

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



July 28, 2008
Administrative Order NSL-5887

High Plains Operating Company, LLC
Attention Mr. Butch Butler III
32700 Aspen Drive
Buena Vista, CO 81211

RCVD AUG 6 '08
OIL CONS. DIV.
DIST. 3

RE: High Plans' NSL Application: Eagle Springs 8 Federal Well No. 1H

API No. 30-043-20949
263' FNL, 2545' FEL, Unit B (Surface Location)
535' FNL, 2635' FEL, Unit B (Entrada Penetration)
1600' FNL, 2240' FWL, Unit F (Bottom Hole Location)
Section 8, T19N, R4W, NMPM, Sandoval County, NM
120 Acre Oil Spacing Unit
Southeast Arena Blanca Entrada Pool (96899)

Dear Mr. Butler;

Reference is made to the following:

(a) High Plains Operating Company, LLC ("High Plans") application for a non-standard oil well location (***administrative application reference No. PKVR0819652801***) for the subject well that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on July 14, 2008; and

(b) the Division's records pertinent to High Plans' request.

High Plans has requested authority to re-enter an existing saltwater disposal well and drill a non-standard lateral well in order to capture oil reserves from the Entrada Formation. Units B, C and F of Section 8 are to be dedicated to the well forming a 120-acre oil spacing and proration unit in the Southeast Arena Blanca Entrada Pool (96899). The Blanca Entrada Pool is currently governed by Division Rule 19.15.3.104.B(1).



The original Entrada discovery well was drilled by Penwell Energy in 1999. Well was later sold to Synergy Operating who then sold the well to High Plains in 2007. The Oil Conservation Division issued High Plains SWD-1103 in October 2007.

It is our understanding that notice of this application to offsetting operators or owners is unnecessary because working interest ownership is 100% High Plains between the subject unit and the offsetting unit towards which this location will encroach.

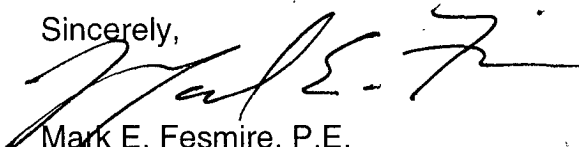
'High Plains' evidence demonstrates that the proposed non-standard well location is necessitated by topographic considerations within Section 8.

Pursuant to the authority granted under the provisions of Division Rule 104.F(2), the above-described unorthodox oil well location in the Southeast Arena Blanca Entrada Pool is hereby approved.

Please remember that the Oil Conservation Division may deny APDs and must deny requests for allowables and authority to transport to operators who are in violation of 19.15.1.40 NMAC (Rule 40). An operator is in violation of Rule 40 if it is out of compliance with OCD's financial assurance requirements, is in violation of an order requiring corrective action, has an unpaid penalty assessment which is more than 70 days old, or has more than a certain number of wells out of compliance with the inactive well rule (19.15.4.201 NMAC).

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/tw

cc: New Mexico Oil Conservation Division – Aztec
Bureau of Land Management - Farmington