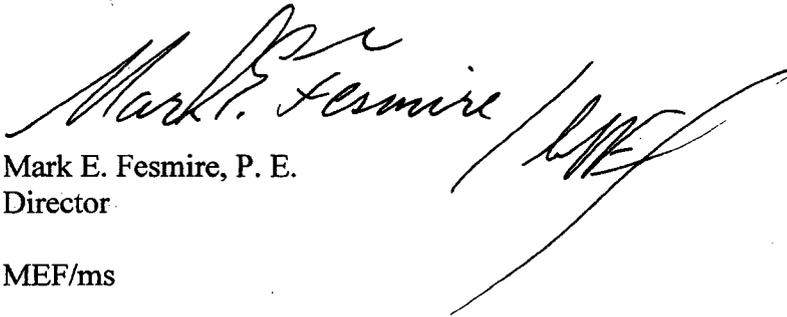
July 29, 2005

Page 2

By the authority granted me under the provisions of the applicable rules governing the North Bluit Siluro-Devonian Pool and Division Rule 104.F (2), the above-described unorthodox oil well location is hereby approved.

Further, the aforementioned well and spacing unit will be subject to all existing rules, regulations, policies, and procedures applicable to this pool.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs
U. S. Bureau of Land Management – Roswell
File: Division Case No. 9270
Division Case No. 9281
Division Case No. 10769
Division Case No. 10900
Division Administrative Order NSL-5245