

Commissioners of the New Mexico Oil Conservation Division
1220 South S. Francis
Santa Fe, New Mexico

September 6, 2006

RE: Case No. 13274: September 21, 2006
Application of Arch Petroleum -
approval of two non-Standard Gas spacing
in the Jalmat Gas Pool.

Dear Sirs:

Thank you for your notice of the above meeting. I am still puzzled at Arch's actions concerning the above.

They not only drilled two wells into the Jalmat knowing full well that they did not own the Jalmat gas unit, but they also produced from the Jalmat knowing full well that the OCD had denied the above request, not once, but many times.

Then on October 18, 2005, we were sent division orders that listed the Resler B-#1 well using a property description of all of our property, "320 acres, M/L being S/2 of section 20 as to the Unitized Yates formation," as if it belonged to them. Even if the application were approved, they would never own the whole 320 acres. How can they do that?

We did *not* sign the division orders. We hired a lawyer, but the only negotiations that Arch seems to be interested in is buying all of our wells in our SW/4. We do *not* want to sell.

We have a dilemma, because we cannot sign the division orders as long as the property is listed as it is, but should they be producing anyway? Can the OCD do anything about this?

Buddy Westbrook, our operator, let David Rose know, in no uncertain terms, that the Yates/Jalmat Gas Unit was *not* included in his lease. He learned that Rose had deceived us enough that we included the NW/4 of our SW/4 at the signing of the lease for the SE/4 with Rose in August, 2003.

April 24, 2004, Dave Rose sent me a letter suggesting that he (Rose) be designated as operator of 160 acres of the Yates formation, again hoping to get me to turn over the rights of the Yates Unit to him. Buddy was furious and he informed Dave that, "We own a 320 acre proration unit, not 160 acres, and Westbrook Oil is the operator."

Buddy told me, "If Rose wants to do that, he had better pay us a whole bunch more money." I do not know what, "a whole bunch of money" would be, and Buddy died before anything could be worked out. At that point we still believed that Eagle-K Production Co. was to be the producing company, but Dave must have been working for Arch all along. Later we discovered that Arch was operating our lease.

Needless to say, the approval of the above application would be detrimental to us.

Thank you for your time,
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