

DATE IN 2/9/06	SUSPENSE	ENGINEER MIKE	LOGGED IN 2/10/06	TYPE NSL	APP NO. pTDS06-04148898
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
- [D] Other: Specify _____

2006 FEB 9 PM 3:40

- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Ocean Munds-Dry Ocean Munds-Dry Attorney 2-9-06
 Print or Type Name Signature Title Date
 omundsdry@hollandhart.com
 e-mail Address

February 9, 2006

HAND-DELIVERED

Mark E. Fesmire, P. E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of H. L. Brown Operating, L.L.C. for an amended administrative order of an unorthodox gas well location for its Federal "28" Well No. 3, to be drilled at an unorthodox oil well location 2540 feet from the South line and 660 feet from the East line of Section 28, Township 7 South, Range 37 East, N.M.P.M., Roosevelt County, New Mexico.

Dear Mr. Fesmire:

H. L. Brown Operating, L.L.C. ("H.L. Brown") hereby seeks an amended administrative order pursuant to the provisions of Division Rule 104 F (2)-(4) adopted on August 12, 1999, of an unorthodox well location for its Federal "28" Well No. 3 to drilled at a surface location 2540 feet from the South line and 660 feet from the East line of Section 28, Township 7 South, Range 37 East, N.M.P.M., Roosevelt County, New Mexico. This well will be drilled to a depth of approximately 9,000 feet to test the Devonian formation, North Bluit Siluro-Devonian Pool. Pursuant to the Special Rules and Regulations for this pool, adopted by Division Order No. R-8586, a standard 80-acre spacing and proration unit comprised of the E/2 SE/4 of Section 28 will be dedicated to the well.

Administrative Order NSL-5248 granted an unorthodox well location for this well on July 29, 2005 at a location 2310 feet from the South line and 660 feet from the East line to be dedicated to a N/2 SE/4 spacing unit of said Section 28. A copy of this order is attached as **Exhibit A**. H.L. Brown now requests that the Division amend its order to allow it to drill the Federal "28" Well No. 3 2540 feet from the South line and 660 feet from the East line of Section 28 and to allow it to dedicate a E/2 SE/4 spacing unit. The change in the spacing unit comes at the request of the Bureau of Land Management.

This well location in the Devonian formation is unorthodox because it is governed by the Special Rules and Regulations for the North Bluit Siluro-Devonian Pool which



allow it to drill the Federal "28" Well No. 3 2540 feet from the South line and 660 feet from the East line of Section 28 and to allow it to dedicate a E/2 SE/4 spacing unit. The change in the spacing unit comes at the request of the Bureau of Land Management.

This well location in the Devonian formation is unorthodox because it is governed by the Special Rules and Regulations for the North Bluit Siluro-Devonian Pool which provide for wells on 80-acre spacing unit to be located within 150 feet of the center of a governmental quarter-quarter section or lot. (Rule 4). The proposed unorthodox well location is 100 feet from the northern boundary of the dedicated E/2 SE/4 spacing unit.

This unorthodox location is required by geologic conditions in the Devonian formation. Attached hereto as **Exhibit B** is a Top of Lower Devonian Structure map that shows the proposed unorthodox location and immediate offsetting wells. This exhibit demonstrates that H. L. Brown's location for the Federal "28" Well No. 3 is in a position to effectively recover hydrocarbons from this E/2 SE/4 spacing unit.

The acreage dedication plat for the well (Division Form C-102) is attached hereto as **Exhibit C**.

Attached hereto as **Exhibit D** is a topographical map showing the proposed location.

Exhibit E is a plat that shows the subject area, the 80-acre spacing unit comprised of the E/2 SE/4 of Section 28, the proposed unorthodox location and the adjoining spacing units and wells. Since the offsetting tracts are operated by H. L. Brown and the working interest and royalty interest are identical in the dedicated spacing unit and in all offsetting tracts, there are no affected parties to whom notice of this application must be provided pursuant to Division Rule 1207(A).

Enclosed is a proposed administrative order of the Division.

Your attention to this application is appreciated.

Very truly yours,

A handwritten signature in cursive script that reads "Ocean Munds-Dry".

Ocean Munds-Dry

ATTORNEY FOR H. L. BROWN OPERATING L.L.C.

Enclosures

cc: Peter Courtney
H. L. Brown Operating, L.L.C.



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.

EXHIBIT A

H. L. Brown Operating, L.L.C.

July 29, 2005

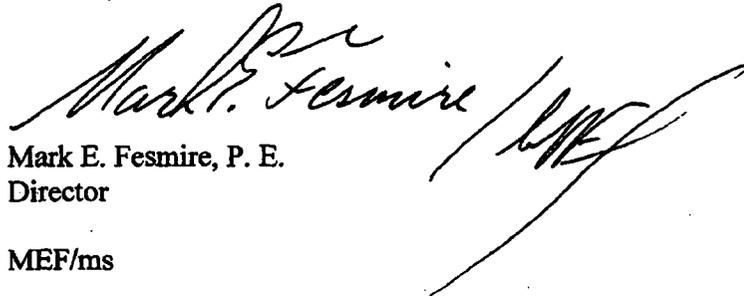
Page 2

Division Administrative Order NSL-5248

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

DISTRICT I
1925 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name FEDERAL "28" COM	Well Number 3
OGRID No.	Operator Name H.L. BROWN OPERATING L.L.C.	Elevation 4067'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	28	7 S	37 E		2540	SOUTH	660	EAST	ROOSEVELT

Bottom Hole Location If Different From Surface

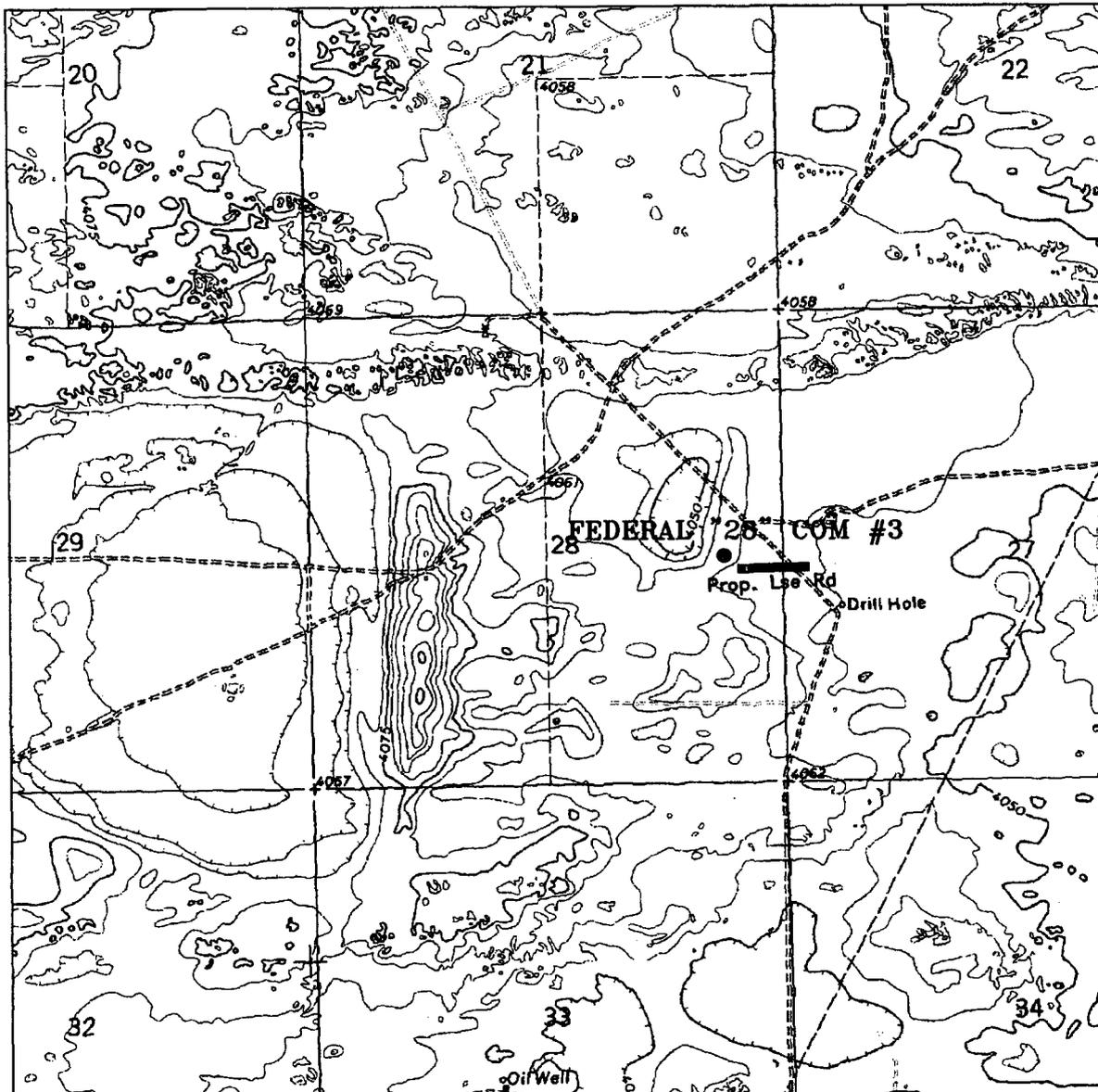
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>Lat.: N33°40'44.6" Long.: W103°09'06.2"</p> <p>4052.5' 4059.0'</p> <p>4062.0' 4059.3'</p> <p>660'</p> <p>2540'</p> <p>2360' FSL + 660' FEL as approved by NSL 5248</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature _____</p> <p>Printed Name _____</p> <p>Title _____</p> <p>Date _____</p>
	<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p>JANUARY 18, 2006</p> <p>Date Surveyed _____</p> <p>Signature <i>Gary L. Jones</i> Professional Surveyor</p>
	<p>Certificate No. <i>6153</i> 7977</p> <p>Gary L. Jones 7977</p>
	<p>Professional Surveyor NEW MEXICO 7977 BASIN SURVEYS</p>

EXHIBIT C



FEDERAL "28" COM #3

Located at 2540' FSL and 660' FEL
 Section 28, Township 7 South, Range 37 East,
 N.M.P.M., Roosevelt County, New Mexico.

EXHIBIT D



P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (505) 393-7316 - Office
 (505) 392-3074 - Fax
 basinsurveys.com

W.O. Number: 6153AA - KJG #1

Survey Date: 01-18-2006

Scale: 1" = 2000'

Date: 01-19-2006

**H.L. BROWN
 OPERATING L.L.C.**

Mack Kizer, etal (1) J.D. Weaver (1) all sec.

Carl & Douglas
Salmon
4-1-90
01539

Roy Barton, etal
W.A. Yeager Group

R.G. Barton, Jr
C.R. Smith

F.J. Schlicher,
etal.
Lowe Partners
4-1-90
83626
41300

L.E. Opperman
9-1-93
77122
5400

Mack
Kizer,
etal(S)

J.D.
Weaver(S)

L.E. Opperman
9-1-93
77122
5400

F.J.
Schlicher, etal.
1-6-91

H.L. Brown, Jr.
8-1-95
62249

Griffith E,
Stone Roy. 9/22/01
Chisos, Ltd.
Wanda McCormick

Betty
Hawkins, etal

U.S.
J.D.
Weaver(S)

U.S.
Mack
Kizer, etal(S)

Sool Ltd. etal
7-1-80
33205

H.L. Brown
Jr. 8-1-95
1-A
62249

(H.L. Brown, Jr.)
Fed.
Sil Dev. Disc.
F202
"Fed."

H.L. Brown Op
Sool Ltd.
12852

H.L. Brown
Op.
Sool Ltd.
S4450

H.L.
Brown Op.
(Sool Ltd.)

28

27

Proposed
Federal 28 Com. #3 Unit
CQuiro
Cities Fed
T09244
DIA 3-30-75

Proposed
Fed. 28
H.L. Brown Jr
CSO Fed
T08242
DIA 11-27-75

H.L. Brown
Bluff Fed
(Felmont)
(Bluff Unit)
T09265
(DIA 11-27-77)
Pg 7 22 70

(Molly Ener.)
Molly Fed.
T09202
R18436
C 5 90
SA Disc

U.S.
P.M. Kizer, etal(S)

Fed.
P.M.
Kizer, etal(S) U.S.

Future Acquis.
Sool Ltd., etal
021097

(Sool Ltd., etal)
(Felmont)
HBP
0474

Sool Ltd. Four Mile
etal
13740
HBP
0557843

Yates Pat., etal
9-1-93
77123
2800

Sool Ltd. Sool Ltd.
etal etal
HBP 3-1-85
0474 24495

U.S.

33

34

H.L.
Brown, Op.
E.C. George
Fed
1.3 Mil

1.2 Mil
+ FIB
H.L. Brown Oper.
Fed

W.L.
Beggs
(S)

H.L. Brown Operating L.L.C.
North Bluff Area
Roosevelt Co., New Mexico
Federal 28 Com. #3 Location
Federal 27-4 Location

Sool Ltd.
etal
13740

U.S.
J.D. Weaver(S)

1"=1,000' 5/05

EXHIBIT C

etal
U.S.
J.D.
Weavers

Brown
Fed

EXHIBIT E