



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.

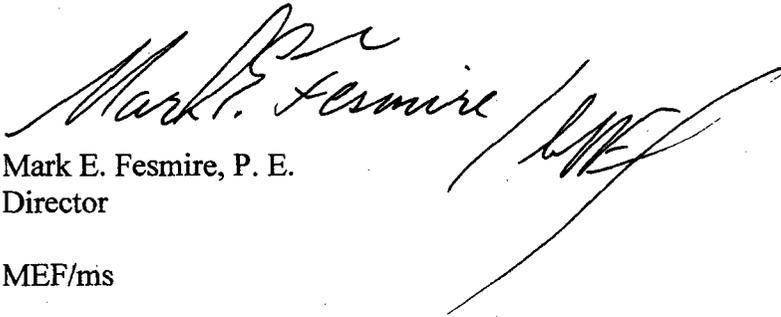
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By the authority granted me under the provisions of the applicable rules governing the North Bluit Siluro-Devonian Pool and Division Rule 104.F (2), the above-described unorthodox oil well location is hereby approved.

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 cursive script, reading "Mark E. Fesmire". To the right of the signature is a large, stylized flourish or scribble that appears to be the initials "MEF".

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