



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

August 19, 2004

Bill L. Miller

P.O. Box 3396

Evergreen, CO 80437

Attn: Mr. Bill L. Miller or To Whom It May Concern

RE: Shut in Order for the Brown State Well # 2, located in Unit L, 1650' FSL 990' FWL, of Section 3 in Township 17 South, Range 29 East in Eddy County, New Mexico. API # 30-015-29214

Dear Mr. Miller or to Whom It may Concern

Concerning the above referenced well, the New Mexico Oil Conservation Division (NMOCD) has yet to receive the following regulatory information that we discussed today on August 19, 2004. As discussed, please submit the required information or plan to shut said well in by August 27, 2004.

- All electric logs ran on well
- Notarized well deviation report.
- Completion report to be filled out on NMOCD form C-105, fill out information on back of report also.
- Sundry notices on NMOCD form C-103 describing in detail completion procedures after setting of production casing. (In your sundry report(s), please indicate how the top of cement was determined on the production string of casing. If a cement bond log was run, then please submit.)

Also go back on your C-103 dated 11/03/97 and describe the length of time cement was waited on for each string of casing. In addition, please include the casing pressure tests and the length of time each string of casing was pressure tested to.

- NMOCD form C-104 ("Request for Allowable and Authorization to Transport")

As discussed our web-site address is: <http://www.emnrd.state.nm.us/ocd>, so that you may become familiar with our current rules and regulations and access to our forms. Other valuable information on our web-site is also provided

Below is the following NMOCD rules that I myself am aware that your company is currently in violation of.

19.15.13.1103 SUNDRY
NOTICES AND REPORTS ON WELLS (Form
C-103):

Form C-103 is a dual purpose form to be filed with the appropriate district office of the division to obtain division approval prior to commencing certain operations and also to report various completed operations.

A. Form C-103 as a notice of intention

D. Report of results of test of casing and cement job; report of casing alteration: A report of casing and cement test shall be filed by the operator of the well within ten days following the setting of each string of casing or liner. Said report shall be filed in triplicate on form C-103 and shall present a detailed description of the test method employed and the results obtained by such test and any other pertinent information required by 19.15.1.107 NMAC. The report shall also indicate the top of the cement and the means by which such top was determined. It shall also indicate any changes from the casing program previously authorized for the well.

19.15.3.107 CASING AND
TUBING REQUIREMENTS:

I. All casing strings except conductor pipe shall be tested after cementing and before commencing any other operations on the well. Form C-103 shall be filed for each casing string reporting the grade and weight of pipe used. In the case of combination strings utilizing pipe of varied grades or weights, the footage of each grade and weight used shall be reported. The results of the casing test, including actual pressure held on pipe and the pressure drop observed shall also be reported on the same Form C-103.

19.15.3.111 DEVIATION
TESTS AND DIRECTIONAL WELLS:

(1) Deviation Tests Required. Any vertical or deviated well which is drilled or deepened shall be tested at reasonably frequent intervals to determine the deviation from the vertical. Such tests shall be made at least once each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests run, sworn to and notarized, shall be filed with Form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas.

Respectfully yours,

19.15.13.1104 REQUEST FOR
ALLOWABLE AND AUTHORIZATION TO
TRANSPORT OIL AND NATURAL GAS
(Form C-104):

A. Form C-104 completely filled out by the operator of the well must be filed in quintuplicate before an allowable will be assigned to any newly completed or recompleted well. (A recompleted well shall be considered one which has been deepened or plugged back to produce from a different pool than previously.) Form C-104 must be accompanied by a tabulation of all deviation tests taken on the well as provided by 19.15.3.111 NMAC.

B. The allowable assigned to an oil well shall be effective at 7:00 o'clock a.m. on the date of completion, provided the form C-104 is received by the division during the month of completion. Date of completion shall be that date when new oil is delivered into the stock tanks. Unless otherwise specified by special pool rules, the allowable assigned to a gas well shall be effective at 7:00 o'clock a.m. on the date of connection to a gas transportation facility, as evidenced by an affidavit of connection from the transporter to the division, or the date of receipt of form C-104 by the division, whichever date is later.

C. No allowable will be assigned to any well until a standard unit for the pool in which the well is completed has been dedicated by the operator, or a non-standard unit has been approved by the division, or a standard unit has been communitized or pooled and dedicated to the well.

D. No allowable will be assigned to any well until all forms and reports due have been received by the division and the well is otherwise in full compliance with these rules.

E. Form C-104 with sections I, II, III and VI, completely filled out shall be filed in quintuplicate by the operator of the well in the event there is a change of operator of any producing well, injection well or disposal well, a change in pool designation, lease name or well number, or any other pertinent change in condition of any such well. When filing form C-104 for change of operator, the new operator shall file the form in the above manner, and shall give the name and address of the previous as well as the present operator. The form C-104 will not be approved by the division unless the new operator has an approved bond in compliance with 19.15.3.101 NMAC.

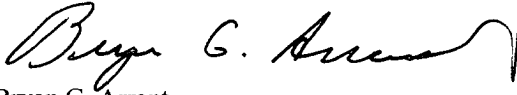
[1-1-65...2-1-96; A, 7-31-97; 19.15.13.1104 NMAC - Rn, 19 NMAC 15.M.1104, 06/30/04]

19.15.13.1105 WELL
COMPLETION OR RECOMPLETION
REPORT AND LOG (Form C-105):

A. Within 20 days following the completion or recompletion of any well, the operator shall file form C-105 with the division. It must be filed in quintuplicate and each copy accompanied by a summary of all special tests conducted on the well, including drill stem tests. In addition, one copy of all electrical and radio-activity logs run on the well must be filed with form C-105. If the form C-105 with attached log(s) and summaries is not received by the division within the specified 20-day period, the allowable for the well will be withheld until this rule has been complied with.

If you have nay questions regarding this matter, please call me.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Bryan G. Arrant". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Bryan G. Arrant
PES

Cc: Tim Gum- District Supervisor, Artesia
Well File