



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

July 28, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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-5245

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 6, 2005 (**administrative application reference No. pSEM0-518828400**) 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, 10769, and 10900: 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 "27" Well No. 4 to be drilled 2415 feet from the South line and 287 feet from the West line (Unit L) of Section 27, Township 7 South, Range 37 East, NMPM, Undesignated North Bluit Siluro-Devonian Pool (**6910**), Roosevelt County, New Mexico.

The N/2 SW/4 (Units K and L) of Section 27 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 for both topographical and geological reasons. This well will also serve as a replacement well to HLB's earlier Federal "27" Com. Well No. 2 (**API No. 30-041-20871**), drilled at an unorthodox oil well location within this 80-acre unit 2590 feet from the South line and 330 feet from the West line (also in Unit L) of Section 27; which well was the subject of Division Orders No. R-9935, issued in Case No. 10769, and R-9935-A, issued in Case No. 10900.

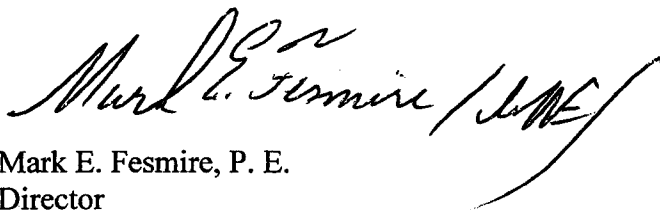
July 28, 2005

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,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire / MEF". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs
U. S. Bureau of Land Management – Roswell
File: Case No. 9270
Case No. 10769
Case No. 10900