

DATE IN 9/2/09	SUSPENSE	ENGINEER Branks	LOGGED IN 9/2/09	TYPE NSL	PTGW APP NO. 0924532782
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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



High Plains Operating
Ojo Encino 21 Fed #14
30-031-21107
(246238)

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 _____
- [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.

Arthur W. Butler III
Print or Type Name

Arthur W. Butler III
Signature

Manager, High Plains Operating Company, LLC
Title

7/31/2009
Date

bbutler@highplainsop.com
e-mail Address

Friday, July 31, 2009

HIGH PLAINS
OPERATING COMPANY, LLC

David Brooks
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

**Re: Ojo Encino Entrada Pool—Application for Administrative Approval for
“Unorthodox Location” for directionally drilling the Entrada in the Ojo Encino 21
Federal #1H wellbore**

Dear David:

High Plains Operating Company (HPOC) does hereby apply for administrative approval pursuant to subsection B (3) of NMAC 19.15.3.111 and subsection F of NMAC 19.15.3.104 to drill an “Unorthodox Location” in its proposed Ojo Encino 21 Federal #1H directionally drilled well in the currently abandoned Ojo Encino Entrada pool. HPOC plans a surface location 2,537' FSL & 2,523' FWL (Unit K) of section 21-T20N-R5W, McKinley County, New Mexico. We propose to drill to the south-southeast and plan to penetrate the Entrada reservoir at a point 1,825' FSL and 2,598' FWL of section 21. From this point, we plan to construct a lateral near the top of the Entrada reservoir to a point 332' FSL and 2,331' FEL of section 21—a total planned lateral in the Entrada of 1,534'. See the accompanying C-102.

An unorthodox location is required as the proposed lateral will be closer than the minimum setback requirements to the outer boundaries of the proposed horizontal project area. Our proposed lateral encroaches on Unit N (SE/SW) of section 21. The map on the next page shows the proposed “project area/spacing unit” for HPOC's proposed directionally drilled Ojo Encino 21 Federal #1H well along with all wells in the area. HPOC is the 100% owner of the interest in section 21 of Federal lease NM|NM 113426, which is shown in yellow on this map. Ownership is the same for this entire lease, which covers the west half and west half of the east half of this section—a total of 480 acres.

HPOC has carefully studied the 3D seismic available over the project area and has interpreted the producing Entrada dune reservoir to lie in a north-northwest to south-southeast direction. The outline of the interpreted dune is shown on the next page. Due to the large water interval below the relatively thin oil pay in the field, reservoir modeling indicates two distinct benefits of a directionally drilled maximum reservoir contact lateral near the top of the oil reservoir:

1. Water coning is significantly reduced. Oil as a percentage of total fluid produced should be higher.
2. Additional reserves recovered—perhaps as much as 50% additional oil from a single horizontal lateral versus a single vertical wellbore.

So, to conserve waste and maximize recovery from the Ojo Encino Entrada pool, HPOC does respectfully request that administrative approval be granted for an “Unorthodox Location” for its Ojo Encino 21 Federal #1H well.

Please direct any questions to me at the contact points below.

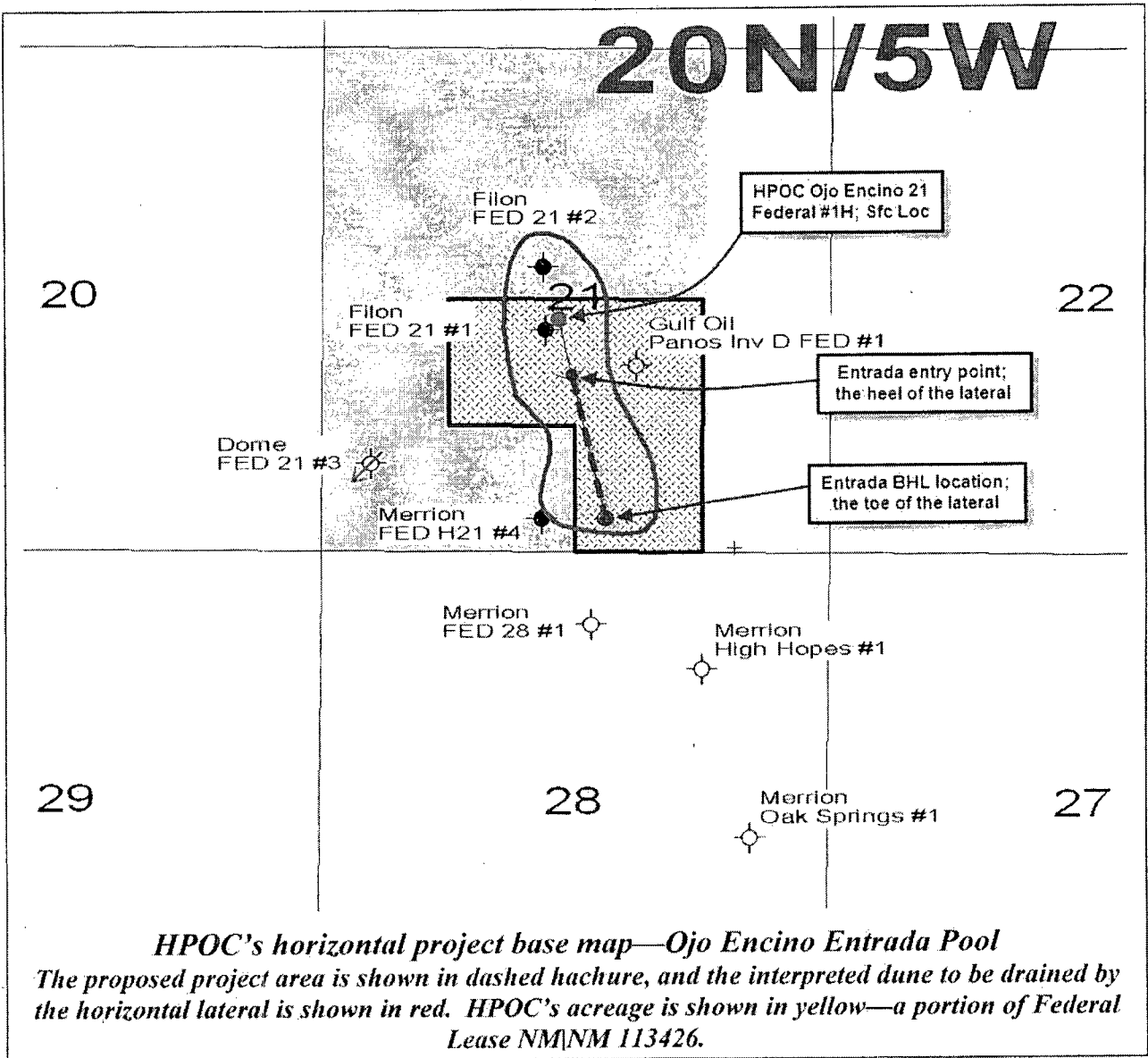
Yours truly,



Arthur W. (Butch) Butler III
Manager—High Plains Operating Company, LLC

32700 ASPEN DRIVE
BUENA VISTA, CO 81211

719-395-8059 (LAND)
719-207-0164 (CELL)



DISTRICT I
1825 N. French Dr., Hobbs, N.M. 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised October 12, 2005

DISTRICT II
1301 W. Grand Avenue, Artesia, N.M. 88210

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

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87506

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number		*Pool Code 48030	*Pool Name OJO ENCINO ENTRADA
*Property Code 37743	*Property Name OJO ENCINO 21 FEDERAL		*Well Number 1 H
*UGRID No. 246238	*Operator Name HIGH PLAINS OPERATING COMPANY, LLC		*Elevation 6792'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	21	20N	5W		2537'	SOUTH	2523'	WEST	McKINLEY

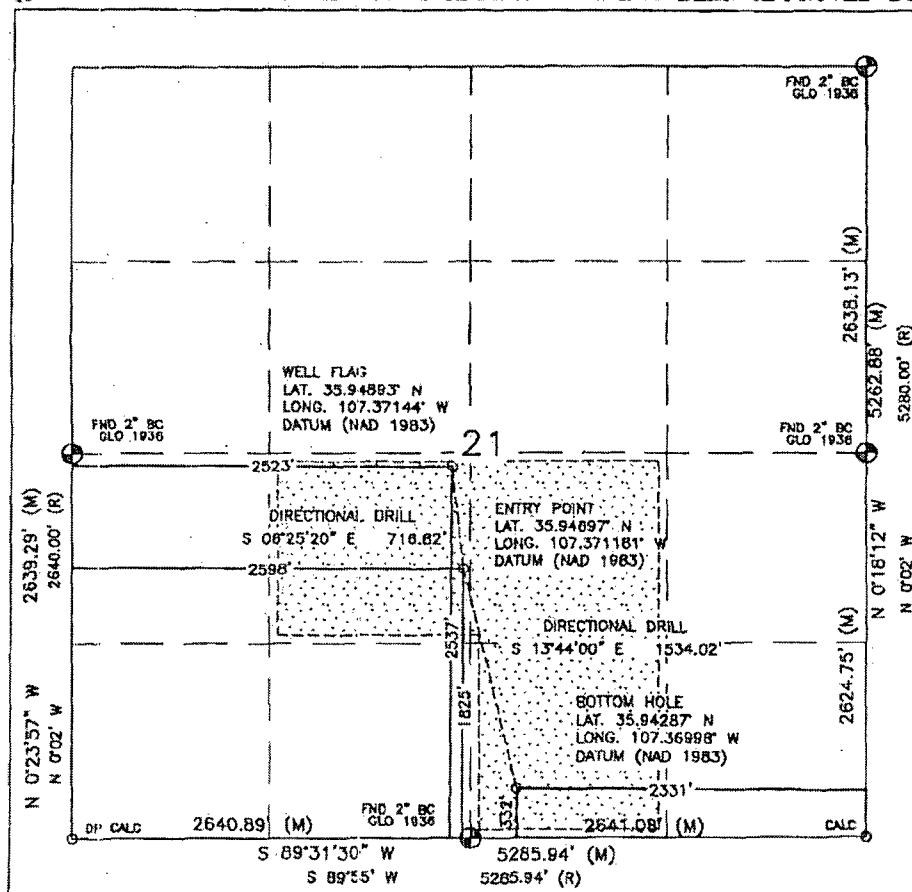
¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	21	20N	5W		332'	SOUTH	2331'	EAST	McKINLEY

¹² Dedicated Acres 120.00 ACRES	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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

16



¹⁷ OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or leased mineral interest in the land including the proposed bottom hole location or has a right to drill at this location pursuant to a contract with an owner or a compulsory pooling order heretofore entered by the division.

Signature _____ Date _____

Printed Name _____

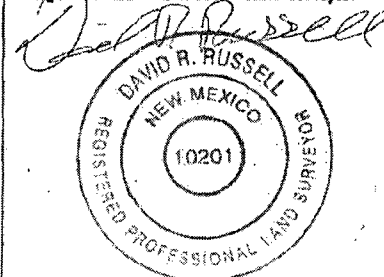
¹⁸ SURVEYOR CERTIFICATION

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.

JUNE 26, 2009

Date of Survey

Signature and Seal of Professional Surveyor:



DAVID RUSSELL

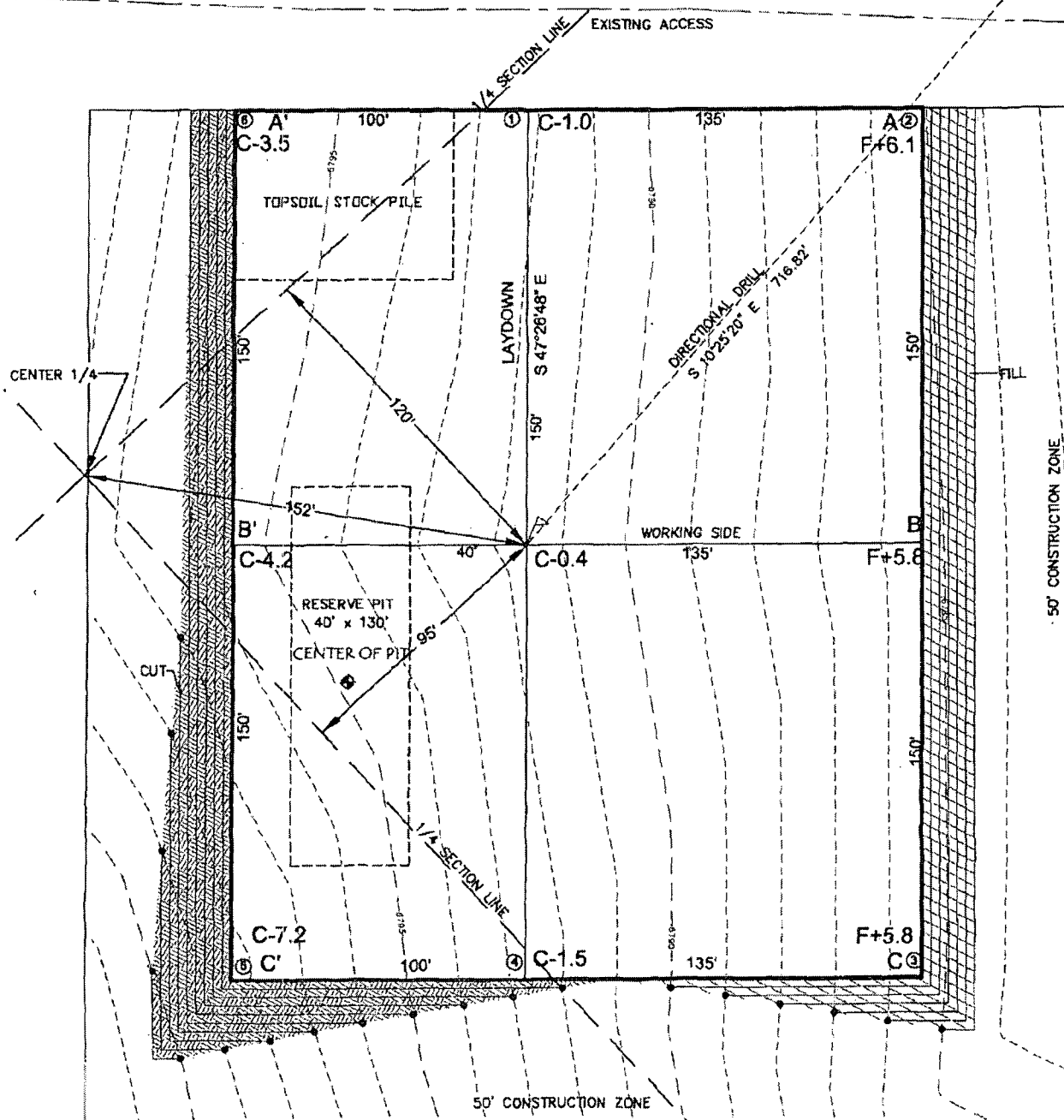
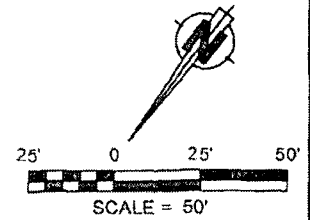
Certificate Number 10201

WELL FLAG

LATITUDE: 36.94893° N
 LONGITUDE: 107.37144° W
 DATUM: NAD 83
CENTER OF PIT
 LATITUDE: 35.94915° N
 LONGITUDE: 107.37139° W
 ELEVATION: 6779.2'
 NAD83 & NAVD88

HIGH PLAINS OPERATING COMPANY, LLC

OJO ENCINO 21 FEDERAL #1 H
 2537' FSL & 2523' FWL
 LOCATED IN THE NE/4 SW/4 OF SECTION 21,
 T20N, R5W, N.M.P.M.,
 MCKINLEY COUNTY, NEW MEXICO
 GROUND ELEVATION: 6792', NAVD 88
 FINISHED PAD ELEVATION: 6791.2', NAVD 88



1 FOOT CONTOUR INTERVAL SHOWN

SCALE: 1" = 50'

JOB No.: HPOC001

DATE: 07/01/09

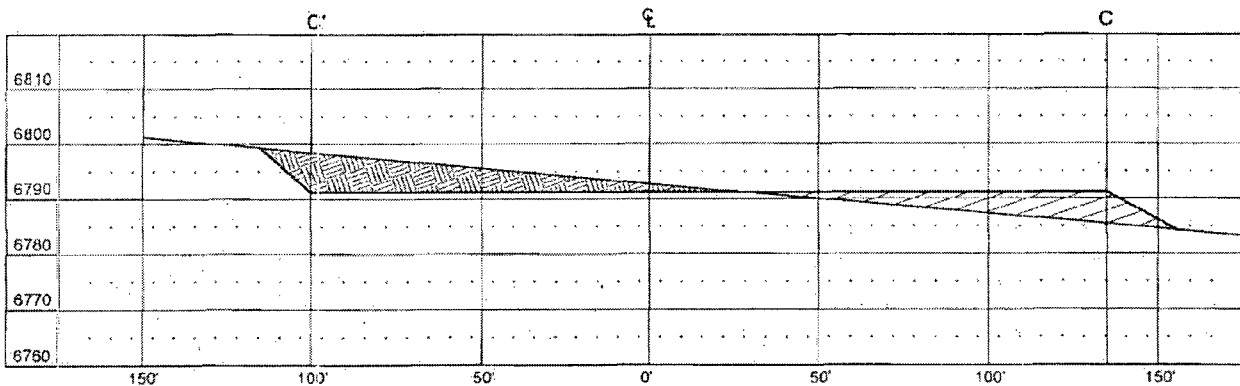
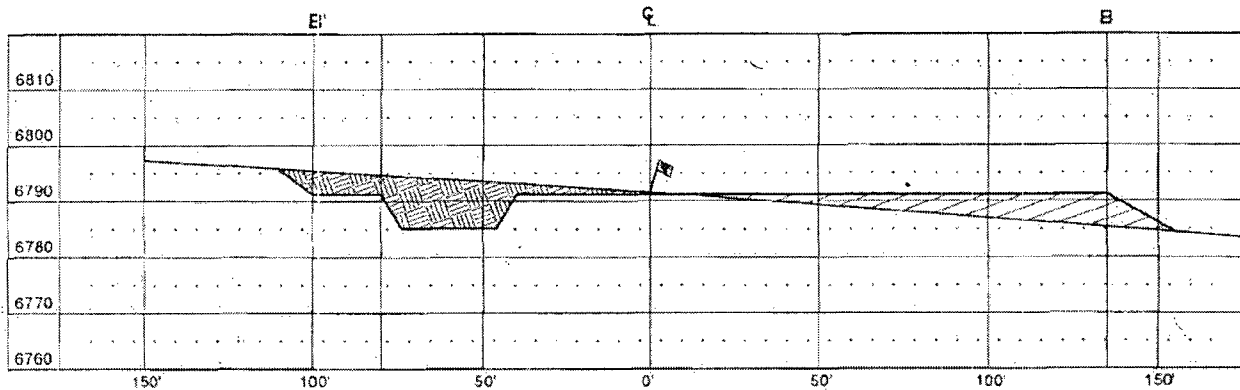
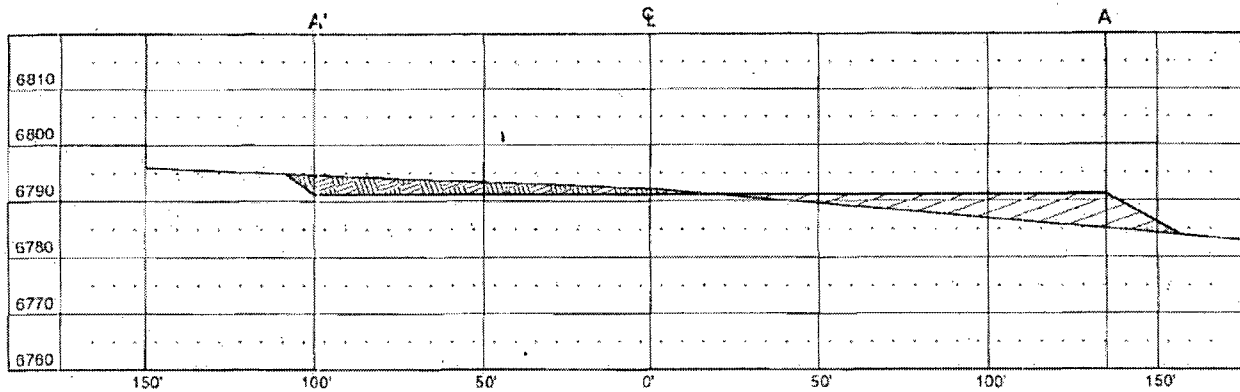
DRAWN BY: TWT



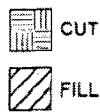
Russell Surveying
 1409 W. Aztec Blvd. #2
 Aztec, New Mexico 87410
 (505) 334-8637

HIGH PLAINS OPERATING COMPANY, LLC

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 2537' FSL & 2523' FWL
 LOCATED IN THE NE/4 SW/4 OF SECTION 21,
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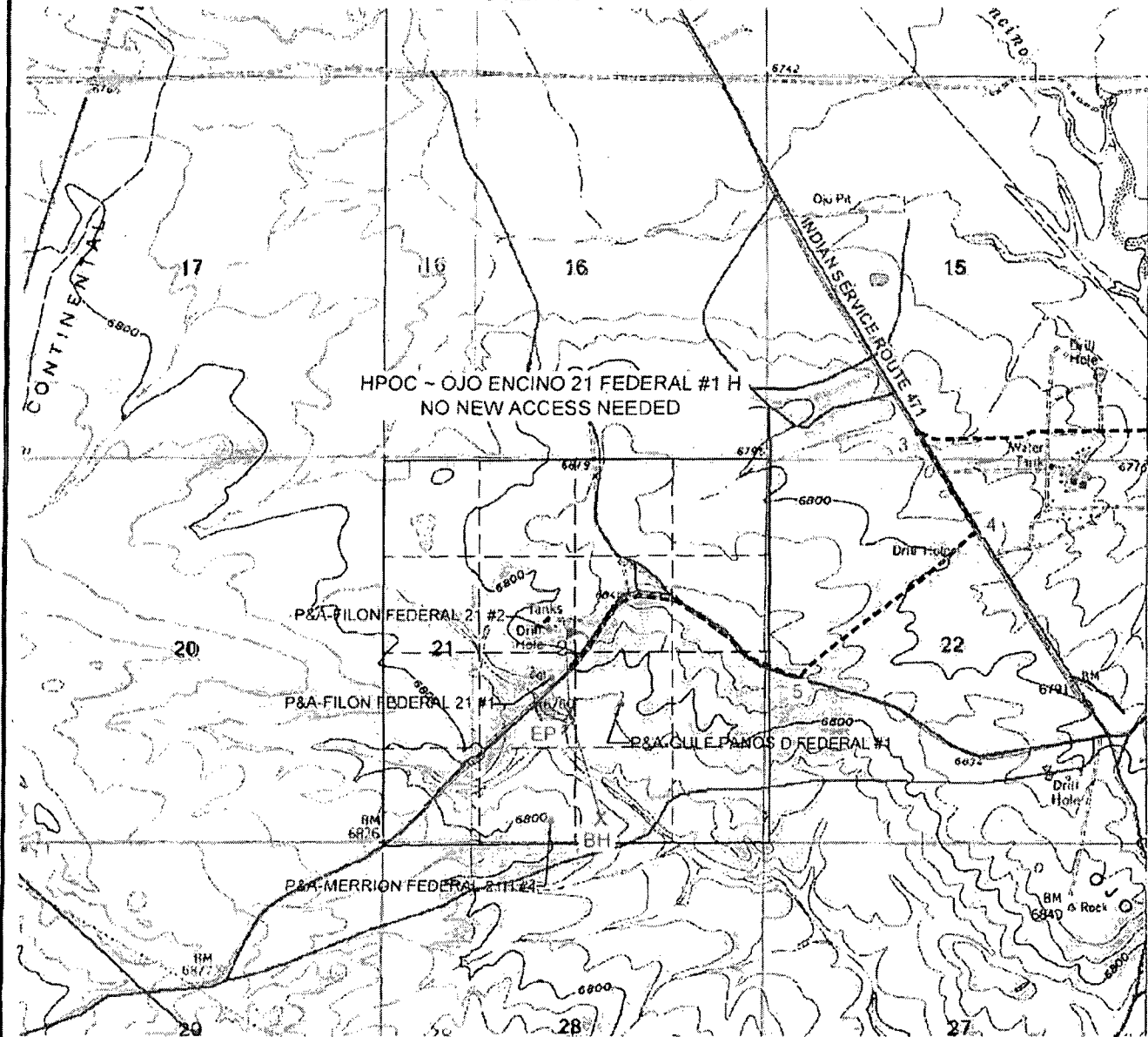
VERT. SCALE: 1" = 30'
 HORZ. SCALE: 1" = 50'
 JOB No.: HPOC001
 DATE: 07/01/09



Russell Surveying
 1409 W. Aztec Blvd. #2
 Aztec, New Mexico 87410
 (505) 334-8637

HIGH PLAINS OPERATING COMPANY, LLC

OJO ENCINO 21 FEDERAL #1 H
2537' FSL & 2523' FWL
LOCATED IN THE NE/4 SW/4 OF SECTION 21,
T20N, R5W, N.M.P.M.,
MCKINLEY COUNTY, NEW MEXICO
GROUND ELEVATION: 6792', NAVD 88
NO NEW ACCESS NEEDED



- 1) IN CUBA, NM., FROM THE INTERSECTION OF HWY 550 & HWY 197, TRAVEL WEST ON HWY 197 FOR 15.3 MILES TO THE OJO ENCINO SCHOOL ROAD (PAVED ROAD).
- 2) TURN RIGHT (WEST) ON OJO ENCINO SCHOOL ROAD AND TRAVEL FOR 13 MILES TO WHERE THE ROAD CURVES FROM DUE WEST TO DUE NORTH.
- 3) TURN LEFT, AT THE REC CENTER, ONTO DIRT ROAD AND GO 0.2 MILES.
- 4) TURN RIGHT AND GO 0.7 MILES.
- 5) TURN RIGHT, OVER CATTLE GUARD AND GO 0.7 MILES TO PROPOSED WELL PAD.

WELL FLAG LOCATED AT LAT. 36.94893° N, LONG. 107.37144° W (NAD 83)

U.S.G.S. QUAD: OJO ENCINO MESA
SCALE: 1" = 2000' (1:24,000)
JOB No.: HPOC001
DATE: 07/01/09

NEW OR RECONSTRUCTED ROADS MUST MEET
SMA DESIGN STANDARDS
INSTALL CULVERTS AS NEEDED



Russell Surveying
1409 W. Aztec Blvd. #2
Aztec, New Mexico 87410
(505) 334-8637

Brooks, David K., EMNRD

From: Butch Butler [butch.b53@mccoymail.net]
Sent: Wednesday, September 02, 2009 6:32 AM
To: Brooks, David K., EMNRD
Cc: rmrlk@highplainsop.com
Subject: RE: Ojo Encino 21 Fed #1H; NSL Application
Attachments: HPOC_OE21Fed#1H_NSL ltr to NM OCD Engineering-SCAN.pdf

David: We are putting together the lease option and waiver from Pintado (the "Grantor"). Our lease option will cover the west half of the northeast quarter of section 28.

Will this language work for the State for the waiver part of the doc?

With execution of this document, in addition to the option granted hereunder, Grantor provides Grantee a Waiver of Encroachment on Lease NMNM 113426, INsofar AND ONLY INsofar as Waiver covers the East half of the Northwest quarter and the Northeast quarter of Section 28, Township 20 North, Range 5 West, McKinley County, New Mexico ("Encroached Lands"). This waiver shall exist whether Grantor exercises its lease option or not. The waiver will allow Grantor to drill its directional lateral in the Entrada reservoir on the Ojo Encino Lease or the option lease closer to the spacing unit boundary on Encroached Lands than the standard state setback for oil wells at this depth, being 330'.

Please let me know your thoughts at your earliest convenience.

Thanks David,

b

PS-I have attached our original NSL application, FYI.

At 09:50 AM 8/24/2009, you wrote:

Dear Mr. Butler

OCD would probably approve a requested non-standard location if all affected offsetting owners executed waivers.

Sincerely

David K. Brooks
Legal Examiner
505-476-3450

-----Original Message-----

From: Butch Butler [mailto:butch.b53@mccoymail.net]
Sent: Saturday, August 22, 2009 5:07 AM
To: Brooks, David K., EMNRD
Cc: rmrlk@highplainsop.com
Subject: Re: Ojo Encino 21 Fed #1H; NSL Application

David: Another thought. We do know the owners in section 28 -- we

purchased our lease in section 21 from them. If we have their permission, can we drill right up to the lease line? The interests in section 21 & section 28 are all part of a larger BLM lease, i.e. the royalty owners are the same. Assume we'd need BLM permission as well.
b

At 01:44 PM 8/21/2009, you wrote:

>Dear Mr. Butler

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>An examination of the application submitted for this well indicates

>that the terminus (bottom hole location) encroaches diagonally

>toward the unit to the southwest, presumably the NW/4 NE/4 of

>Section 28. We consider a location as encroaching toward a unit

>that adjoins the subject unit at a point if the location is closer

>to the common point that the nearest standard location would be.

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>Accordingly, unless ownership is also identical for the NW/4 NE/4 of

>Section 28, you will need to provide notice to the operator or

>owners of that tract. Alternatively, a very minor change of the

>proposed bottom-hole location would eliminate the encroachment.

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>Sincerely

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>David K. Brooks

>Legal Examiner

>505-476-3450

>

+++++

Butch Butler -- Manager

HPOC (High Plains Operating Company, LLC)

32700 Aspen Drive

Buena Vista, CO 81211-9620

Ph: 719-395-8059

Fax: 719-395-8093

Cell: 719-207-0164

E-mail: bbutler@highplainsop.com

+++++

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HPOC (High Plains Operating Company, LLC)
32700 Aspen Drive
Buena Vista, CO 81211-9620
Ph: 719-395-8059
Fax: 719-395-8093
Cell: 719-207-0164
E-mail: bbutler@highplainsop.com

Brooks, David K., EMNRD

To: Butch Butler
Subject: RE: Ojo Encino 21 Fed #1H; NSL Application

Dear Mr. Butler

As regards the suggested language of the waiver, it would be helpful for us if the waiver document referred to the lands in question (both the lands through which you are drilling and the offsetting land that the waiving party owns) by Section number, etc.

Thanks

David K. Brooks
Legal Examiner
505-476-3450

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Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Wednesday, September 02, 2009 8:55 AM
To: 'Butch Butler'
Subject: High Plainse Operating - Ojo Encino 21 Federal Well No. 1H

Dear Mr. Butler

We have this day received your amended application of a Non-Standard Location for the captioned well.

Accordingly, we are cancelling your original application regarding this well that was filed on August 3, 2009, and logged under Reference No. pTGW0921550772.

We will proceed with consideration of the amended application.

Sincerely

David K. Brooks
Legal Examiner
505-476-3450

Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Wednesday, September 02, 2009 11:02 AM
To: 'Butch Butler'
Subject: High Plains Operating - Ojo Encino 21 Fed #1H; NSL Application

Dear Mr. Butler

I have now examined your new application.

It seems that the location still encroaches toward the NE/4 NW/4 of Section 28, since the bottom hole location is only 453.5 feet from the common corner. That will not be a problem if you obtain a waiver from the owner of the NE/4 NW/4 of Section 28, but otherwise you will need to furnish proof of notice to that party.

Sincerely

David K. Brooks
Legal Examiner
505-476-3450

Brooks, David K., EMNRD

From: Butch Butler [butch.b53@mccoymail.net]
Sent: Wednesday, September 02, 2009 11:33 AM
To: Brooks, David K., EMNRD
Subject: Re: High Plains Operating - Ojo Encino 21 Fed #1H; NSL Application

David: I called and left a message. I just tried calling again and line was busy. This is not our new application. I was sending FYI, as you indicated you couldn't find the original I sent. I should have been more clear in my e-mail earlier this morning, which said, "PS-I have attached our original NSL application, FYI."

My apologies for any confusion. From what you said yesterday, it sounded like you don't want the new application until we have the executed waiver. I am also going to get the surveyor to draft a new C-102. At least that's what I'm thinking. Should we create a new C-102 for the new application?

Please call me at 719-395-8059 if you want to discuss.
b

At 11:02 AM 9/2/2009, you wrote:

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>David K. Brooks

>Legal Examiner

>505-476-3450

>

>

>

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>

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Butch Butler -- Manager

HPOC (High Plains Operating Company, LLC) 32700 Aspen Drive Buena Vista, CO 81211-9620

Ph: 719-395-8059

Fax: 719-395-8093

Cell: 719-207-0164

E-mail: bbutler@highplainscp.com

+++++

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Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Wednesday, September 02, 2009 11:42 AM
To: 'Butch Butler'
Subject: RE: High Plains Operating - Ojo Encino 21 Fed #1H; NSL Application

Dear Mr. Butler

Thank you for clarifying this matter.

Your original application, filed August 3, 2009, for NSL approval of the NSL for the Ojo Encino 21 Fed #1H remains closed. It was submitted without proof of notice to owners in Section 28, and that proof of notice was not supplied.

You may re-submit your original application with the required proof of notice (or waiver in lieu thereof), or you may submit a revise application. If you submit an application that requires notice to an offsetting operator or owner, you may submit that application with proof of notice to that operator or owner. If you subsequently obtain a waiver from the operator or owner, you may file a copy of the waiver with us, which will obviate the necessity that we wait 20 days to give the owner or operator opportunity to respond to your application.

I am hopeful that this letter clarifies the status of this matter.

Sincerely

David K. Brooks
Legal Examiner
505-476-3450

-----Original Message-----

From: Butch Butler [mailto:butch.b53@mccoymail.net]
Sent: Wednesday, September 02, 2009 11:33 AM
To: Brooks, David K., EMNRD
Subject: Re: High Plains Operating - Ojo Encino 21 Fed #1H; NSL Application

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>505-476-3450
>
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>

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Butch Butler -- Manager
HPOC (High Plains Operating Company, LLC) 32700 Aspen Drive Buena Vista, CO 81211-9620
Ph: 719-395-8059
Fax: 719-395-8093
Cell: 719-207-0164
E-mail: bbutler@highplainsop.com
++++

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DATE IN 9/9/09	SUSPENSE	ENGINEER Brooks	LOGGED IN 9/2/09	TYPE NSL	PP NO. P.TGW 09245-32782
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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



Amended

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 _____
- [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.

Arthur W. Butler III		Manager, High Plains Operating Company, LLC	9/8/2009
Print or Type Name	Signature	Title	Date
		bbutler@highplainsop.com	
		e-mail Address	

Tuesday, September 8, 2009

David Brooks
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

***Re: Ojo Encino Entrada Pool—Application for Administrative Approval for
“Unorthodox Location” for directionally drilling the Entrada Sandstone in the Ojo
Encino 21 Federal #1H wellbore***

Dear David:

High Plains Operating Company (HPOC) does hereby apply for administrative approval pursuant to subsection B (3) of NMAC 19.15.3.111 and subsection F of NMAC 19.15.3.104 to drill an “Unorthodox Location” in its proposed Ojo Encino 21 Federal #1H directionally drilled well in the currently abandoned Ojo Encino Entrada pool. HPOC plans a surface location 2,537' FSL & 2,523' FWL (Unit K) of section 21-T20N-R5W, McKinley County, New Mexico. We propose to drill to the south-southeast and plan to penetrate the Entrada reservoir at a point 2,019' FSL and 2,540' FWL (Unit K) of section 21. From this point, assuming the geologic/reservoir conditions encountered, operational circumstances and the stability of the wellbore allow, we plan to construct a lateral near the top of the Entrada reservoir to a point 1,155' FNL and 2,010' FEL (Unit B) of section 28—a total planned lateral in the Entrada of 3,164'. See the accompanying C-102.

An unorthodox location is required as the surface location is non-standard and the proposed lateral will be closer than the minimum setback requirements to the outer boundaries of the proposed horizontal project area. Our proposed lateral encroaches on Unit N (SE/SW) of section 21 and Unit G (SW/NE) of section 28. The map on the next page shows the proposed “project area/spacing unit” for HPOC's proposed directionally drilled Ojo Encino 21 Federal #1H well along with all wells in the area. HPOC is the 100% owner of the interest in section 21 of Federal lease NM|NM 113426, which is shown in yellow on this map. Ownership is the same for this entire lease, which covers the west half and west half of the east half of this section—a total of 480 acres. Pintado Oil & Gas, LLC is the owner of Federal lease NM|NM 113426 in section 28 covering the northeast quarter and the east half of the northwest quarter. Pintado has provided HPOC an option on their leases in the west half of the northeast quarter should we successfully drill into these lands in section 28. In addition, regardless of the actual drilling results, Pintado has granted a waiver for HPOC to encroach on any of the Pintado leases in section 28. See accompanying executed “Waiver of Encroachment.”

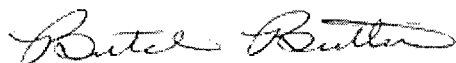
HPOC has carefully studied the 3D seismic available over the project area and has interpreted the producing Entrada dune reservoir to lie in a north-northwest to south-southeast direction. The outline of the interpreted dune is shown on the next page. Due to the large water interval below the relatively thin oil pay in the field, reservoir modeling indicates two distinct benefits of a directionally drilled maximum reservoir contact lateral near the top of the oil reservoir:

1. Water coning is significantly reduced. Oil as a percentage of total fluid produced should be higher.
2. Additional reserves recovered—perhaps as much as 50% additional oil from a single horizontal lateral versus a single vertical wellbore.

So, to conserve waste and maximize recovery from the Ojo Encino Entrada pool, HPOC does respectfully request that administrative approval be granted for an “Unorthodox Location” for its Ojo Encino 21 Federal #1H well.

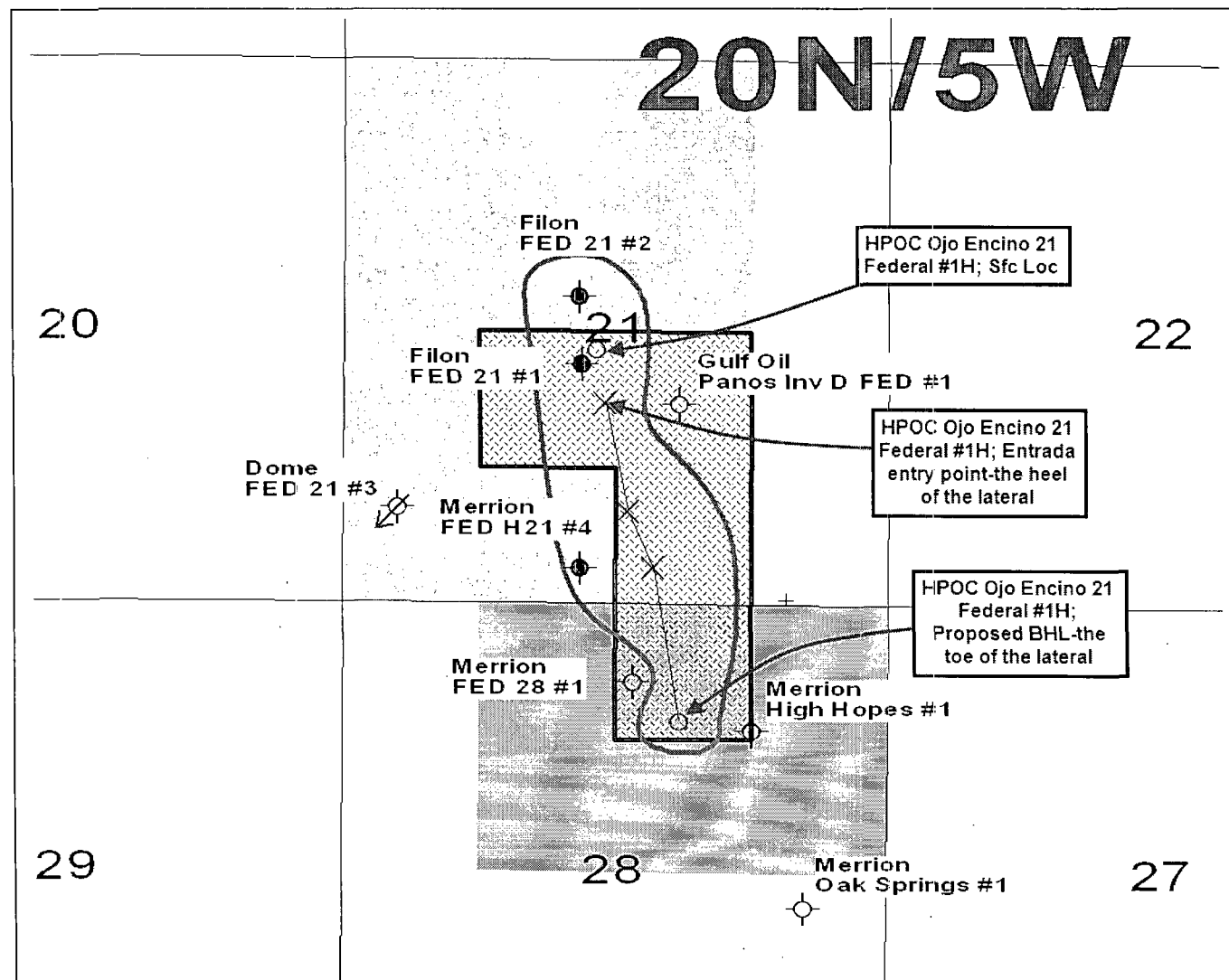
Please direct any questions to me at the contact points below.

Yours truly,



Arthur W. (Butch) Butler III

Manager—High Plains Operating Company, LLC



HPOC's horizontal project base map—Ojo Encino Entrada Pool

The proposed project area is shown in dashed hachure, and the interpreted dune to be drained by the horizontal lateral is shown in red. HPOC's acreage position in section 21 is shown in yellow—a portion of Federal Lease NM\NM 113426. HPOC's option acreage from Pintado Oil & Gas, LLC in the west half of the northeast quarter of section 28 is shown in cyan. In addition to the option, HPOC has obtained a "Waiver of Encroachment" from Pintado on all their leases in section 28, being the northeast quarter of section 28 and the east half of the northwest quarter of section 28, shown in cyan & red. These leases are also a part of Federal Lease NM\NM 113426.

DISTRICT I
1826 N. French Dr., Hobbs, N.M. 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised October 12, 2005

DISTRICT II
1301 W. Grand Avenue, Artesia, N.M. 86210

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

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code 48030	³ Pool Name OJO ENCINO ENTRADA
⁴ Property Code 37743	⁵ Property Name OJO ENCINO 21 FEDERAL	⁶ Well Number 1 H
⁷ GRID No. 246238	⁸ Operator Name HIGH PLAINS OPERATING COMPANY, LLC	⁹ Elevation 6792'

¹⁰ Surface Location

UL or lot no. K	Section 21	Township 20N	Range 5W	Lot Idn	Feet from the 2537'	North/South line SOUTH	Feet from the 2523'	East/West line WEST	County McKINLEY
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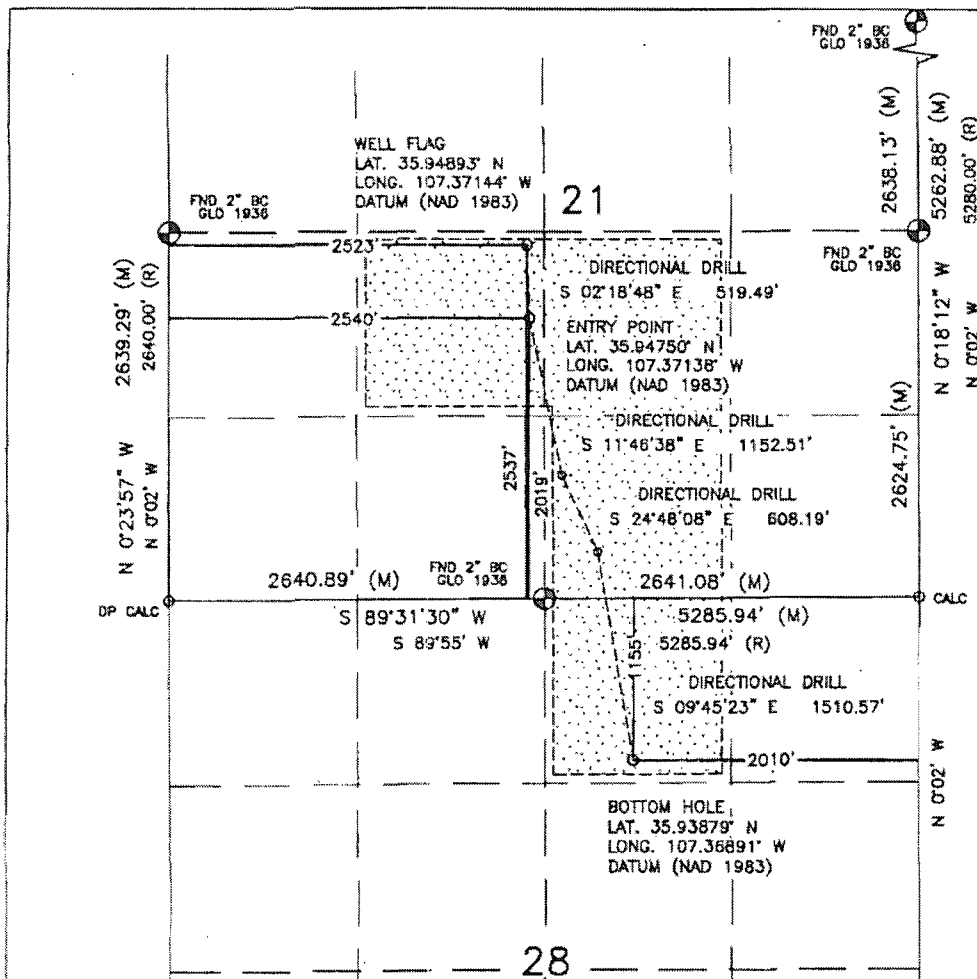
¹¹ Bottom Hole Location If Different From Surface

UL or lot no. B	Section 28	Township 20N	Range 5W	Lot Idn	Feet from the 1155'	North/South line NORTH	Feet from the 2010'	East/West line EAST	County McKINLEY
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¹² Dedicated Acres 160.00 ACRES	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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

16



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner or a compulsory pooling order heretofore entered by the division.

Arthur W. Butler 9/9/09
Signature Date

Arthur W. Butler-Manager

Printed Name

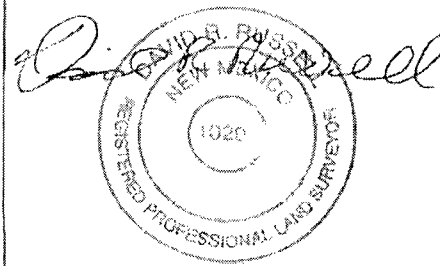
18 SURVEYOR CERTIFICATION

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.

JUNE 26, 2009

Date of Survey

Signature and Seal of Professional Surveyor:



DAVID RUSSELL

Certificate Number

10201

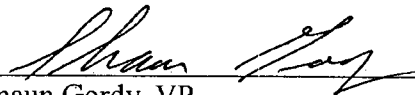
**WAIVER OF ENCROACHMENT FOR HPOC'S OJO ENCINO 21
FEDERAL #1H WELL**

High Plains Operating Company, LLC (HPOC) plans to drill its Ojo Encino 21 Federal #1H directional well with a surface location in the NE/SW of section 21-T20N-R5W. HPOC will drill to the south-southeast in the Entrada formation. Depending on the geologic/reservoir conditions encountered, operational circumstances and the stability of the wellbore, HPOC may terminate the lateral in the SW/SE of section 21, however the final location of the bottom hole may encroach on spacing units across the section line in section 28.

Another possibility is that the geologic/reservoir conditions encountered, operational circumstances and the stability of the wellbore allow HPOC to drill across the section line into the NW/NE of section 28-T20N-R5W. Under ideal conditions this lateral could traverse the NW/NE of section 28 and end in the SW/NE quarter of section 28. HPOC has secured an option to purchase the west half of the northeast quarter (80 acres) of section 28 from Pintado Oil & Gas, LLC should the directionally drilled lateral cross into section 28.

Regardless of the actual drilling situation that results, Pintado Oil & Gas, holder of Federal lease NMNM 113426 covering the northeast quarter and the east half of the northwest quarter of section 28-T20N-R5W, does hereby grant a waiver to HPOC to encroach on any of the described lands controlled by Pintado in section 28.

PINTADO OIL & GAS, L.L.C.


Shaun Gordy, VP
Pintado Oil & Gas, LLC
100 Waugh, Suite 400
Houston, Texas 77007
Phone: 713-333-6527

Date: 9-4-09