



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

NSL-5099

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

August 31, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Arch Petroleum, Inc.
c/o **James Bruce**
P. O. Box 1056
Santa Fe, New Mexico 87504

RE: Your two letters on behalf of Arch Petroleum, Inc. dated August 25, 2004, requesting: (i) that Division Administrative Order NSL-5099 be amended; and (ii) your application for a non-standard 160-acre Jalmat Gas spacing and proration unit and an unorthodox gas well location that was set for hearing on September 16, 2004 as Case No. 13343 also be amended to reflect a location change for the well that is the subject to both matters.

Dear Mr. Bruce:

By Division Administrative Order NSL-5099, dated August 20, 2004, Arch Petroleum, Inc. received authorization to drill its proposed Kelly State Well No. 5 at an unorthodox oil well location in the Langlie-Mattix (Seven Rivers-Queen-Grayburg) Pool (37240) 1310 feet from the South and West lines (Unit M) of Section 16, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico. The SW/4 SW/4 of Section 16 would be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit for the Langlie-Mattix Pool. Now, Arch Petroleum, Inc. through your letter dated August 25, 2004 is requesting that Division Administrative Order NSL-5099 be amended to show a new location for this well, 910 feet from the South line and 1230 feet from the West line (Unit M) of Section 16; a move that is 400 feet further south and 80 feet to the west from the original site and for no apparent reason. The Administrative order in question was approved for a specific location based on drainage issues.

In order to consider the move of this well in the Langlie-Mattix Pool and the amendment to the Jalmat issues all ready set for hearing: (i) Division Administrative Order NSL-5099 will be placed in abeyance until further notice; and (ii) Case No. 13343 will be continued and readvertised to the hearing scheduled for October 7, 2004. In order to further expatiate this matter I have prepared the following amended advertisement in this matter:

"Application of Arch Petroleum, Inc. for a non-standard gas spacing unit and an unorthodox gas well location in the Jalmat Gas Pool and an unorthodox Langlie-Mattix oil well location, Lea County, New Mexico. Applicant seeks to establish a non-standard 160-acre gas spacing unit within the Jalmat Gas Pool (79240) comprising the SW/4 of section 16, Township 23 South, Range 37 East, which is located approximately nine miles south of Eunice, New Mexico. This unit is to be dedicated to the Applicant's proposed Kelly State Well No. 5 to be drilled at an unorthodox gas well location 910 feet from the South line and 1230 feet from the West line (Unit M) of Section 16. Further, the proposed Kelly State Well No. 5 is also to be completed in the Langlie-Mattix (Seven Rivers-Queen-Grayburg) Pool (37240) within a standard 40-acre oil spacing and proration unit comprising the SW/4 SW/4 of section 16 at an unorthodox oil well therein."

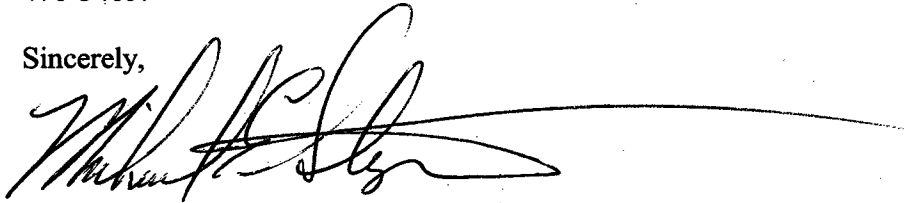
Arch Petroleum, Inc.

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Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 476-3465.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/ms

cc: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe
J. E. Gallegos, Legal Counsel for Fulfer Oil and Cattle Co., LLC – Santa Fe
Ms. Florene Davidson, Staff Specialist – NMOCD, Santa Fe
File: ~~NSL-5099~~